



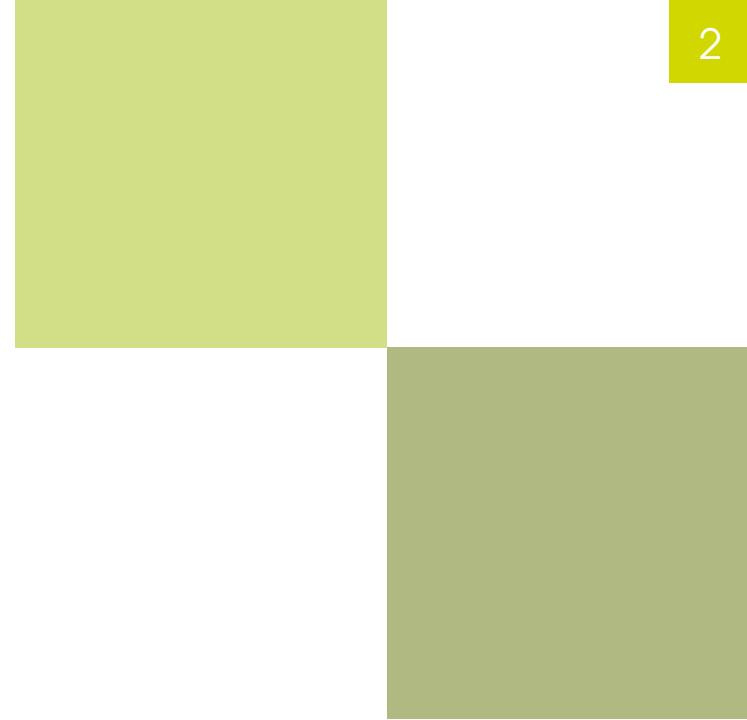
THE SW RURAL PRODUCTIVITY COMMISSION

Key Findings and Recommendations 2017

ACKNOWLEDGEMENTS

The South West Rural Productivity Commission would like to thank everybody that has made a contribution to this process including:

- The four LEPs for commissioning the project and supporting the process;
- The NFU, Kingston Maurward College, Lackham College, The Bath and West Showground and Royal Cornwall Showground for providing welcoming venues;
- All the witnesses who gave up their time and came forward to give evidence to the panel;
- All the contributors who submitted written evidence;
- Representatives from the LEPs, as well as a small number of expert witnesses, who we asked to 'sense check' different parts of the report; and
- The commissioners themselves who gave up their time for free to hear evidence and contribute to the development of recommendations.



The Rural Commission is an independent enquiry set up by four south west LEPs: Cornwall and the Isles of Scilly, Dorset, Heart of the South West and Swindon and Wiltshire, to gather evidence from stakeholders and explore the issues around rural productivity and growth. Evidence was gathered from written submission and at a specific evidence session in each county.

CONTENTS

Acknowledgements	2
Table of Contents	3
Foreword	4
Executive Summary	6
Introduction	9
The Scope of the Commission	
• Geography	10
• Defining Rural	11
Key Facts and Figures	12
The Need for ‘Sustainable, Inclusive Growth’	13
• Theme 1: Rural Identity and Sectors	15
• Theme 2: Small and Scale-Up Businesses	18
• Theme 3: Workforce and Skills	23
• Theme 4: Brexit	27
• Theme 5: Transport and Accessibility	32
• Theme 6: Broadband and Mobile Connectivity	35
• Theme 7: Housing, Planning, Communities and Workspace	38
• Theme 8: Natural and Cultural Heritage	42
• Theme 9: Geography, Hubs and Spheres of Influence	47
• Theme 10: Science, Technology, Energy and Innovation	51
Taking it Forward	
Strategic Recommendations	52



FOREWORD

The commission found huge potential for economic growth in our rural areas if key opportunities for this growth are seized and challenges addressed. We heard many reasons to be optimistic for the future of economies in rural areas, but also significant challenges that must be overcome for this future to be realised. I highlight here some important themes that emerged during our work.

Digital connectivity presents a 'game changing' opportunity which has the potential to re-structure economies in rural areas as well as improve productivity across all rural businesses. Investment in South Korean levels of connectivity over the next 10 years, combined with the area's outstanding natural environment and quality of life would draw both investment, visitors and talent from all over the world. However, without urgent action to tackle the digital divide, rural businesses and communities will become increasingly marginalised and left behind and the productivity gap will continue to widen.

In a similar vein, the growth of technologies, big data and technical applications are changing the way the world works globally. These technologies have the potential to create smart solutions to many of the challenges faced by rural businesses and communities and we believe the development of a 'Smart Rural Research Platform' on a regional scale, could create a critical mass of scientists, entrepreneurs and investment to facilitate these solutions, drive productivity improvements and create high quality jobs.

The Rural South West's hardworking and entrepreneurial culture coupled with its stunning natural environment provides a platform for the area to become a hothouse of enterprise, where the self-employed and small and micro businesses such as family farms, forest enterprises, the visitor



David Fursdon, Chair, South West Rural Productivity Commission

economy and small fishing businesses, together with many innovative new manufacturing and service industries are nurtured and supported to become more resilient and profitable. By helping them to work with each other to succeed we will directly address income inequality in areas with high levels of self-employment.

Our agri-food economy was highlighted as an existing strength that spans the agri-food-tourism sector and has strong local economic multipliers. As such, the opportunities to build on our high quality produce, innovative producers and distinctive local brands to create a globally recognised proposition, as THE place to start and grow a food business is significant and a real opportunity for growth.

However, as well as hearing many inspirational ideas, we also heard genuine concerns that some rural communities are currently spiralling downwards in a vicious circle towards becoming 'fossilised retirement villages'. Many contributors highlighted that the combination of housing affordability, planning restrictions, cost of living and an ageing demographic are causing young people to leave rural areas, which is in turn starving rural businesses of their potential workforce – resulting in stagnated growth, forced closure or forced relocation. This in turn reduces the opportunities for young people to work locally. It is our view that drastic action is

required by both LEPs and Government to tackle this vicious circle to ensure rural communities and businesses have a viable future and the detailed recommendations set out in this report will address many of these challenges.

We believe that a new, fundamentally different approach to economic growth is required in the South West to enable rural areas to achieve their full potential. The commission welcomes the findings of the RSA's Inclusive Growth Commission and agrees that a new model of economic growth is required that combines social and economic policy. But it is our view, that this model should be extended to include the natural environment, on which so much rural growth depends.

It is our view that local and national economic policy has repeatedly failed rural areas by implementing 'one size fits all' solutions, that fail to acknowledge the differences between urban and rural areas, particularly the most peripheral. As a result many policies and strategies leave rural communities disadvantaged. It is our view that Government must get serious about rural proofing so that it takes place across all Government departments and not be the preserve of DEFRA alone – reflecting the breadth of issues highlighted in this report.

Brexit has brought the question of rural growth to a critical juncture. We know that Brexit has the potential to shake the economy of rural areas to their very foundation – providing a much needed boost or sudden economic shock – particularly for the agri-food sector. A sudden economic shock in agriculture could lead to a mass exodus from farming, with massive implications for the wider economy and landscape.

Therefore now is the time for LEPs and Government to take action and reap the huge potential benefits of sustainable inclusive growth in our rural areas. I hope that, in so doing, they will pick up the recommendations in this report.

I am very grateful to all those contributors who provided so much helpful and constructive advice to us in our work. I am grateful too to my panel members who read so much background information and listened to so much oral evidence as well as working their way through so many drafts of this report.

David Fursdon, Chair, South West Rural Productivity Commission

EXECUTIVE SUMMARY

Introduction

The South West Rural Productivity Commission was established by four LEPs in the South West to explore and understand how the economy in rural areas of the South West is performing and identify opportunities to stimulate growth in rural areas.

The commission opened with a call for evidence, which was promoted by all four LEPs over a three month period and received 67 responses and over 200 items of evidence. This was supported by five panel sessions with one in every county covered by the commission, where we heard over 40 hours of testimony from a broad range of witnesses. This has been distilled into 10 key themes.

Key Findings

Economic Importance and productivity gap

Across our four LEP areas, rural local authority areas account for 58% of all economic output and 60% of all workforce jobs – rural areas are therefore hugely significant in this part of the world, much more so than England (excluding London), where only 22% of economic output is from rural areas. However, rural productivity (GVA/workforce job) is 8% lower than urban productivity in the four LEP areas and 10% lower than the average for rural areas in England. *Closing this productivity gap between rural and urban areas would secure an additional £3.9bn per annum or a 5% increase in output across the four LEP areas².*

Theme 1: Rural Identity and Sectors

'Agriculture, Forestry and Fishing', 'Food and Drink' and 'Tourism' are very important sectors in our rural areas, especially in 'deeply rural' areas. Given their importance, the low productivity challenges facing these sectors must be tackled to rebalance the economy.

Knowledge based businesses are starting to grow

and thrive on the back of improved connectivity and an outstanding natural environment, particularly in the creative and digital sectors. Hubs and inward investment were found to be useful tools in promoting this growth, alongside work to re-position the area in the eyes of the wider world.

Theme 2: Small and Scale-up Businesses

Our rural areas have a high proportion of self-employment, micro and small businesses and this pattern is more exaggerated in the more peripheral parts of the area. We found there are opportunities to support this group to become more resilient and profitable through low cost initiatives. Rural areas do have ambitious businesses that wish to grow, although there are less businesses that meet official 'scale-up' definitions and high quality support is needed to help these businesses overcome their barriers to growth.

Theme 3: Workforce and Skills

The availability of labour and skills was a significant challenge facing rural businesses. Underlying factors influencing this shortage included housing affordability, transport and an ageing population. Brexit also poses a significant challenge – particularly in the agri-food and tourism sectors. Attracting higher skilled individuals was a particular challenge influenced by the loss of younger people from the area to study, as well as a 'cul-de-sac' effect which prevents higher skilled people from re-locating to the area. For young people living in rural areas, poor transport accessibility limits choices and opportunities to access education, training and apprenticeships.

Theme 4: Brexit

Rural areas are expected to be disproportionately affected by Brexit, primarily as a result of the need to leave the 'Common Agricultural Policy' and develop a new UK agricultural policy and associated support mechanisms. This could be an

²See evidence report for underpinning statistics and calculations.

opportunity or a threat to the economy of rural areas, depending on how this policy is shaped. When combined with potential changes in trade, there is potential for massive economic shock, especially in the South West where many farmers are reliant on existing support mechanisms. Therefore action is needed now to manage this transition. More widely, Brexit will also have implications for labour availability, trade and funding for economic development.

Theme 5: Transport and Accessibility

We found a need to improve both the strategic transport network into the South West, as well as the need to improve the connectivity into the strategic network – especially for more peripheral parts of the area. Improving accessibility to rural employment, apprenticeship and education opportunities for young people was also a priority, as well as sustainable transport development. Smart solutions, such as the development of apps (e.g. Uber for lift sharing) offer significant potential to address the challenge of rural transport.

Theme 6: Broadband and Mobile Connectivity

Superfast broadband and mobile connectivity is below average for most rural authorities in the area. Digital connectivity was raised by every single contributor as one of the most important ways of improving productivity in rural areas, helping rural businesses to overcome challenges associated with peripherality and lack of agglomeration effects. It is the commission's view that improving digital connectivity has the potential to be a 'game changer', but if left unresolved will result in 'left behind' communities.

Theme 7: Housing, Planning, Communities and Workspace

The lack of affordable housing in rural areas is a significant factor limiting growth of rural businesses. The planning system was identified as a barrier to the development of dispersed, small scale developments across rural areas that would enable rural communities to continue to be viable. Similarly, multiple issues, including planning were identified as barriers to the development of commercial properties and workspace.

Rural services are under threat from funding reductions and the voluntary, community and social enterprise sector are increasingly stepping into this role.

Theme 8: Natural and Cultural Heritage

The South West has a bounty of natural and cultural assets that form the backdrop for both our economy and quality of life. These assets provide a wide range of services to our economy, from attracting visitors to supporting mental health. Therefore, these assets are key economic assets which must be protected and enhanced to support growth in the longer term. Land managers and farmers play a vital role in the management of our natural assets, but this is not always paid for – real markets need to be developed to allow this. The South West has considerable expertise in the emerging field of natural capital markets and our capability provides the opportunity for the South West to become world leaders in developing new sustainable market mechanisms.

Theme 9: Geography, Hubs and Spheres of Influence

Cities and towns play an important role in the economy of the four LEP areas, however their influence does not extend across the whole geography. There are significant parts of all four LEP areas that do not fall within a travel to work area of a city and alternative approaches to growth are needed in these areas that recognise the dispersed nature of growth. Hubs could potentially play an important role in creating agglomeration effects and economies of scale in dispersed rural geographies. In order to rebalance the economy, Government policy must recognise this.

For those rural parts of the area that do fall within the reach of our cities, economic development should take a more holistic approach to identify symbiotic relationships between urban and rural.

Theme 10: Science, Technology, Energy and Innovation

Science and technology are expected to drive enormous economic and social change in the next 10 years. If rural areas fail to keep up with this revolution, economic inequalities will only widen. The commission found that the South West has numerous science, energy and technology assets, which could be built upon to create a 'smart rural research platform', exploring the key societal challenges affecting rural areas.

The report lists 53 detailed and specific recommendations for LEPs, their local partners and Government. However, 5 over-arching recommendations were identified as follows:

Strategic Recommendations

- 1. Digital Infrastructure** – given the potential game changing and cross cutting nature of digital infrastructure, this issue was the single most important issue raised through the process. We therefore call on Government and LEPs to provide high speed digital connectivity to 100% of end users in rural businesses and premises.
- 2. A South West Rural Task Force** – recognising the critical juncture being faced by the rural economy, the South West LEPs and Government should establish a joint task force to develop a detailed action plan to take forward the key actions for all 10 growth themes highlighted in this report. The action plan, will in the main, delegate delivery to individual LEP areas, reflecting their differing needs and challenges, but may, where appropriate identify a number of actions where cross LEP approaches may be advantageous.
- 3. Brexit** – Brexit is likely to have a unique and disproportionate impact on rural areas . We therefore call upon Government to recognise this and provide clarity as soon as possible on transition and longer term arrangements for migration, trade, agricultural subsidies and other successor programmes. At the same time, South West LEPs should continue

to develop their Brexit response and ensure the issues facing rural areas have been considered.

- 4. Rural Proofing across Government** – the breadth of evidence received by the commission demonstrates that rural areas are not simply the preserve of DEFRA but are impacted by nearly every area of Government policy – with poorly designed policies 'leaving behind' many rural areas in the South West. We therefore call on Government to fully implement its own rural proofing guidelines, across all Government departments and policy areas. Of particular importance is the need to rural proof the proposed UK Shared Prosperity Fund, which alongside any future rural development programme could be the source of funding for many of the support structures required to deliver the recommendations of this report. The Government should identify a route-map for engagement on these issues. The South West LEPs should look to form stronger links with other rural LEPs in England in order to hold the Government to account on this issue, as well as providing leadership on the rural economy.
- 5. South West Identity** – There is a need to raise the profile and visibility of the South West as a destination known for its business success, quality of life and entrepreneurial culture. In the short term this could build on the area's existing strength in the food industry (in its widest sense) to enable it to blossom into a world leading, globally recognised proposition. In the longer term, it involves creating a 'Smart Rural Research Platform' through public, private and higher education investment in science and technology (centred around addressing key rural challenges) to achieve a fundamental shift in the economic opportunities available in rural areas.

INTRODUCTION

The South West Rural Productivity Commission was established by four LEPs in the South West of England: Cornwall and the Isles of Scilly, Dorset, Heart of the South West and Swindon and Wiltshire.

The purpose of the commission was to explore the rural productivity challenge and identify potential solutions. The commission operated independently with the support of a small secretariat function. It sought evidence through:

- A call for evidence from rural businesses, stakeholders and interested parties;
- A series of panel hearings across the area (one in each county)

Through its call for written evidence the commission received:

- 66 written responses from stakeholders, businesses and individuals;
- 80 published reports; and
- 71 items of ‘other’ material (e.g. leaflets, case studies, datasets etc.).

The commission heard from 41 witnesses in over 40 hours of testimony – who highlighted many of the challenges facing the rural economy.

The commission has tried to identify future areas of policy work and possible answers in an attempt to move the debate forward. We have tried to “sense check” these in the short time available to us but some will inevitably remain “work in progress”. The detailed research findings, supporting evidence and sources can be found in the evidence report which has been produced alongside this document.

The Commission was led by David Fursdon as chair, supported by a panel member from each LEP area.



David Fursdon
Chair



Catherine Mead, Cornwall and the Isles of Scilly



Luke Rake
Dorset



Sarah Bryan
Heart of the South West



Paul Redmore
Swindon and Wiltshire



Emma Buckman
Secretariat

THE SCOPE OF THE COMMISSION

Geography

The commission was tasked with exploring rural productivity within the following LEP areas, illustrated below:

- Cornwall and the Isles of Scilly (C&IOS);
- Dorset;
- Heart of the South West (HotSW); and
- Swindon and Wiltshire (SWLEP).

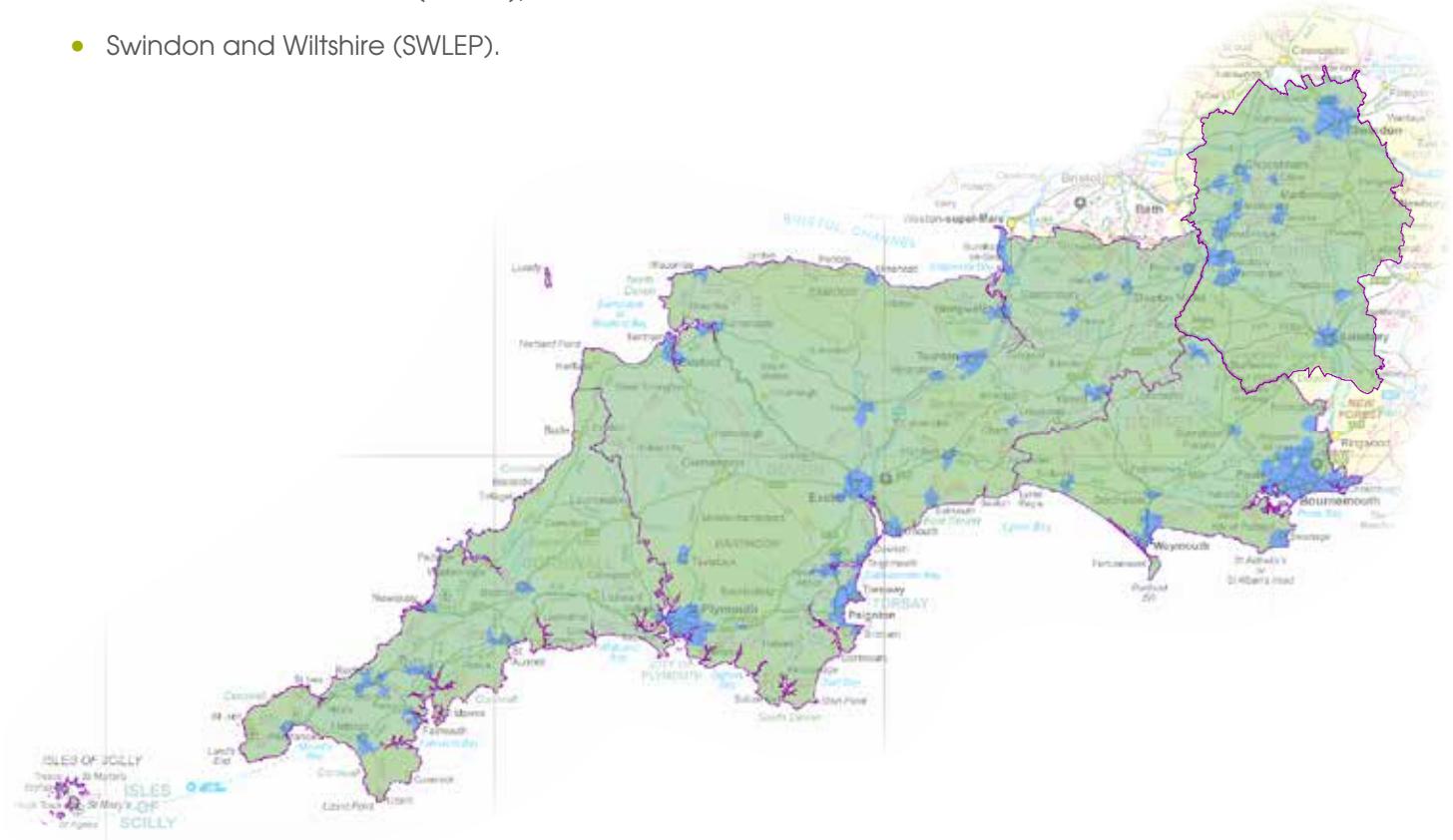


Figure 1: Rural and Urban Classification of the four LEP areas included in this study

Source: DEFRA, based on 2011 census output areas

Defining Rural

The commission recognises that there are a number of official and unofficial rural classification systems and different parties define rural in different ways. The commission did not wish to restrict contributions to the enquiry to sources that only utilised one agreed definition – therefore it took the pragmatic approach to accept and review all evidence that parties wished to submit and understand the implications of the submitted evidence within the context of the definitions utilised.

In our own (limited) data analysis, we have utilised the most up to date DEFRA/ONS rural-urban definitions, as follows:

- If data is available at Census Output Area level (e.g. Census output area), the 2011, Rural-Urban Classification for Output Areas in England is utilised.
- If data is not available at this level, the 2011, Rural-Urban Classification for Local Authority Areas in England is utilised.

It should also be noted that many of the issues brought to the attention of the commission were issues faced by both urban and rural areas of the South West (for instance, strategic transport links into the area, careers advice in schools etc.).

In our analysis and recommendations, we have tried to tease out those issues that are amplified or more extreme in rural areas or where specific rural challenges exist, although in the real world, there is no hard line between rural and urban and as such urban/rural should be seen as a continuum.



KEY FACTS AND FIGURES

For full details of sources, please see the evidence report.

Land Area

Across the four LEP areas, rural areas occupy

84%

of the land area compared to **89% for England**.

Productivity

Predominantly Rural Local Authorities in the four LEP areas, account for

£45.4M (58%)

of the area's GVA, but productivity per job is 8% lower than predominantly urban local authorities in the area and almost **10% lower than the average** for rural areas of England.

Businesses

54%

of all enterprises within the four LEPs are located in rural areas. C&IOS had the highest proportion of businesses located in rural areas (72.4%), followed by HoTSW (58.4%), SWLEP (51.8%) and Dorset (32.6%). Highlighting the significance of the rural economy in the South West, but also the differences between LEP areas.

29%

of businesses in the four LEP areas had no employees, compared to **14% in urban areas**

The most significant sectoral split between urban and rural is the number of businesses in the agricultural sector, which represents **23% of rural businesses** across the four LEP areas.

Population

38%

of the population in the four LEP areas live in a rural area, compared to **18% for England** and this ranges from **23% in Dorset** to **62% in C&IOS**.

None of the population live in areas classified as a major or minor conurbation - compared to 39% of England.

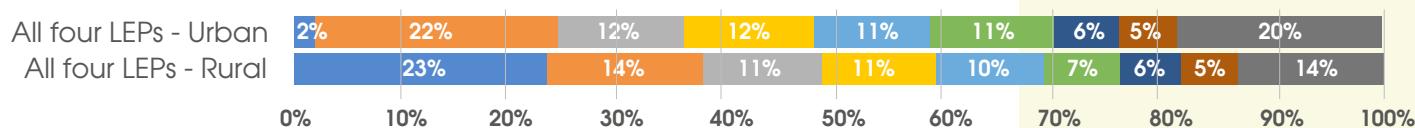
The population density is low, ranging from 1.5 persons/hectare in C&IOS to 2.8% in Dorset – compared to 4.1% in England.

Nationally, **the average age in rural areas was 44.1 years** in 2014, 5.3 years older than in urban areas and the gap has been widening since 2002.

Across a large number of socio-economic indicators, we see national trends and issues are **amplified in the rural context** – with many issues more keenly felt in more rural/peripheral areas. We also see significant differences between each LEP area as you travel West through the area.

- █ Agriculture, forestry & fishing
- █ Professional, scientific & technical services
- █ Tourism & recreation
- █ Administrative & support service activities
- █ Other
- █ Wholesale & retail trade, repair of motor vehicles
- █ Construction
- █ Public Administration, Education & Health
- █ Manufacturing

Number of businesses in each sector



THE NEED FOR 'SUSTAINABLE, INCLUSIVE GROWTH'

Many contributors have told us how conventional approaches to economic development have left rural areas behind. They have highlighted how investment in cities has failed to reach rural areas and how appraisal criteria and value for money assessments mean that projects in rural areas just cannot compete for funding when compared to more urban based areas. But they have also suggested that many conventional approaches are just not appropriate in rural areas, they do not fit with the issues and challenges and are unlikely to be successful.

This sentiment, that the conventional approaches are failing, chimes with the findings of the RSA's Inclusive Growth Commission and we agree with their conclusion that a new model of economic growth is required that combines social and economic policy. But it is our view, that this model should be extended to include the natural environment, on which so much rural growth depends. Economic growth must therefore include all three principles of sustainable development to become 'sustainable, inclusive growth' as illustrated below.

Proposed model for Sustainable, Inclusive Growth:



As well as recognising the environment, policy makers must also acknowledge the differences between urban and rural areas and work with these to develop interventions that are aligned to the needs of economies in rural areas, rather than attempting to roll-out urban solutions to rural areas. For instance, policies and interventions must recognise:

- the needs of smaller businesses that are more dispersed (including supply side challenges);
- the importance of key rural sectors; and
- the dispersed labour force and recruitment challenges faced by businesses in rural areas.

They must also recognise that whilst rural growth is sometimes slower to mature, it is often more sustainable and resilient. We therefore suggest that Government and LEPs should use a broader basket of indicators to measure success, as well as to determine investment strategies.

The next section our report explores the 10 themes that came through the process and the commission's detailed recommendations to take forward these themes.



1 RURAL IDENTITY AND SECTORS



2 SMALL & SCALE-UP BUSINESSES



3 WORKFORCE AND SKILLS



10 SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION



4 BREXIT



9 GEOGRAPHY, HUBS AND SPHERES OF INFLUENCE



5 TRANSPORT AND ACCESSIBILITY



8 NATURAL AND CULTURAL HERITAGE



7 HOUSING, PLANNING, COMMUNITIES AND WORKSPACE



6 BROADBAND AND MOBILE CONNECTIVITY



THEME 1: RURAL IDENTITY AND SECTORS

Context

Rural areas have a greater proportion of businesses operating in '**LOW PRODUCTIVITY, LOW WAGE SECTORS**', such as '**AGRICULTURE, FORESTRY AND FISHING', 'FOOD AND DRINK AND TOURISM**'. These sectors are interlinked and become increasingly important in more peripheral parts of the area. As well as exhibiting strong linkages with each other, these sectors have strong supply chain relationships with the wider economy (e.g. vets, feed merchants, solicitors etc.). Given their significance, the productivity challenges facing these sectors must be tackled if rural productivity is to improve.

However, the economic structure of rural areas is changing. Improved connectivity combined with an outstanding natural environment and quality of life are creating an environment where **KNOWLEDGE BASED BUSINESSES CAN GROW AND THRIVE** and we are seeing the emergence of high productivity sectors and clusters, such as the creative industries.



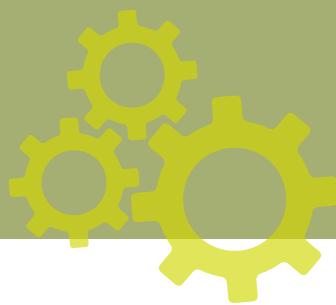
Approach

The commission agrees with the principle set out by the CBI, that local areas, should 'accentuate the positive' as it is possible to be a high productivity region or nation with almost any sector composition, suggesting that regions and nations should focus on the sectors in which they do well and encourage every business in those sectors to become "best in class".

We believe that to tackle the low performing sectors, a dedicated strategic approach is required for each of the three 'rural sectors' ('agriculture, forestry and fishing', 'food and drink' and 'tourism'). This strategic approach should be developed collaboratively across the area, bringing together key businesses and stakeholders with the LEPS to tackle the root causes of low productivity and low pay. Strategic development activity should be resourced through EAFRD underspend in the short term, with a view to developing delivery projects via relevant 'successor programmes' post Brexit (e.g. Rural development and the proposed UK Shared Prosperity Fund).

The commission also heard considerable evidence about the synergies between primary production, food and drink and tourism, hearing several examples of local schemes to build on these synergies. The commission believes that there is scope to develop the South West as a major food destination which competes on an international platform, through a joined up approach that brings together producers, processors, restaurants as well as agri-tourism and rural tourism.

We have also seen evidence that, with the right ingredients, new knowledge based businesses can thrive in rural areas. These sectors bring increased diversity to the economy in rural areas as well as higher levels of productivity. We heard how physical hubs that combine high quality design, ultrafast broadband and opportunities for collaboration are attracting new knowledge based businesses into rural areas. We also heard how, with the right investment in the right place, these hubs have the potential to achieve



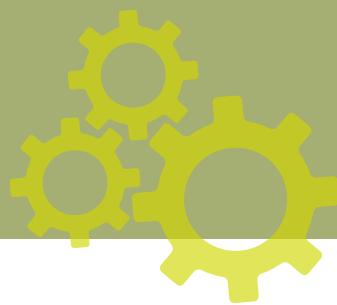
THEME 1: RURAL IDENTITY AND SECTORS

a transformational impact, but where they lack key ingredients (e.g. ultrafast broadband), or their offer is ‘run of the mill’, they are unlikely to secure growth outcomes.

We also heard how improved connectivity is opening up inward investment opportunities in Cornwall, with organisations re-locating ‘back-office’ functions from London to Newquay (see Case Study 2). We believe that this model could be replicated across the area, but to achieve this will require the South West LEPs to work together to re-position the perception of the South West in the eyes of the world as a place with opportunities, as well as an outstanding natural environment, quality of life etc. This is equally important in relation to theme 3 and our recommendation applies to both. It is our view that the current proposed brand of ‘Great South West’ does not capture the imagination in the same way that the ‘Northern Powerhouse’ or ‘Midlands Engine’.

Detailed Recommendations

1. South West LEPs should work collaboratively to raise the profile and visibility of the area as a destination to live, work and do business, building on the combination of our quality of life, successful local brands, environment and improved digital connectivity.
2. In addition to driving productivity gains in the wider rural business base, the South West LEPs must ‘grasp the nettle’ and tackle head on the specific productivity challenges facing primary production, food and drink and tourism. This should build on the findings of this commission with further engagement with businesses and sector representatives to develop an action plan for each sector in their area. Whilst many delivery functions may be best delivered locally, we believe there is some merit in exploring opportunities for cross LEP approaches, where there are common opportunities and challenges to this work and to enable learning and knowledge sharing across the area.
3. South West LEPs should develop a broader coalition to support the evolution of the food sector in its broadest sense – building on our existing strength to develop a world leading, globally recognised proposition, capitalising on our high quality produce, innovative techniques and distinctive local brands.
4. South West LEPs should work with the private sector to build/upgrade a network of ‘high quality collaboration space’ (see the Glove Factory case study). EAFRD and other available funding should be used to upgrade the existing network of rural workhubs, including provision of ultra-fast broadband. This could include hubs to support emerging sectors such as the creative and digital sectors or indeed facilities that support collaboration in sectors such as fishing or food processing.
5. South West LEPs should proactively seek out ‘re-location’ opportunities from organisations operating in over-crowded parts of the UK (e.g. central London) and Government should re-locate agencies or back-office functions to the rural areas of the South West in order to help rebalance the economy.



THEME 1: RURAL IDENTITY AND SECTORS

Case Study 1

The Glove Factory Studios, Holt, Wiltshire

Described as 'an urban diamond in a rural area', Glove Factory Studios provides workspace for businesses specialising in digital media, design and communications. Glove Factory Studios offers a mixture of studios, meeting rooms and flexible workspace to meet different needs with ultrafast broadband. Glove Factory Studios' onsite cafe 'The Field Kitchen' offers a place for collaboration, networking and cultural events, as well as a place to relax and enjoy the rural setting. "Glove Factory Studios is full of very dynamic businesses; varying sizes mostly to do with Arts, Media but also engineers, architects, landscape designers, Communications, catering/events management... a whole range of sectors, but the whole dynamic of the place takes some beating and the opportunities for collaboration are great. I worked for a while from a small office out the back of a farm near Devizes on the edge of an industrial estate/business park and the contrast is chalk and cheese. Several companies have relocated from cities and many enjoy the freedom that rural working brings whilst still competing in all the usual markets. The format here and effort that goes in to making the place thrive are key to its success."



Case Study 2

Kings Service Centre, Quintdown business Park, Cornwall

King's Service Centre hosts an award winning innovative and forward thinking technology team that supports the services of King's College London.

King's Service Centre provides all of the first line IT support on a 24x7x365 basis as well as hosting the Estates & Facilities Service Desk required for King's College London and it's 27,000 students and 7,000 staff.

Quintdown Business Park in Cornwall offers the perfect package with an impressive and highly skilled local workforce, good connectivity thanks to the proximity of Newquay Cornwall Airport and the opportunity to benefit from Superfast Cornwall's ongoing investment in fibre optic broadband.

The world-class Service Centre brings modern highly skilled IT career opportunities to Cornwall; building through the ongoing recruitment of local talent, as well as investing in the training and development of staff and creating apprenticeships opportunities.





THEME 2: SMALL AND SCALE-UP BUSINESSES

Context

Rural areas have a greater proportion of self-employment, micro and small businesses than urban areas and this pattern is more exaggerated in the more peripheral, 'deeply rural areas'. Whilst smaller businesses often make an economy more resilient, studies have shown that smaller businesses have lower levels of productivity than their larger counterparts. However whilst many find self-employment a satisfying career choice, there is evidence to suggest that for many it is a low paid option that stems from necessity, with HMRC figures showing that 75% of self-employed people earn less than £15,000 per year – with obvious implications for productivity and incomes in rural areas. Despite these challenges, self-employment often provides an important route to a fulfilling career in areas where under-employment is a common problem – particularly for women in rural areas, who are more likely to be underemployed than women in urban areas.

In terms of growth, there is some evidence that there is a lower level of ambition to grow among rural businesses - partially reflecting barriers to growth (including taxation, availability of finance as well as regulatory challenges associated with taking on staff), but also reflecting 'lifestyle' factors. This is reflected in figures pertaining to 'scale-up' businesses, which show that there is a lower density of 'scale-up' growth orientated businesses in rural areas. However, 'scale-up' activity differs between the East and West of the area, with proportionately more 'scale-ups' in the East than the West, but potentially more 'small scale-ups' in the West. There is a risk that, with a lower proportion of 'scale-up' businesses in rural areas, policies focused on driving growth through this group alone will disadvantage rural areas.



Approach

Supporting the self-employed and micros businesses

– the commission recognises that this group is vitally important to the rural economy, but often feel overlooked and unsupported. Whilst many do not have aspirations for significant growth, many would like to be more profitable, earn a better income and be resilient to changing circumstances by improving their overall performance. The commission is of the view, that given the importance of this group in rural areas and the national growth of self-employment, helping the army of self-employed individuals and micro businesses in rural areas to a) improve their incomes; and b) grow their businesses, would be very positive for economies of rural areas.

The commission also recognises that mainstream business support is expensive to deliver for this group and therefore is suggesting a number of alternative low cost approaches, such as:

- Self-help through co-operative and collaborative models (see case study 5)



THEME 2: SMALL AND SCALE-UP BUSINESSES

- Train the trainer (see case study 3)
- Mentoring (see case study 4) – albeit with the caveat that mentoring services have sometimes been of variable quality and that if mentoring schemes are to be pursued, South West LEPs must ensure the standard and quality of such schemes.

There was also some evidence that taxation (e.g. VAT thresholds) may be a significant barrier to the growth of the smallest businesses. The commission recognises that HMG's tax revenue is important and we do not hold ourselves out as tax experts. However, evidence has been put to us that:

- Many rural businesses in the South West are sole traders and therefore often miss out on incentives designed to stimulate incorporated businesses (e.g. recent decreases in corporation tax rates);
- That making tax digital adversely impacts on those who cannot get acceptable broadband connectivity and that there should be alignment between when the full proposals come in and the provision of universal broadband (see theme 6);
- The tax threshold for VAT with no tapering, limits the ambition of businesses to 'scale-up';
- That many tourism businesses think that the UK policy on VAT for tourist accommodation creates an uneven playing field for those competing with other countries, where the VAT rate is lower for tourist accommodation;
- That the rules around VAT on food and drink are very complex and deter start-ups in this sector;
- That the abolition of agricultural buildings allowance and industrial buildings allowance has led to a reduced level of investment in infrastructure for example in agriculture;

- The variability and sometimes excessive nature of Business rates stifle rural growth.

We are therefore recommending that Government undertakes a thorough review of the relevant tax regimes with these points in mind with the aim of increasing productivity so that the eventual effect of any changes would end up as tax neutral or tax positive.

- **Women's enterprise** – the commission recognises that self-employment and enterprise offer an important opportunity for women to achieve their potential in the rural economy – a fact highlighted by many contributors.
- **Supporting 'shape-up' and 'scale-ups'** – Whilst rural areas may have less businesses that meet the standard definition of a 'scale-up', the commission recognises the need to support high growth businesses with the highest quality advice and support. However, it would urge Government and LEPs to rural proof the definitions used to identify 'scale-ups' to ensure that rural areas are not disadvantaged.

Detailed Recommendations

6. South West LEPs should position the area as a 'hotspot' for 'self-organising activity', creating a supportive environment and resources to encourage the establishment of 'self-organising' models including broader collaboration models e.g. provision of a challenge loan fund, unused office space, match-making services, etc. (See Case Study 5 below).
7. South West LEPs should commission targeted support for women's enterprise, recognising the untapped potential and inclusive growth opportunities this presents for part-time workers with high skill sets.



THEME 2: SMALL AND SCALE-UP BUSINESSES



8. South West LEPs and local partners should utilise the train the trainer concept to improve the quality of private sector business support for micro-businesses, such as building on the family business growth programme model (see case study 3).
9. South West LEPs and local partners should develop relevant, high quality and effective mentoring/networking programmes to increase collaboration and co-operation (see Case Study 4).
10. Working in partnership with local FE colleges, South West LEPs should develop a business start-up apprenticeship, adapting the apprenticeship model and utilising funding within the apprenticeship system to support people to start their own business.
11. South West LEPs should work together to develop support programmes for 'scale-up' businesses, helping them to access world class advice and support in their local area, including leadership and management training.
12. Government (HMT) should review the impact of the tax regime (including VAT thresholds, capital allowances, business rates etc.) on the growth of micro businesses. It is our view that changes could be tax neutral or positive by enabling business growth.



THEME 2: SMALL AND SCALE-UP BUSINESSES

Case Study 3

The Family Business Growth Programme

The Family Business Growth Programme was piloted with DEFRA funding through the Rural Growth Networks. It was developed by the Clinton Devon Estates and brought together world experts in family business from the renowned global business school, the Institute of Management Development (IMD) in Lausanne, Switzerland and the University of Exeter's Centre for Rural Policy Research, pioneers in family farming succession research, with links to other centres of excellence, including Iowa State University.

The programme did not attempt to deliver 'succession advice' directly to family businesses, instead it provided training to trusted professional advisors, such as lawyers, accountants and land agents, as well as not-for-profit business advisers to help them:

- 1) understand the complexities of a family business;
- 2) provide them with global best practice on issues such as governance, succession and strategy, allowing them to embed this support within their business.

Importantly, this approach capitalises on existing, trusted relationships and avoids public sector support schemes 'crowding out' private sector advice. Potentially this model could be self-funding, with professional advisors contributing to the cost in part or in full.

Case Study 4

Dormen – Dorset Business Mentoring

Dormen is Dorset's own bespoke business mentoring service. It is a confidential service provided by volunteers who are drawn from experienced members of the business community and the professions. Dormen operates on a not-for-profit basis and is managed under the wing of Dorset's Local Authorities, who also provide part of Dormen's funding. This keeps charges low and well within the range of any small business. Dormen recruits experienced business and professional people as volunteers to help small businesses by providing a mentoring service to them. The experience gained by a mentor throughout their business and professional career can be brought into a developing business through the mentoring relationship. Mentors work to the SFEDI (Small Firms Enterprise Development Initiative) standard for business mentors and undergo a selection process as well as CPD.





THEME 2: SMALL AND SCALE-UP BUSINESSES

Case Study 5

Self -Organising Self Employed – Research by the RSA and FSB

The RSA/FSB recently completed a study to explore the growth of novel bottom-up solutions for people who work alone, including collective sick pay funds to manage ill-health, salary guarantee schemes to deal with late payments, time sharing initiatives to spread workloads and micro loan service to plug gaps in bank finance. It explored nine worldwide case studies which included:

- BROODFONSEN, HOLLAND – A collective sick pay fund.
- SMART, BELGIUM – A one stop shop service for the self-employed including a ‘salary guarantee fund’ made up of contributions from members which can be used to settle late payment of invoices.
- RICOL, UK – A language co-operative which markets the services of its members and connects them to clients at the fraction of a cost of a typical agency.
- COOPANAME, FRANCE – A cooperative that technically employs self-employed members, giving them access to social security protections enjoyed by employed persons. It also encourages project collaboration and co-tendering.
- SWINDON MUSIC CO-OPERATIVE, UK – A group of independent music teachers who have clubbed together to pool costs of marketing, admin and debt collection, as well as CPD.
- OUTLANDISH AND COTECH, UK – Outlandish is a worker coop where tech developers pool all their assets into one organisation, with each person’s pay set according their experiences and needs. CoTech is a collection of coops that allow tech coops like Outlandish to share staff time.



- LOCONOMIC, US – A platform for booking local services which is cooperatively owned and governed by the same service professionals that use it, including personal trainers, child carers and therapists.
- INDYCUBE AND COMMUNITY UNION, UK – Community Union has teamed up with IndyCube co-working space network to give their self-employed members access to a package of affordable invoice factoring and legal advice services.
- EAST END TRADES GUILD – A community of small independent businesses in East London that use community organising methods to hold the government and local landlords to account, protecting tenants from eviction and controlling rent increases.

The report found that co-operative approaches are making the self-employed workforce more secure, resilient and successful. It argues that with the growth of self-employment, ‘self-organising’ should be a part of the mainstream economy and that government and local policy makers could create the environment to encourage this movement to develop.

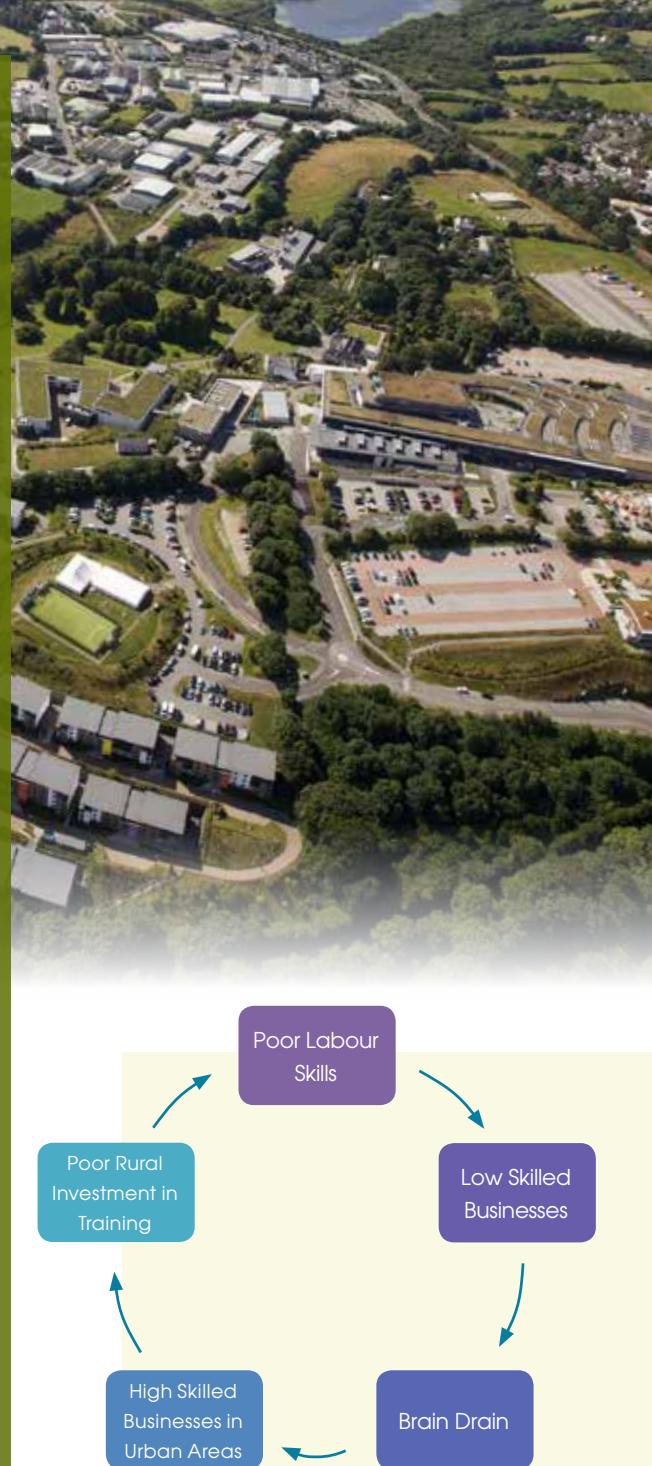


THEME 3: WORKFORCE AND SKILLS

Context

The availability of labour, workforce and skills was raised as an important issue by rural businesses and contributors to this commission. The challenges are complex and sometimes inter-related but included:

- Rural businesses find staff recruitment a challenge at all levels, due to a smaller pool of potential workers (in part reflecting the challenge of housing affordability addressed under theme 7), however, research found that they were more likely to 'do nothing' about hard to fill vacancies than their urban counterparts.
- Brexit presents a challenge for some rural sectors (such as agriculture, food and drink and tourism) where there is a high proportion of 'immigration labour'. These sectors also have a higher demand for people to work in occupations that require significant technical expertise.
- Higher skills needs present a particular challenge, because there is a complex interplay between the wages offered in rural areas (which tend to be lower), causing higher skilled workers to commute to or move to urban areas, resulting in high skilled businesses moving out of rural areas in a vicious circle (illustrated right).
- The perceived lack of interesting and high skilled opportunities in rural areas also creates a 'cul-de-sac' effect, where potential recruits do not take high skilled jobs in rural areas, for fear that they will not be able to find other career opportunities in their field within the area or their partner would not be able to find opportunities.
- Changes in relation to apprenticeships provide an opportunity to develop this route, although barriers to take up remain.
- Rural transport is a barrier to accessing training and education, including apprenticeships, but this is dealt with under theme 5.





THEME 3: WORKFORCE AND SKILLS

Approach

The commission recognises the scale of the challenge for rural businesses to recruit suitably qualified staff and many of the issues highlighted to us are firmly on the mainstream agenda of employment and skills boards across the LEP areas. We also recognise that there are some natural trends that we expect to continue and we would urge LEPS and local partners to consider how they work with these natural trends, rather than trying to stop them. These are:

- **Young people leaving the area to study –** the commission recognise that this trend has existed for a long time and reflects cultural trends as well as geography. In Cornwall, the development of University provision has reportedly helped to address this issue, but in other parts of the area (such as Somerset and Wiltshire) where there is no local HE provision, the outmigration of younger people is perceived to be an important challenge. Recent research shows that the most significant influence on graduate migration is the availability of job opportunities in a given area. Therefore it is the commission's view that a three tier approach is required:

- » Address HE blackspots in the area to provide young people with opportunities to study locally if they wish;
- » Improve the proportion of higher skilled, knowledge intensive jobs available in the area by improving the productivity of existing businesses (see theme 1 and 2), supporting emerging creative and digital sectors (see theme 2) and creating a 'Smart rural Research Platform' that would attract talent and inward investment (See theme 10)
- » Recognise and work with the trend for in-migration of people in their late 20s and

early 30s who are already attracted to the area for its quality of life and environment. Raising the profile of the area, as suggested in recommendation 1 should help with this.

- **The rise of artificial intelligence and automation**

– the commission believes that the trend for increasing automation and artificial intelligence will have implications for the labour market in rural areas. Initially, this technology may help address labour shortages in low skilled occupations, but over time the wider implications are not perhaps as clear.

Given that many of the issues highlighted by contributors affect economies in both urban and rural areas, we have, as far as possible, attempted to make recommendations in relation to those issues that have a particular resonance for the rural economy – however, we recognise that in many instances, these issues are also seen in urban economies (albeit to a lesser extent). We also recognise that good work is already underway on this theme and we have not sought to duplicate this in our recommendations. Our suggested approach is as follows:

- **Helping rural employers to become 'best practice' employers** - Rural businesses may

need to recognise that they have to go the extra mile to attract and retain staff (as we have heard from some of our contributors). They will need to be exceptionally good employers that provide flexible employment terms and enable progression through training, providing good remuneration and benefits and working with partners, such as the schools, colleges and universities as well as organisations that support people back to work. To do this, businesses need improved leadership and management skills and this is part of recommendation 11.



THEME 3: WORKFORCE AND SKILLS

- **Busting the low skills equilibrium** – The economy in rural areas has many low skills/low wage jobs, where businesses cannot pay higher wages. The commission recognises that this is a national, long standing challenge and a difficult problem to solve. However, unless this issue is tackled, inequality and deprivation in rural areas will persist. This is strongly linked to the issues of our low productivity sectors highlighted under structural challenges and should be tackled together.
- **Busting the Cul-De-Sac** – the commission heard how the perception of the area as place without high quality job opportunities, prevents people from looking for, or taking jobs in the South West. The commission recognises that this is a vicious circle, but one that could be addressed through:
 - » A wider promotional campaign to make the area an attractive place to live, work and invest, as detailed in recommendation 1.
 - » Boosting demand for high-skilled workers in rural areas through investment in science, innovation and technology policies (see theme 10).
- **Brexit labour shortages** – the commission recognises that Brexit is already causing difficulties for some businesses reliant on labour from the EEA. Recommendations in this area are made under theme 4.

Detailed Recommendations

Note: the commission has not developed large numbers of recommendations for this theme in recognition that many of the issues highlighted are already being taken forward by LEPs and their partners within Employment and Skills Boards or nationally and many of the most significant issues (e.g. access to education and employment) are dealt with under other themes.

13. South West LEPs and delivery partners (including universities) should work with world leading business schools and commercial providers to develop an exceptional rural leadership and management programme (see case study 3) – linked to recommendation 11.
14. Where relevant, South West LEPs should work with the Higher Education Funding Council for England to address Higher Education blackspots.
15. South West LEPs should establish a strategic approach to the issues of low pay by working with industry representatives from retail, care, agriculture, food and drink and tourism to identify best practice from around the UK and beyond. From this, they should develop a series of pilot projects across the area to tackle the issues of low pay and progression. This could learn from pilot work conducted by UKCES in its futures programme⁴ (see case study 6). This should be linked to recommendation 2.
16. South West LEPs should explore, pilot and promote alternative apprenticeship models that overcome the barriers to taking on apprentices in rural areas (such as the Apprenticeship Agency model – See Case Study 7).

⁴www.gov.uk/government/publications/evaluation-of-uk-futures-programme-conclusions-and-guidance



THEME 3: WORKFORCE AND SKILLS

Case Study 6

Experts Grow

The 'Experts Grow' project at Jamie Oliver's Fifteen Cornwall shares ways of improving the earnings and progression of low-paid workers through changes to business practice which deliver clear benefits in productivity and product quality.

Led by a partnership of progressive hospitality businesses and supported by UKCES UK Futures Programme, the project developed the hospitalskills.net Toolkit to demonstrate to small hospitality businesses how they can afford to train and progress their staff. The project engaged 15 hospitality businesses in prototyping practical tools to enable investment in people to achieve business improvement as well as personal professional development.

Over 400 low-wage employees in partner businesses have benefitted from the project, developing clear career progression pathways and achieving lasting increases in wages. At the same time, employers report productivity gains sufficient to fully offset the cost of their investment; suggesting increased pay for staff and increased profits for businesses.



Case Study 7

The Cornwall Apprenticeship Agency Model

The Cornwall Apprenticeship Agency was established in 2012 when it was awarded its ATA (Apprenticeship Training Agency) status from the National Apprenticeship Service and was further developed through UKCES funding. It set out to offer new and unique approach to bringing together businesses and apprentices that would help both parties succeed in their objectives. Since then the Agency has been involved in delivering hundreds of apprenticeships across the County, and further afield, in a broad range of apprenticeship frameworks.

With the aim of reducing the barriers to recruiting an apprentice and making it more affordable/less risky the Model offers businesses:

- An initial Training Needs Analysis offered free of charge to help pinpoint areas where an apprenticeship programme could benefit the business;
- Payroll Services employing the apprentice on behalf of the business, managing their payroll and helping reduce administration; and,
- Recruitment including searching, short-listing, matching and supporting the interviewing of apprentices to save businesses save valuable time and effort.

THEME 4: BREXIT

Context

The commission heard evidence of the following Brexit impacts:

- **Changing agricultural support regime –** Exiting the EU will mean that Britain will leave the Common Agricultural Policy which has provided basic support payments to farm businesses, as well as payments for participation in 'agri-environment' schemes and capital grants to improve productivity, add value to agricultural products and encourage farm diversification and encourage business development. Whilst many contributors recognise the limitations of the CAP regime, they also highlighted the current reliance of farmers in the area on these support payments – in particular the more marginal farming areas and sectors. Changes and anticipated reductions in levels of financial support are expected to have wide ranging consequences for the rural economy particularly in the South West with its high dependence on grazed livestock, risking the viability of small/marginal farms (with consequences on supply chains and wider economy) as well as the beef, sheep and dairy sectors. Without profit there will be less money to spend on environmental improvements, with consequences for the landscape and other public goods. However, it was also viewed by many contributors (across several stakeholder groups) as an opportunity for the UK to develop a better system, more suited to the needs of UK agriculture and the environment.
- **Loss of funding for economic development** – Exiting the EU will mean that the UK will no longer benefit from structural funding (ERDF, ESF and EAFRD). Whilst ERDF and ESF are not rural specific funds, they still benefit rural areas through the implementation of innovation, skills and business support projects. However, EAFRD funding (or pillar 2 of CAP) is specifically targeted at rural areas and includes a number of locally and nationally developed programmes to support growth in rural areas. The UK Government has stated that it will provide successor programme(s) to replace the loss of European funding for economic development and is expected to consult on the UK Shared Prosperity Fund shortly. Again this was also viewed as an opportunity for the UK to develop a better system and the Commission recommends that this is rural proofed from the earliest point in its development.
- **Loss of workers from the European Economic area (EEA)** – Many contributors highlighted concerns about the loss of workers from the EEA. This was perceived to be a particular issue for the agriculture, food and drink and tourism sectors, where the level of dependence on them is high. Automation was also highlighted as a potential solution, but it was also recognised that this is not a solution for all. Whilst some contributors highlighted the opportunity for unemployed and economically inactive people across the area to access opportunities, there was also strong feedback that this approach would not be sufficient alone to address the labour shortages expected.
- **Impacts arising from changes in tariffs and terms of trade** – Contributors highlighted concerns about changes to tariff regimes and terms of trade. Particular concerns centred on the ability to continue to export to the EU particularly in sectors where this was a large proportion of the existing market, as well as implications of imports into the UK under World Trade Organisation Rules and in situations where products are produced to lower standards (e.g. animal welfare).
- **Uncertainty acting as a brake on investment** – Some contributors indicated that Brexit was acting as a brake on investment by businesses in the South West.
- **Potential loss of protected designation of origin (PDO), protected geographical indication (PGI) and traditional specialities guaranteed (TSG) status on food products,** was highlighted as a concern by some, although others welcomed the opportunity for product differentiation and the creation of brands more easily labelled than under EU state aid rules. The commission was of the view that there is the need to start thinking about what this might look like in practice.



THEME 4: BREXIT

Approach

The evidence suggests that Brexit is likely to have a disproportionate impact on rural areas and deeply rural areas in particular. Reflecting the fact that the economy of deeply rural areas is more dependent on and linked to agriculture (either directly through supply chains or through the management of the environment which drives tourism), it is the commission's view that Government must recognise the unique challenges faced by rural areas in the South West arising from Brexit and work to provide clarity over Brexit arrangements, trade deals and successor programmes as soon as possible. In particular retaining in some form, continued access to migrant labour for rural sectors (e.g. such as the SAWs scheme).

The commission is of the view that leaving the EU provides an opportunity for the UK Government to develop a new approach to the mechanisms for supporting UK agriculture. From the evidence we have heard, we have set out in recommendation 17, the qualities that we believe any successor programme should have.

We heard repeatedly of the need for the system to be driven from the bottom-up, recognising that the farming infrastructure (both natural and man-made) and the environmental needs of local places is different from once place to another. We also heard considerable appetite to trial new approaches in the South West. Contributors also highlighted the need for successor programmes for the fishing sector to replace the European Maritime and Fisheries Fund.

Beyond agriculture, contributors to the commission highlighted many limitations associated with the current European funding programmes for economic development (ESIF, EAFRD and LEADER). The commission believes that the UK Shared Prosperity Fund, the proposed successor to the

current EU programmes, provides an opportunity to tackle some of the limitations highlighted and we have detailed some of the qualities we believe the new scheme should have under recommendation 19.

However, we have also consistently heard evidence that the LEADER approach is a successful mechanism for delivering rural economic development, but that the approach is currently constrained by the rules surrounding the current programme delivery. The commission is of the view that the LEADER concept should continue post Brexit, but the underpinning processes and procedures should be revisited.

Locally, there are significant concerns about the impact of Brexit on the labour market. In the first instance, we believe that the Government must retain in some form, continued access to migrant labour to support rural sectors. However, there is also an important role for the LEPs and local partners in the South West to take a proactive approach to this issue and work with employers to develop appropriate mitigation strategies, such as:

- **Recruiting from harder to reach groups (including unemployed and older people)**
 – whilst unemployment per se is low, there continues to be large numbers of people who are not participating in the labour market (inactive) for various reasons (e.g. ill-health, disability, disengagement, caring, retired or students). Many of these wish to work, but require additional support to re-enter the labour market. We also heard examples of skills providers utilising a 'boot camp' style approach to train people for specific opportunities with local employers – with considerable success for the individuals and employers involved.
- **Increasing use of automation** – We heard



THEME 4: BREXIT

considerable evidence about the growing importance of automation, for the food and drink sector in particular. However, we also heard how investing in automation is harder for smaller businesses and threatens to widen the divide between large and small food processors. Availability of finance is an important barrier to the take-up of automation as is the tax treatment of investment as mentioned as part of recommendation 12.

However, we recognise that these mitigation strategies are unlikely to be sufficient to address the scale and nature of the challenge.

The commission recognises that changes to trading arrangements pose both an opportunity and threat to the rural economy. However, we have established that the area is strong in and known for its food production and processing and competes very well in this area. Therefore, in our view, recommendation 3, offers an opportunity to take pre-emptive action to position the South West food economy on the global stage.

Detailed Recommendations

17. DEFRA and its agencies should use the opportunity presented by Brexit to reform the system of support payments to agriculture to create a system that:
 - a. Supports innovative, forward thinking, efficient businesses with ambitions to grow;
 - b. Rewards the provision of public goods;
 - c. Is holistic in nature (bringing together support for farm management to improve both financial and environmental performance and generate employment into one system);
 - d. Is place based yet operates at landscape scale;

- e. Empowers farmers and landowners;
- f. Minimises bureaucracy;
- g. Encourages higher standards of business and environmental skills where necessary;
- h. Encourages new entrants into farming;
- i. Protects, maintains and enhances the natural environment;
- j. Addresses the risks inherent in agricultural production and implications of changes in international trade;
- k. Supports research and development and applied technology;
- l. Recognises the important role of family farms in achieving much of the above.
18. Government (DEFRA) should use the South West as a pilot zone to trial new post Brexit approaches to agricultural support. Some have already been suggested, such as the model proposed by the National Parks (see case study 8 below), as well as the NFU, CLA and others.
19. Government (BEIS/DCLG) should ensure that the 'UK Shared Prosperity Fund' and any future rural development programme are:
 - a. Rural proofed;
 - b. Allow the development of holistic, flexible support for businesses that is not siloed by theme (e.g. innovation), enables support to be integrated across supply chains and allows support for business improvement and skills at the same time;
 - c. Ensures projects do not create postcode or sector lotteries;
 - d. Focuses on a basket of outcome indicators relevant to the 'sustainable, inclusive growth' agenda;



THEME 4: BREXIT

- e. Finds mechanisms to support businesses with revenue, not just capital needs;
 - f. Minimises bureaucracy and reviews the risk/reward ratio to make delivery attractive.
20. LEADER type programmes should continue post Brexit, but not in their current form. The scheme should be reviewed, with a view to going back to principles adopted in Leader 1 and 2, giving communities the ability to address local needs whilst operating within a national assurance framework that minimises the bureaucratic nature of the current programme.
21. Government must recognise the unique challenges faced by rural areas resulting from Brexit and provide clarity as soon as possible on transition and longer term arrangements for migration and trade. New migration arrangements must allow for continued use of migrant labour in sectors such as agriculture, food and drink and tourism, perhaps involving a successor scheme to the SAWS.
22. LEPs and local partners should work with businesses and sector groups to develop Brexit response plans such as:
- a. Supporting SMEs and small family farms in the agricultural sector to prepare for Brexit related impacts from both a strategic and tactical perspective:
 - » Strategic – Identification of ‘farming futures’ in the South West – exploring opportunities for small farms to re-position their offer in order to survive post Brexit.
 - » Tactical – Practical support for improving farm productivity and processes to help small farms be more resilient to potential market shocks associated with Brexit.
 - b. Provide support for businesses or groups of businesses to invest in automation. Within agriculture, affordable capital could be made available through business productivity funding programmes to provide low interest loans, subsidised purchase or underwriting the investment.
 - c. Recruiting from harder to reach groups (including economically inactive and older people).



THEME 4: BREXIT



Case Study 8 Farming in the English National Parks

The English National Parks have set out proposals for a new system of integrated, place based delivery that focuses on the outcome that society seeks from farming in the national parks, and tackles some of the limitations to the current support regime. The proposal is centred on three, interlinked components:

- **A National Park FARM (Farming and Rural Management) scheme** – provide a base or foundation level of environmental husbandry and public goods;
- **FARM Plus** – locally led, agri-environment schemes for each National Park; and
- **Wider Rural Development** – local resources for wider rural development.

The ‘FARM’ could be in the form of a ‘certification scheme’, voluntary for farmers to sign up to. In return for a base level of payment, there would be certain management obligations (tailored to each National Park) and elements of cross compliance. People entering the scheme would also be eligible for farm business advice to produce an integrated farm plan (linking environment and business) and act as a baseline for the scheme. This builds

on experience of current hill farm projects and offers an approach to deliver improved productivity of both environmental outcomes and high quality food as well as contribute to farm profitability. The scheme would seek to develop a National Park brand, enhancing the development of the food economy and creating a ‘sense of place’ for consumers and producers.

The FARM plus, would be focused on enhanced levels of environmental management to deliver public goods, with multiple options, aiming to deliver a broad range of benefits, rather than a narrow focus on one or two and allow local flexibility in setting priorities. Within this locally led approach, there is the opportunity to pilot and evaluate new systems (e.g. environmental contracts, payments by results, private payments etc.). The wider rural development component would deliver community led local development programmes that link environment, economy and community. These could include grants (similar to the Sustainable Development Funds currently deployed by National Parks), but could also include loans and the opportunity for revenue funding.



THEME 5: TRANSPORT AND ACCESSIBILITY

Context

The commission has heard significant evidence about the quality of the strategic road and rail network, highlighting the need for improved speed and resilience (e.g. mainline trains, M5, A30/303 corridor, A350 corridor to ports and the A34 to the midlands). The commission has also heard evidence relating to specific rural transport and accessibility challenges including:

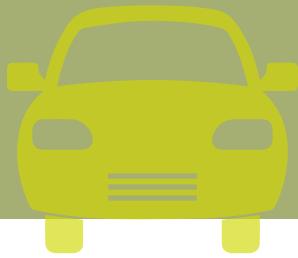
- **Strategic and robust connectivity into the most peripheral/remote parts of the area** – contributors drew our attention to the need to improve the road, rail and air network that connects more remote areas such as the Isles of Scilly, North Devon, North Cornwall, West Somerset etc. to the A30/M5 transport corridors.
- **Public transport integration** – recognising the importance of timetabling bus and branch line services to allow ‘connections’ to be achieved on the mainline train network. Whilst being addressed in C&IOS through its devolution deal, continues to present an issue in other parts of the area. Advances in digital may allow smart solutions to this challenge.
- **Accessibility to rural employment/apprenticeship/education opportunities** – contributors highlighted that employment opportunities in rural areas are often not on public transport routes, limiting the opportunity for potential employees to access this employment without a car. Likewise, the lack of public transport or cost associated with transport to college, limits post 16 choices for young people.
- **Rural cycling, walking and tourism** – contributors highlighted the economic importance of sustainable transport solutions and in particular the importance of the national trails network.
- **Stifling development through planning** – where planning applications have been refused on the grounds of transport sustainability, limiting rural economic growth. However, we pick up this issue in more detail under theme 7.



Approach

The commission recognises the importance of the strategic road and rail network to productivity in both urban and rural areas of the South West and urges South West LEPs and Local Authorities to continue to work together to articulate these challenges. However, given that it is not a specific rural issue, the commission has decided to focus its attention on transport and accessibility issues that specifically affect the economy in rural areas. i.e.:

- **Improving strategic connectivity into the more peripheral remote parts of the area** - i.e. the A roads and trunk roads that connect rural areas to the ‘Strategic Road Network’. The commission welcomes DfT’s recognition of the importance of these roads and its plans to consult on proposals to create a ‘Major Road Network’ (MRN), including proposals to allocate a proportion of the National Roads Fund to the MRN. We welcome DfT’s recognition of the need to ‘rebalance the economy’ seen in its Transport Investment Strategy, but would urge it to consider the needs of ‘dispersed economies’ as well as



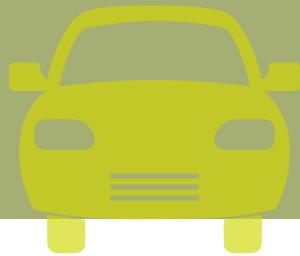
THEME 5: TRANSPORT AND ACCESSIBILITY

'agglomeration economies' in developing its proposals, through a process of rural proofing.

- **Developing innovative solutions to improving accessibility to rural employment and education** – recognising that technological solutions could help us to address the long-standing challenges associated with helping people to access employment and education opportunities in rural areas. The commission recognises that conventional approaches – such as public transport schemes are never likely to be commercially viable in the most rural areas and therefore fresh innovative approaches must be sought (e.g. Uber style arrangements for lift sharing). Public and private investment in new transport models is vital to securing sustainable, inclusive growth. The Transport Systems Catapult is the UK's innovation centre for Intelligent Mobility and could be approached to support this work.
- **Ensuring funding formulae and transport investment strategies do not disadvantage rural areas** – The commission welcomes plans announced by the DfT in its Transport Investment Strategy to develop a 're-balancing assessment toolkit' for use in future investment programmes which will take account of the balance of spending per head between different regions, as well as how schemes contribute to creating a more balanced economy. In developing this tool kit we would urge DfT to consider how rural transport investments are not disadvantaged through the use of rural proofing;
- **Ensuring the national trail network is secure and sustainable transport is prioritised** – Recreational transport infrastructure has a direct and proven link to productivity and jobs in rural areas. Therefore it is our view that investment in the national trail network and sustainable transport infrastructure must be improved to achieve sustainable, inclusive growth in rural areas.

Detailed Recommendations

23. South West LEPs should continue to work with Department of Transport and its agencies to bring forward improvements to strategic connectivity into the more peripheral parts of the area (including the Isles of Scilly). This should include ensuring the resilience of the main line rail network beyond Dawlish.
24. South West LEPs should work with the Transport Systems Catalyst to develop a challenge fund to design, pilot and roll-out innovative solutions to improving accessibility to rural employment and education opportunities (e.g. social enterprise models, smart solutions such as apps (e.g. Uber for lift sharing.)). This could be a core plank of a 'Smart Rural' initiative recommended under theme 10.
25. Government (DfT) should rural proof its funding formulae and transport investment strategies to ensure rural areas are not disadvantaged. Investment strategies should include provision for revenue based projects, such as 'Wheels to work' schemes or app developments which may be the most appropriate solution.
26. Government (DEFRA) should safeguard the future of National Trails, with a 3 year funding commitment and provide funding for local sustainable transport initiatives for rural areas.



THEME 5: TRANSPORT AND ACCESSIBILITY

Case Study 9

Wheels to Work

Funding was secured for a 'Wheels to Work' service in South Devon from July 2009 to March 2012 through the SDC LAG program. A similar project in the Dartmoor area was also supported. Both projects were generally successful and have proved invaluable in helping young people access work and training opportunities particularly where they either live or work in isolated locations where there is limited or no public transport. The basis of the scheme is to provide a moped and all the protective gear and equipment on an affordable loan basis (with the option to buy), plus training to enable them to pass the driving test and advanced training to enhance their safety.

This relatively simple, low cost approach is not new and schemes have been seen across the area.

Further work is needed to understand how wheels to work schemes could be expanded to reach more people and be self-sustaining. Ideas put forward include a regional model (to achieve economies of scale) and working with private sector partners (e.g. electric bike manufacturers) to create viable schemes.



Case Study 10

Cumbria Local Sustainable Transport Initiative

Cumbria County Council and the National Parks Authority secured £7m to implement its 'Go Lakes' travel initiative, with 'Drive Less, See More' as its slogan it has an ambitious goal, a unified 'boats, bikes, boots and buses' network throughout the national park.

Local Sustainable Transport funding for its Go Lakes Travel Programme aimed at encouraging visitors to the central Lake District to use sustainable transport options rather than the car for their journeys. The programme has delivered high quality transport and connectivity improvements from key transport gateways in Cumbria to major visitor destinations. Its focus has been on connecting and joining the dots. Popular walking routes are being connective with public transport services. Electric cycle networks are being established, as well as pay as you drive cars at railway stations. There is also a new app setting out car free itineraries, alongside an international marketing campaign and links to businesses.





THEME 6: BROADBAND AND MOBILE CONNECTIVITY

Context

Ofcom data from 2016 shows that superfast broadband coverage is variable across the area, but below average for most rural authority areas. The lowest coverage was Devon, with 76% of premises with speeds of more than 30Mbps, compared to an England average of 90%. Publicly funded schemes have been operational across all four LEP areas and further work is planned to reach the target of 95% coverage, including a wireless scheme which has been deployed across Dartmoor and Exmoor.

In relation to mobile, nationally, just 28% of rural areas are able to receive 4G coverage, compared to 82% of urban areas. In the four LEP areas, performance varies considerably, with high coverage in the urban areas of Bournemouth (97%), Poole (84%) and Swindon (89%), but poor coverage in rural areas of Devon (7%), Cornwall (14%) and Somerset (18%). 3G and 2G coverage follows a similar pattern.

Without exception, every contributor to the commission raised the issue of broadband and mobile connectivity. It is now viewed as an essential utility to allow businesses to function.

Specific challenges highlighted were:

1. Loss of speed resulting from Fibre to the Cabinet deployment – disproportionately impacting very rural businesses especially those with “direct to exchange” lines;
2. Failure by developers/BT to provide SFBB to industrial sites and new housing developments; and
3. Failure of the Mobile Infrastructure Project and failure by telecoms companies to share masts.

Some contributors also highlighted the need to improve digital skills and capabilities within our business community, so that they can take advantage of the opportunity and we are aware of some ESIF provision in this area.



Approach

The commission recognise that superfast broadband is vital to the future success and prosperity of rural areas - if resolved it has the potential to be a ‘game changer’, but if left unresolved will result in ‘left behind’ rural areas. It is our view, that the current Government policy which leaves 5% of the country without this vital utility, is an unacceptable policy, which discriminates against rural businesses and residents. We are also concerned that despite the development of a Universal Service Obligation, this obligation may not extend to 100% of premises, as proposals allow for a maximum cost or ‘cap’ beyond which



THEME 6: BROADBAND AND MOBILE CONNECTIVITY

telecom providers are not obliged to meet the obligation. As negotiations proceed with BT, it is our view that Government must demand a legal guarantee that the Universal Service Obligation will serve all premises. We also heard concerns from many stakeholders that the costs associated with delivery in the most rural areas through conventional means are exceptionally high. We think that an independent review of these costs is required to ensure value for money for the public purse is achieved and identify ways to reduce some of these costs.

We are also concerned that the current plans for a Universal Service Obligation fails to meet the need for fast broadband and with the development of ultrafast broadband and increasing speeds in urban areas, the planned Universal Service Obligation is insufficient. Therefore we have recommended that Government should commit to raising the Universal Service Obligation to >30Mbps by 2025.

We are also of the view that mobile coverage is becoming as important or in some instances more important than broadband and therefore should be subject to a similar Universal Service Obligation.

Whilst we believe it is incumbent on Government to address the market failure associated with the delivery of broadband and mobile infrastructure in rural areas and this is our primary recommendation, we also acknowledge the extreme frustration highlighted by many contributors to this commission who expressed a desire to implement community based broadband schemes, but who have been frustrated by incomplete information. Our secondary recommendation is that information provision in relation to the roll-out is dramatically improved to allow businesses to plan.

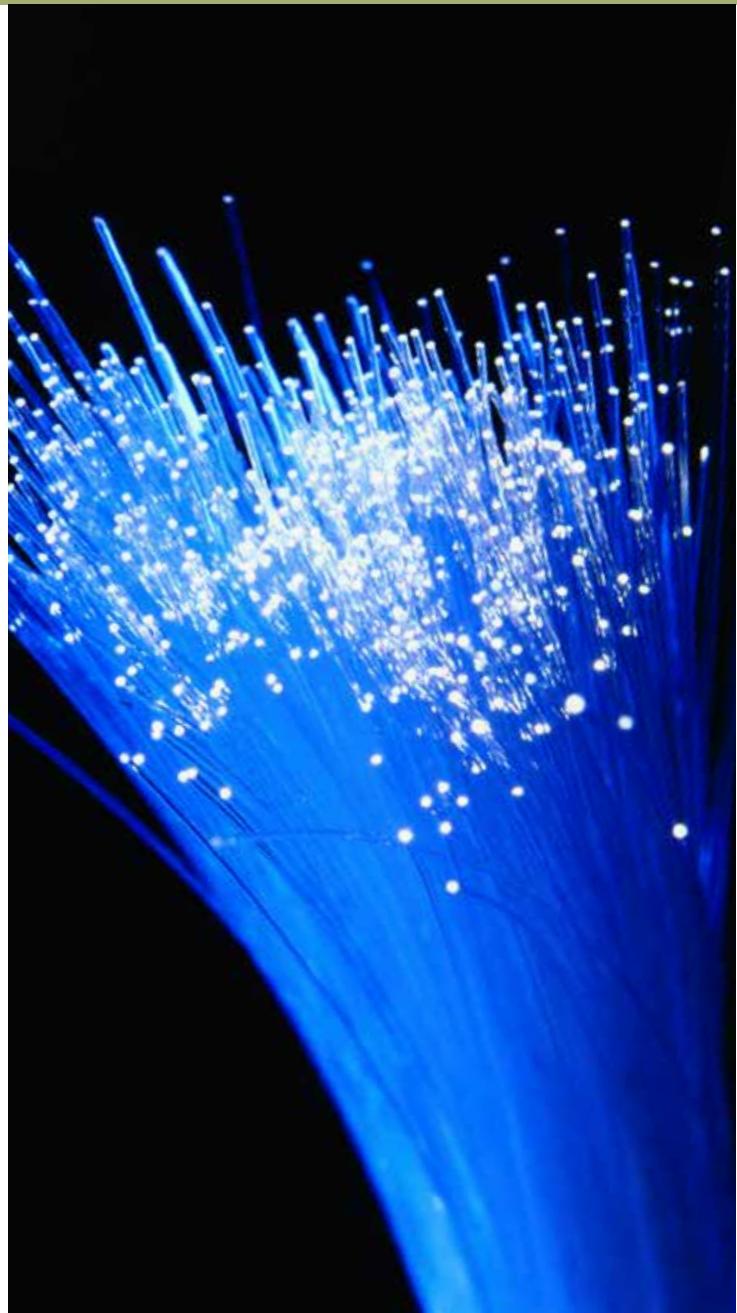
Detailed Recommendations

27. Government (DCMS) should improve rural broadband provision by:
 - » Ensuring the Universal Service Obligation is achieved by 2020 in rural areas, without a cap on costs
 - » Commit to raising the Universal Service Obligation to >30Mbps by 2025.
 - » Commission an independent review of broadband delivery costs to ensure value for money is being achieved.
28. Government (DCMS) should Immediately require broadband providers and local authorities broadband schemes to provide detailed roll-out plans (with interactive maps) to allow communities and businesses to plan alternative projects, if not covered by centralised schemes.
29. South West LEPs and local partners should provide practical support to rural communities who wish to undertake community broadband schemes by providing them with information to allow them to test feasibility and develop business plans, including support to explore alternative financial mechanisms (e.g. crowd-funding). This should include an objective analysis of advantages and disadvantages of potential technologies.
30. BDUK, working with South West LEPs and Local Authorities should use the South West area to pilot alternative delivery and financial models in rural areas, such as community broadband schemes, crowd-funding schemes, voucher aggregation models etc.



THEME 6: BROADBAND AND MOBILE CONNECTIVITY

31. South West LEP's to conduct an independent review of broadband provision in their area to include an assessment of actual speeds being achieved by businesses and residents to provide the evidence required to justify further improvements.
32. Government (DCMS) should improve rural mobile provision by:
 - a. Developing and committing to a Universal 3G Service Obligation to ensure 100% mobile coverage in homes and premises by 2020.
 - b. Placing stringent conditions on mobile operators as part of tenders for the 700Mhz spectrum auction taking place in 2018 to ensure maximum mobile data coverage in rural areas.
 - c. Conducting a review of the Mobile Infrastructure Project, identify learning and re-deploy funding in a new vehicle – focused on rural areas.
33. South West LEPs should use support funding to help businesses to understand how best to take advantage of the digital opportunity and drive productivity improvements.





THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Context

The issue of housing, planning, workspace and employment land came up frequently during the commission process. The key findings from the process were:

Housing

Housing affordability is a significant issue in rural parts of the South West, with the housing affordability ratio above the national average of 7.6 in all districts except Plymouth and Swindon (13.6 in parts of Dorset and 29 times local income on the Isles of Scilly). The issues are compounded by the ageing demographic and commuting effects. The lack of housing is making it harder for businesses to recruit and retain staff. There is also some, albeit mixed, evidence that the issues are even more pronounced in areas with a high degree of tourism activity and second homes. There is interest amongst rural landowners in making land available for affordable housing and this opportunity has not been maximised. The commission heard evidence that planning often restricts development of housing in rural areas on sustainability grounds, on the assumption that occupiers would need to travel by car to urban areas to access employment. It is the commission's view that this assumption is too simplistic and fails to recognise the employment opportunities in rural areas (which are less visible), the advent of electric cars and alternative transport solutions, the increase in home working, as well as the viability and sustainability of rural communities themselves. The capacity of the construction industry to meet the housing need is also likely to be a factor limiting affordable housing in coming years. We also heard how the lack of planning gain (the increase in the value of the land resulting from planning permission being granted, some of which is diverted through the public sector through negotiated agreements such as Section 106 or Community Infrastructure Levy) can act as a disincentive to bring forward smaller developments.

Workspace and commercial development

In relation to workspace, evidence suggests that there is demand across all sizes and types. However, in some area, there is a significant 'cost-value gap' for commercial workspace developments where the end market value in rural areas is typically less than the cost of construction. Rural businesses identified planning as a major hurdle to developing or extending their own commercial property, although the commission did hear evidence of good practice, where planners have worked proactively with businesses to support their proposals.

Rural Services and Viable Communities

Rural services are under threat from funding reductions and under pressure from an ageing population. The voluntary, community and social enterprise sector are increasingly providing rural services, but more could be done to support this sector fulfil this role.





THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Approach

Housing – The commission recognises that the provision of housing in rural area is an important factor in addressing the workforce challenges identified by businesses. However, the issues are complex, with demand for rural housing influenced by commuting patterns as well as 2nd home/holiday home demand. Therefore allowing more house-building in rural areas will not necessarily address the workforce challenge and if given free rein, could see damage to our natural environment, which is an important driver of growth. Therefore, the commission would advocate the need for sustainable, small scale development in rural communities, to ensure their continued viability. This should be a mixture of tenures and homes to support differing needs (family homes, starter homes, homes to downsize to and live/work capability).

Workspace – The commission recognises that workspace and commercial developments by rural businesses are vital to enabling business to grow and continue to prosper in rural areas. Failure to allow rural businesses to grow, will threaten their survival. The cost value gap demonstrates that there is a continuing need for public sector intervention in some parts of the area.

Planning – Planning is an integral part of the system and where it is working well, is a positive tool for growth. However, it is the commission's view that in many parts of the area, poor approaches to planning are acting as a constraint on growth. It is the commission's view that planners must respect all three principles of sustainable development (economy, social and environmental).

Rural Services and Viable Communities –

The commission recognises that rural services are being lost and the viability of rural communities is being threatened. The commission believes that it is necessary for Government to recognise that the cost of delivery of many public services is higher in rural areas and funding formulae need to reflect this. However, 'smart solutions' should also be explored as well as creating sustainable delivery models through the voluntary, community and social enterprise sector.

Detailed Recommendations

34. Government (DCLG) should ensure that all sites for housing in rural areas, however small, should have to make an appropriate contribution to affordable housing needs locally.
35. South West LEPs should engage more with local planning authorities on the provision of housing in all settlements as set out in the NPPF respecting all three principles of sustainable development.
36. South West LEPs should liaise with local planning authorities as to how to use best practice nationally to implement an appropriate 'second homes' policy that enhances the productivity of vulnerable communities.
37. South West LEPs should engage more with local planning authorities on private sector solutions to the provision and running of affordable housing schemes, including working with their communities utilising the community housing fund.
38. Local Authorities should investigate the potential for some form of high quality hostel



THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

accommodation to address local labour shortages in rural areas.

39. Government (DCLG) should enable the concept of 'Permission in Principle' to be made available to support small scale commercial developments.
40. South West LEPs should work with planning authorities to create a more constructive and positive relationship with businesses, including anticipating and providing for the demand for growing businesses by, *inter alia*, ensuring that they follow the clear guidance in the NPPF to support rural businesses.
41. Government (DCLG) should recognise the additional costs of delivering services in rural areas and support pilot programmes in the South West to test innovative approaches to supporting older people in rural areas (see case study 13 below).
42. South West LEPs and local authorities should support the growth of community and social enterprise businesses by utilising the Social Value Act in public procurement.



THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Case Study 11 the Transform Ageing programme

The Transform Ageing programme is a Design Council initiative that is helping local people to identify, develop and scale effective innovations for a healthy, active and prosperous later life.

Funded by the £3.65m from the National Lottery, the programme puts people in later life at the heart of the design process to gain their insight, increase their influence and deliver solutions that better meet their needs. In turn, Transform Ageing will support commissioners to feel more confident in incorporating new services and interventions into mainstream care supply chains, and social entrepreneurs to scale their effective solutions more sustainably.

The programme will identify effective, replicable and sustainable solutions to improve the experience of ageing. Through thinking differently and aiming to be more innovative the programme will help transform the experience of ageing for people in later life, reduce the strain on public spending, and transform products and services to ensure effective and efficient later-life care for the UK's population.

How will it work?

The programme is initially convening people in later life and their friends and families, with health and social care leaders and social entrepreneurs in Cornwall, Somerset and Devon to collaboratively explore challenges associated with ageing that resonate in each of these communities. We will then gather insight and then collectively shape the innovation briefs for social entrepreneurs. Social entrepreneurs will be responding with innovative product and service solutions to the identified challenges.

The programme will then:

- Provide a range of dedicated support to the selected social entrepreneurs to develop and scale their ideas, including financial awards of between £1,000 and £50,000 based upon the size, stage and scale of social venture
- Drive the adoption of these ideas, supporting successful social entrepreneurs to engage with consumers and commissioners to improve services and drive adoption
- Develop a National Knowledge and Learning Network, allowing partners to both inform our approach and share our journey
- Create a self-sustaining legacy in the local community and enable locally based supporters to pass on learning and experience to each other through a peer-to-peer support network

Why the south-west?

The programme is currently based in Cornwall, Devon and Somerset as this is an area of the country that has a higher proportion of people in later life than many other parts of the UK as well as the challenges faced by very rural areas. The Design Council also found a seedbed of people and organisations that were keen to make a difference and a set of unique skills within the South West Academic Health Science Network to help support social entrepreneurs to produce evidence of impact.



THEME 8: NATURAL AND CULTURAL HERITAGE

Context

All four LEP areas are known for their inspiring landscapes and seascapes, rich wildlife habitats and cultural heritage assets that provide the backdrop for both our economy and quality of life. We are blessed with 2 National Parks, 10 Areas of Outstanding Natural Beauty, and the 630 mile spectacular South West Coast path, as well as 5 Marine Conservation Zones an abundance of SSSI's, pre-historic monuments, stately homes and gardens, festivals, world heritage sites and more. Many of our landscapes have been created and maintained by farming systems over thousands of years and farmers and landowners play a critical role in protecting and enhancing our natural and cultural heritage.

This natural and cultural heritage is the foundation for much of our economic success. Our natural world directly supports jobs in agriculture, fishing and tourism, but also provides wider services to our economy through the provision of health support services, recreation, flood prevention, clean air, water and power (as well as numerous other services). These are known as eco-system services. Similarly our cultural heritage not only attracts visitors from around the world, but also plays a vital role in supporting the wellbeing of people and communities and attracting investment. There is a wealth of evidence that an area's cultural assets (theatres, creative arts, museums etc.) can play a vital 'place-making' role in economic development.

For many contributors to this commission, our natural and cultural heritage was considered to be our defining feature and a key economic asset. Contributors highlighted the importance of protecting and enhancing these assets, so that they can continue to support growth in the longer term. Conversely

they highlighted a risk that short term actions and decision making, that does not factor in environmental benefits, could lead to longer term damage to these assets, which will in turn undermine our future economic success. Some also identified an important role for LEPs in ensuring that economic development projects do not lead to damage highlighting a number of practical measures that could be taken to mitigate this (see case study 12). However, others suggested that LEPs should be going further and investing in the area's natural and cultural heritage, in recognition of the important economic role played by these assets. In Swindon and Wiltshire the RDPE Growth Programme was used to provide business development grants dedicated to business ventures that bring wider benefits to the environment and improve ecosystems.

The commission also heard about important work to develop markets for eco-system services. South West Water was highlighted as a pioneer in this field, having developed a mechanism to pay farmers and landowners to manage water to minimise cleaning costs or prevent flooding. Others highlighted other potential markets for eco-system services (such as insurance, health, carbon etc.) that require further development. We heard how the South West benefits from considerable academic expertise in this field, with the development of the SWEEP (South West Partnership for Environment and Economic Prosperity) project, as well as initiatives in individual LEP areas (e.g. Cornwall Council's Environmental Growth Strategy and Dorset Local Nature Partnership's work on Natural Capital). So, as an area, we may have a competitive advantage in this field.



THEME 8: NATURAL AND CULTURAL HERITAGE

Approach

The commission recognises that our natural and cultural assets are vital economic assets, which need to be maintained and enhanced so that they can continue to provide services to the economy. The commission recognises that ultimately the loss of natural and cultural heritage, will cause long term damage to the economy of the South West, as so many businesses are reliant on our natural capital base. Therefore it is imperative that LEPs work closely with their Local Nature Partnerships, AONB Boards and National Park Authorities to ensure economic growth and environmental protection go hand in hand.

However, we recognise that at the current time, the markets for eco-system services are not well developed leading to environmental harm in some instances or landowners undertaking work without receiving any financial benefit. Whilst much progress has been made in the development of the market for eco-system services and the South West has considerable expertise in this field, much more needs to be done to find real ways to pay farmers and landowners for producing public goods. We think that this is an area where working together to share knowledge and expertise, could yield positive results.

The role of agri-environment support is also significant and we make recommendations for how farming and environmental support schemes could be improved under the theme of Brexit.

Detailed Recommendations

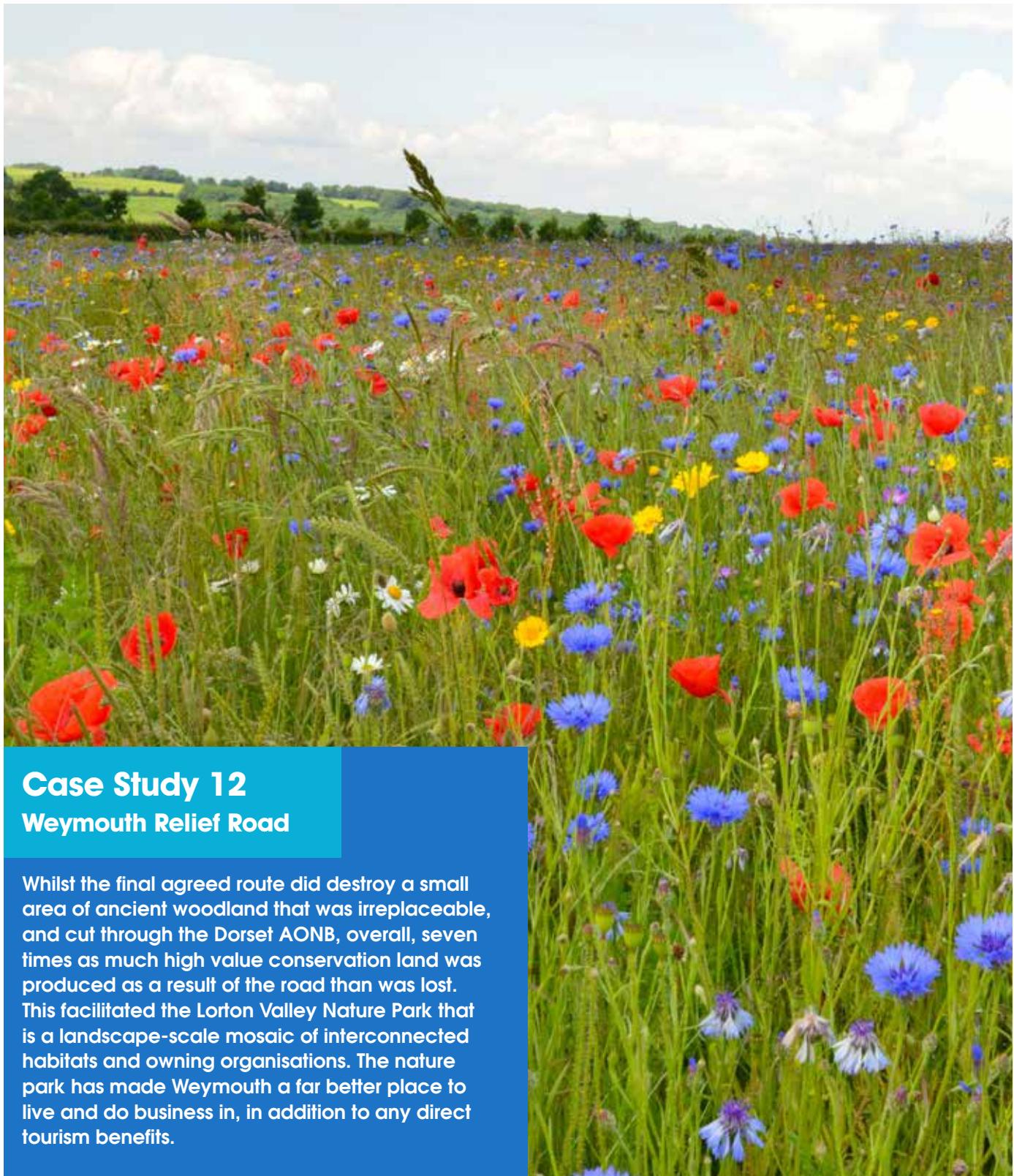
43. In partnership with Local Nature Partnerships, South West LEPs should invest in improving the area's natural and cultural assets as key drivers of economic growth in rural areas.

Practical steps should include:

- a. Identification and valuation of natural and cultural asset base;
 - b. Monitor natural and cultural asset base;
 - c. Identify and develop revenue streams and costs associated with maintaining these assets;
 - d. Build these assets into decision making structures;
 - e. Build these assets into marketing and promotional work;
 - f. Build the skills and knowledge associated with these assets; and
 - g. Invest in appropriate technology to support improvements.
44. South West LEPs should build on the area's existing body of expertise in the development of natural capital markets to develop the area as a 'testbed' for new and emerging natural capital markets (e.g. tradable bonds, insurance, health etc.). This could form a key plank of the proposed 'Smart Rural Research Platform' recommended under theme 10.
45. South West LEPs and local authorities should use a range of tools such as 'Planning Gain' and 'Biodiversity Appraisal Processes' to ensure that economic development projects (such as roads and infrastructure) safeguard our natural and cultural assets (e.g. Case study 12 – Weymouth Relief Road).
46. South West LEPs should explore and develop the concept of 'environmental enterprise zones' that put an area's natural and cultural assets at the heart of economic development, creating opportunities for small and micro-businesses to capitalise on these distinctive assets.



THEME 8: NATURAL AND CULTURAL HERITAGE

A photograph of a lush, diverse wildflower meadow. The foreground is filled with tall grasses, red poppies, blue cornflowers, and various smaller yellow and white flowers. In the background, rolling green hills are visible under a bright, slightly cloudy sky.

Case Study 12

Weymouth Relief Road

Whilst the final agreed route did destroy a small area of ancient woodland that was irreplaceable, and cut through the Dorset AONB, overall, seven times as much high value conservation land was produced as a result of the road than was lost. This facilitated the Lorton Valley Nature Park that is a landscape-scale mosaic of interconnected habitats and owning organisations. The nature park has made Weymouth a far better place to live and do business in, in addition to any direct tourism benefits.

THEME 9: GEOGRAPHY, HUBS AND SPHERES OF INFLUENCE

Context

Economic policy in the UK has perceived cities and core cities in particular, as the 'engines of growth' for the UK economy. Some contributors highlighted a concern that economic development tools such as devolution, city deals and growth deals have had a 'systematic bias' towards 'city led' growth as a result. Therefore, we were keen to understand better the relationship between urban and rural areas.

In the four LEP area, we have a mixture of:

- Rural areas that fall outside the influence of city regions (e.g. the majority of Cornwall and the Isles of Scilly, large parts of North and West Devon, parts of Somerset and Wiltshire);
- Rural areas that fall within the influence of non-core cities (e.g. Plymouth, Exeter, Swindon, Bournemouth and Poole); and
- Rural areas that fall within the influence of a core city (some parts of Somerset and Wiltshire fall within the influence of the Bristol city region).

Therefore, we have reviewed the literature on this subject to try to get a better understanding of the rural/urban context and how it may apply to the different parts of the area.

Research shows that rural areas within city regions tend to perform better than those outside city regions – largely influenced by commuting and access to markets for goods and services. Cities therefore have

an influence on their surrounding areas. However, whilst cities are able to provide higher wages to rural commuters, this in turn diminishes the availability of that same labour for rural businesses and impacts on the housing market by raising prices. Research shows that rural areas within city regions face a duality of economies as lower wage jobs and skills are overlain by high wage activity. This has implications for the parts of our area that fall within the influence of our non-core cities. Other evidence suggests that cities and their hinterlands have an inter-dependent relationship, but that needs to be better understood in order to identify opportunities for mutual growth.

However, simply extending the reach of our cities is unlikely to be a solution – especially in those parts of the area where cities have little influence. The RSA have suggested that the traditional industrial model of 'command and control' where presence 'at work' is expected, overlooks unprecedented shifts in the way we live and work. Changes in technology, such as the roll-out of superfast broadband, enables a more dispersed model of growth, in which rural areas can accommodate these shifting patterns of employment. This dispersed model of growth is vitally important to all types of rural area in the South West.

Within rural areas, market and coastal towns are facing considerable challenges but with the right support, have the potential to drive productivity in rural areas and reduce pressure on cities – following a more dispersed pattern of growth.

Photo: Invest in Cornwall



THEME 9: GEOGRAPHY, HUBS AND SPHERES OF INFLUENCE

Approach

The commission recognises that cities and towns play an important role in the economy of the four LEP areas, however, their influence does not extend across the whole geography. There are significant parts of all four LEP areas that do not fall within a travel to work area of a city and alternative approaches to economic growth are needed in these areas that recognise the dispersed nature of growth. We believe that in these areas the development of a network of 'hubs' (see recommendation 4), alongside improved digital connectivity could help to rebalance the economy, alongside action to revitalise market and coastal towns, which could form the basis of this network.

For those parts of the area that do fall within the reach of our cities, we believe that in addition to hubs and digital connectivity, economic development should take a more holistic approach to the urban/rural dynamic that recognises the interdependency of cities, towns and rural areas. We believe there are opportunities for symbiotic relationships to be enhanced for mutual benefit (for example, aligning labour force needs, developing supply chains, improving health within cities through access to the countryside etc.).

In relation to funding, the commission is of the view that further work is required by Government and rural LEPs to ensure future Growth Deals, the UK Shared Prosperity Fund and Devolution Deals are more equitable to rural areas (either through a fairer allocation of funding or through finding practical ways of ensuring that rural areas also benefit from urban investment).

Detailed Recommendations

47. Government (BEIS/DfT/DCLG) must recognise that large parts of the UK and South West in particular fall outside the travel to work area of cities and therefore:
 - » Ensure funding and 'deals' are equally available to areas outside of city regions;
 - » Develop funding instruments and appraisal processes that recognise that 'sustainable, inclusive growth' projects cannot compete on the same basis as conventional urban led schemes;
 - » Ensure that systems, processes and delivery dovetail with any future DEFRA led funding programmes to avoid duplication and overlap.
48. South West LEPs should explore a more 'distributive' spatial approach with their local planning authority partners which recognises the opportunity for employment and housing growth in rural towns and key villages, creating 'growth nodes' and 'hubs' as well as growth centres for inward investment.
49. Where relevant South West LEPs should identify symbiotic opportunities for mutual growth between cities and rural areas e.g.
 - a. matching rural job opportunities with unemployed people in urban areas;
 - b. development of local supply chains (e.g. food);
 - c. improving health and well-being through access to the countryside; and
 - d. supporting growth of businesses that require space.
50. Government (DCLG) should extend the coastal communities model to cover market towns to enable community led development in market towns and key villages. This should be supported by action by the South West LEP's to provide an enabling framework to support community led re-development of market and coastal towns and key villages, based on a sound understanding of their community capacity, sense of place and unique opportunities.



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Context

The commission has heard a wide range of evidence around the themes of Science, Technology, Energy and Innovation. The findings are summarised below:

Science

The South West's natural assets are the subject of considerable scientific research, ranging from studies of the fish population to agricultural research and energy. There is some evidence that the science is starting to become an industry in its own right, with considerable export potential.

On the Isles of Scilly, high quality jobs are being created through the Smart Islands regime which has established the Islands as a living research platform. Other contributors pointed to more established placed based innovation platforms such as the Brainport model in Eindhoven, Netherlands.

Technology

The digital revolution, robotics and artificial intelligence are expected to transform our lives in the next few years. Whilst there is evidence of some innovative companies deploying these technologies now to drive productivity improvements (e.g. South West Water), we have not heard many examples of this. In some sectors, labour shortages are expected to drive take-up of robotics and technology and we have made recommendations to this under theme 4. We expect technology and smart solutions to play an increasing role in the delivery of rural services. Technology was also identified as an important driver of productivity improvements in the agricultural sector. The commission is aware of significant investment in 'agri-tech' both nationally and in Dorset and Cornwall and the Isles of Scilly. We understand that these initiatives have only recently started, but in the case of Cornwall,

is constrained by the nature of ERDF funding, that does not allow it to work directly with primary producers. Agri-tech solutions could play an important part of 'future' farming systems and therefore investment in this area is important.

Energy

RegenSW has found that in the South West, despite years of accelerating renewable growth, cuts, uncertainty around the subsidy regime, changes to national planning policy and grid constraints have led to reduced growth rates in the South West in 2015/16. They anticipate that continued growth is likely to be in smaller solar projects where power can be used on site. Regen SW suggest that a critical shift is required towards a smart decentralised system, with local consumption of renewable energy generation, network and own use storage, and integrated smart grids, meters and appliances (e.g. Smart Islands) to overcome the issues of grid capacity.

Innovation

Business innovation varies considerably across the four LEP areas and across sectors. National research shows that the presence of STEM graduates within businesses is one of the most effective means of driving innovation. However, research has also shown that graduate migration appears to be primarily driven by the availability of job opportunities, therefore to attract more graduates requires policies that support the creation of more highly skilled jobs.

Within agriculture, changes will require innovation and the entry of new young entrepreneurs into the farming industry.



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Approach

The commission believes that science and technology solutions are going to drive enormous economic and social change in the next ten years. If rural areas fail to keep up with this revolution, economic disparities will only widen. The South West has numerous science and technology assets, but they must be supported by a strong policy direction from LEPs and local authorities to signal to markets and businesses that the South West is the place to come to develop 'smart rural solutions'. The Isles of Scilly has pioneered a new approach, which could be extended across the area, creating a critical mass that would make the area an attractive place to grow a technology sector. Looking further afield, the Brainport initiative in the Netherlands has proven that this sort of model can achieve transformational impacts.



Detailed Recommendations

51. South West LEPs should signal an appetite for the South West to be leaders in 'smart rural' by developing a 'Smart Rural Research Platform' on a regional scale. This would follow the Brainport model, with a triple helix of public, private and academic involvement focusing on key rural challenges (e.g. transport, ageing population, energy, natural capital etc.). This would put the rural South West on the map, creating a critical mass of scientists, entrepreneurs and investment that drives further investment in high quality opportunities. By creating a critical mass of high skilled knowledge jobs, graduates would be attracted to work in the South West, helping to reverse the 'brain drain'.
52. South West LEPs should develop collaborative approaches to bring together high energy users (businesses, schools, hospitals) with potential generators (e.g. communities) to develop local renewable energy solutions, utilising crowd-funding where appropriate. To support this, Government should enable EAFRD growth programme measures relating to community renewables to be utilised and successor programmes to allow this approach.
53. Government (DEFRA) should fund more 'on farm trials' and knowledge transfer activities by:
 - » Exploring the role of the CAP successor programme in supporting on-farm innovation.
 - » Re-direct resources from 'blue skies' agricultural research to 'near to farm' and knowledge transfer activities.
 - » Disseminating agri-tech solutions to farmers and land managers.



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Case Study 13

Isles of Scilly - Smart Islands

The Smart Islands programme is intended to sustainably and affordably tackle some of the Isles of Scilly's main infrastructure and utilities issues, whilst providing a model for how other communities can profit from a rapid transition from being carbon intensive to having a low carbon footprint. The current challenges are considerable. Providing affordable and reliable electricity, drinking water, sewage treatment and waste disposal for Scilly's remote island population is expensive and presents considerable practical challenges. The Smart Islands programme is taking a fundamentally different approach to waste, water and energy with the introduction of a Smart Grid, generating energy from waste, sewerage and a mix of renewable energy sources. This will unlock value and savings for Scilly's residents and businesses through a locally owned Community Energy Services Company.

The programme is being delivered through a partnership made up of the following organisations: The Duchy of Cornwall, Tresco Estate, The Council of the Isles of Scilly, Hitachi Europe Ltd. and the Islands' Partnership.

A £10.8 million project, co-financed by the European Regional Development Fund, will lay the foundations for the Smart Islands Programme by creating an ambitious smart energy system that will provide a model to support the transition to low carbon sustainable communities.

It will be innovative in its scale and range of technologies, linking for example; rooftop solar panels, solar gardens, batteries, domestic heat pumps and electric vehicles through an Internet of things (IoT).

Hitachi Europe Ltd. will lead the project and develop the IoT platform to manage electricity throughout the islands. It will balance supply, storage and demand, allowing the islands to scale up renewable generation and increase their energy independence. Two UK smart energy companies will help to deliver this.

- Moixa, the UK's leading home battery company, has experience managing domestic batteries to help support local energy systems, and will supply the home battery management system to integrate with Hitachi Europe's platform. Smart home batteries will allow homes with solar panels to save money by using more of the power they generate. They will also be able to import or export energy to balance local energy needs. Moixa will build on this expertise to develop the Electric Vehicle Management System, which will control and optimise how the batteries included in electric vehicles can be utilised by the IoT platform.
- PassivSystems, the leading home energy services company, will supply the home energy management systems for domestic buildings and building energy monitoring systems for commercial properties allowing them to be integrated into the IoT platform. Rooftop solar photovoltaic (PV) systems will be installed on 100 homes, a tenth of the island's housing stock, and two 50kW solar gardens will be built. They will deliver at least 448kW of renewable energy and reduce the islands' carbon footprint. Energy management systems will be installed in the 100 solar homes and in 190 of the islands businesses. Ten of these will be smart homes piloting a variety of additional smart energy technologies including Moixa smart batteries and air source heat pumps. These technologies have the potential to significantly increase savings from solar PV.

This smart energy system will be a key enabler for the Isles of Scilly to connect further renewable power towards the Smart Islands target of 40% renewable generation, and it will support their ambition to reduce energy bills for local people and see 40% of vehicles being electric or low-carbon by 2025.



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Case Study 14

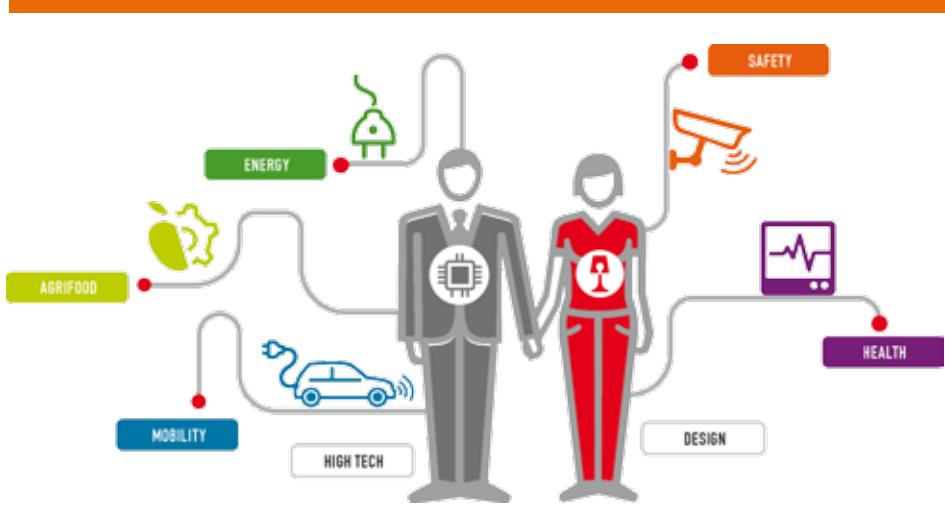
Brainport, Eindhoven, Netherlands

Brainport is one of Europe's leading technology regions, regarded worldwide as a centre for innovation and high-tech. Centred in the city of Eindhoven in the Southeast Netherlands, Brainport creates solutions for the challenges facing society both today and tomorrow.

Facing the loss of 36,000 jobs in the early 1990s, local Government leaders decided to start a new style of co-operation, where they initiated a 'triple helix' collaboration between government, industry, research and education institutions. Together, they attracted investment and brought organisations like TNO research to Eindhoven. This collaboration gave rise to the Brainport Foundation in 2005, a public-private partnership with its own ambition and strategy, and earned the city of Eindhoven the International Eurocities award in 2010. Over the past 20 years the Brainport region has made an impressive transition, from a region of shrinking industry and high unemployment to an international high-tech hotspot in a global network. Eindhoven has become one of Europe's leading high-tech centres, with highly developed specializations in fields like mechatronics, robotics and advanced materials. Brainport makes a major contribution to national exports and dominates the top of Dutch R&D companies. This creates many new jobs in the region and beyond. Brainport also registers

the major share of Dutch patents (44%), double that of European top regions such as Stockholm and Munich. In addition, according to the Financial Times, Eindhoven has Europe's best investment climate after London and Helsinki.

A key feature of the Brainport model is tackling the big issues that society faces today in the areas of health, mobility, energy, food and safety. These are tackled with a combination of technology, design and social innovation to stimulate companies and knowledge centres to come up with creative, new solutions. This offers many companies a new window of opportunity to search for connections with other sectors and thus tap into global markets previously out of reach. In this way, Brainport not only makes economic opportunities from the challenges of tomorrow but contributes to a more sustainable, healthy and safe society. The process of finding these solutions stimulates the industrial and knowledge base to be both creative and innovative. The region is the first to profit from this innovative capacity, both economically and socially. By putting users, customers and residents centrally, they achieve faster implementation and an accelerating rate of innovation. Strong consortiums of innovative companies, knowledge institutions and social partners give shape to breakthrough projects and 'living labs', stimulated by Brainport.



TAKING IT FORWARD

The commission set out with a broad remit to explore the issues of productivity in rural areas of the South West and where possible, identify solutions.

We have received a wealth of evidence that has improved our understanding of the challenges facing economies of rural areas and has pointed towards some of the solutions. However, inevitably more work is required by the LEPs to take forward the ideas presented in this report with their partners locally and within Government in the form of detailed, costed proposals.

The findings of this process have demonstrated that rural productivity is affected by multiple policy agenda's across nearly all Government departments. It is therefore imperative that all government actions are 'rural proofed' prior to implementation to ensure rural areas are not disadvantaged further. Similarly LEPs and local partners must also rural proof their actions. However, the lack of readily available statistical data broken down by urban and rural areas at a local geography makes this task considerably harder and this needs to be rectified by ONS.

We believe that the South West LEPs have much to gain by working collectively, sharing knowledge, expertise and resources where they share common aims and we think the rural agenda holds many opportunities for this style of collective working. However, we also recognise a key point highlighted earlier in this report – that not all rural parts of the South West are the same and therefore, delivery activities must be tailored to local needs.

Throughout the process, we also heard some frustration that there is no single voice championing the needs of the economies of rural areas with government. Some contributors indicated that cities and the core cities in particular have been much more effective in their lobbying and as a result have secured more direct investment, powers

and influence. Many of the themes highlighted in this report will be common to other rural LEPs in England and as such, the South West LEPS could look to develop a broader coalition of rural LEPs (and other partners) to speak as one voice on issues facing economies in rural areas.

Whilst rural LEPs must consider the merits of a 'rural coalition', Government should support this process **by identifying a route-map for engagement on these issues**. The current DEFRA centric approach, with rural roundtables and rural and farming networks etc. fails to reflect the breadth of issues facing the economy in rural areas and prevents serious engagement with other government departments. **A new model of engagement is required**, which should be developed collaboratively between rural LEPs and their partners and Government that reflects fully the diversity of issues facing rural areas. We also believe that Government itself, if it is serious about its engagement with rural businesses and the opportunity that this could provide for increases in rural productivity, should set out precisely how it would like to engage with the issues in this report particularly in the South West but perhaps more widely too in a manner which involves all the relevant Departments of State. If this is to be through the LEPs as set out above then they need to help by setting out how they think this will happen.

If LEPs are to be the primary conduit then it will be incumbent on the LEPs to demonstrate how they can represent the social and environmental voice. These themes can be woven into the businesses agenda as we have shown in parts of this report but they are such an important part of the fabric of the rural areas in the area represented in our work that LEPs will ignore them at their peril.

STRATEGIC RECOMMENDATIONS

The commission has heard about many important issues and received many good ideas which have been set out in our detailed recommendations. However, we believe there are five ‘strategic’ recommendations that have the potential to achieve transformational impact. The third of these will pick up the detailed recommendations identified in this report. These are:

Digital Infrastructure

Digital infrastructure was, without exception, raised as an issue by every single contributor to this commission. We believe digital connectivity presents a ‘game changing’ opportunity, which has the potential to re-structure economies in rural areas as well as improve productivity across all rural businesses. It is our view that it is completely unacceptable in a developed economy that some UK businesses are unable to benefit from high speed digital connectivity. Without urgent action to tackle the digital divide, rural businesses and communities will become increasingly marginalised and left behind and the productivity gap will continue to widen.

We therefore call on Government (DCMS) and LEPs to provide high speed digital connectivity to 100% of end users in rural businesses and premises by 2025.

A South West Rural Task Force

Brexit has brought the question of rural growth to a critical juncture and this report has identified many of the barriers and opportunities for growth in economies of rural areas of the South West. The enquiry has enabled us to point towards a direction of travel, but we recognise that much more work is necessary to develop detailed, costed solutions that can be taken forward by LEPs and their partners.

We therefore recommend that the South West LEPs and Government should establish a joint task force to develop a detailed action plan to take forward key actions for all 10 growth themes highlighted in this report. The action plan, will in the

main, delegate delivery to individual LEP areas, reflecting their differing needs and challenges, but may, where appropriate identify a small number of actions where cross LEP approaches may be advantageous.

Brexit

Brexit is likely to have a disproportionate impact on rural areas, which face unique challenges arising from changes in agricultural policy, migrant labour and international trade. These issues have the potential to shake the economy of rural areas to their very foundation, providing a much needed boost or sudden economic shock – the implications are enormous.

We therefore call upon Government to recognise the unique challenges faced by rural areas resulting from Brexit and provide clarity as soon as possible on transition and longer term arrangements for migration, trade, agricultural subsidies and other successor programmes. At the same time, South West LEPs should continue to develop their Brexit response and ensure the issues facing the rural economy have been considered.

Rural Proofing Across Government

The breadth of evidence received by the commission demonstrates that rural areas are not simply the preserve of DEFRA but are impacted by nearly every area of Government policy – with poorly designed policies ‘leaving behind’ many rural areas in the South West.

We therefore call on Government to fully implement its own rural proofing guidelines, across all Government departments and policy areas. Of particular importance is the need to rural proof, the proposed UK Shared Prosperity Fund, which alongside any future rural development programme could be the source of funding for many of the support structures required to deliver the recommendations of this report. The Government should identify a route-map for engagement on these issues.

The South West LEPs should look to form stronger links with other rural LEPs in England in order to hold the Government to account on this issue, as well as providing leadership on the rural economy.

Raise the profile and visibility of the South West

A key message coming through this process is that the South West is perceived to be a 'cul de sac' where lack of opportunity prevents young people from developing a career here, with significant implications for employers. Whilst there are currently fewer opportunities in some parts of the area than say the South East of England, it is our view that this perception is partially a result of the 'invisible' nature of many of our exciting and innovative businesses. We therefore think that there is need for a short and long term approach to addressing this challenge. In the short term, the LEPs must take action to raise the profile of the area as a destination known for its business success, quality of life and entrepreneurial culture. A rural proposition could build on the region's existing strength in the food industry (in its widest sense) to enable it to blossom into a world leading, globally recognised sector. In the longer term (over 20 years), the creation of a 'Smart Rural Research Platform' through public, private and higher education investment in science and technology (centred around addressing key rural challenges), could achieve a fundamental shift in the economic opportunities available in rural areas, which would by its very nature raise the profile and visibility of the area.

Therefore, we call upon the South West LEPs to:

- Raise the profile and visibility of the South West as a destination known for its business success, quality of life and entrepreneurial culture – building on the area's existing rural 'food' strength to develop a work leading globally recognised sector.
- Start the process of developing a 'Smart Rural Research Platform' through developing a coalition with the public, private and higher education sectors to achieve a fundamental shift in economic opportunities available in rural areas.

All information correct at time of publication (October 2017).

Evidence was gathered through written consultation and panel hearings and has not been independently verified or checked for factual accuracy. Comments and requests for information about the conclusions of the report can be directed to: info@swrural.co.uk



THE SW RURAL PRODUCTIVITY COMMISSION Evidence Report 2017

Acknowledgements

The SW Rural Productivity Commission would like to thank everybody that has made a contribution to this process including:

- The four LEPs for commissioning the project and supporting the process;
- The NFU, Kingston Maurward College, Lackham College, The Bath and West Showground and Royal Cornwall Showground for providing welcoming venues;
- All the witnesses who gave up their time and came forward to give evidence to the panel;
- All the contributors who submitted written evidence;
- Representatives from the LEPs, as well as a small number of expert witnesses who were asked to 'sense check' different parts of the report; and
- The commissioners themselves who gave up their time for free to hear evidence and contribute to the development of recommendations.

Disclaimer

All information correct at time of publication (October 2017).

Evidence was gathered through written consultation and panel hearings and has not been independently verified or checked for factual accuracy. Comments and requests for information about the conclusions of the report can be directed to: info@swrural.co.uk

Contents

Acknowledgements.....	2
Contents	3
Introduction	5
Method	5
The Commission	6
The Geographical Scope	7
Defining Rural	7
Key Facts & Figures	8
Business Population	8
Business Sectors.....	8
Population.....	9
Population Demographics.....	10
Employment.....	11
Skills.....	11
The Rural Productivity Challenge.....	12
How do Urban and Rural areas differ?.....	14
Rural Growth Opportunities	16
The 10 Growth Themes	17
Theme 1: Key Rural Sectors	18
Introduction	18
The Sector Profile	18
Primary Production.....	19
Food and Drink.....	29
Tourism.....	31
Emerging high productivity sectors and clusters	36
Theme 2: Small and Scale-Up Businesses	40
Small and Micro Businesses.....	40
Scale-up Businesses.....	44
Theme 3: Workforce and Skills	47
Introduction	47
Context	47
Key Issues	48
Theme 4: Brexit.....	54
The Changing Agricultural Support Regime	54
Impact on Fisheries Policy.....	56
Loss of Funding for Economic Development.....	56
Loss of workers from the European Economic Area (EEA).....	57
Impacts Arising from Changes in Tariffs and Terms of Trade	57
Uncertainty acting as a brake on Investment.....	58

Legislative	58
Theme 5: Transport and Accessibility.....	59
Context	59
Key Issues and Opportunities	60
Theme 6: Broadband and Mobile Connectivity.....	65
Current Digital Infrastructure	65
Current Digital Infrastructure Challenges	66
Theme 7: Housing, Planning, Communities and Workspace	68
Introduction	68
Planning Context	68
Housing	69
Commercial Development	76
Rural Services and Viable Communities	77
Theme 8: Natural and Cultural Heritage	83
The SW Natural and Cultural Environment	83
The relationship with the economy	83
The role of Eco-system Services and Natural Capital	85
Opportunities to Drive Growth	87
Theme 9: Geography, Hubs and Spheres of Influence	90
The Role of City Regions	90
The changing role of market and coastal towns	92
Theme 10: Science, Technology, Energy and Innovation	94
Science	94
Technology	97
Energy	97
Innovation	100
Wider Rural Policy Issues	102
Measuring Productivity	102
Rural Proofing	103
Devolution and localism.....	104
Rural Funding and Support Mechanisms.....	106
Rural Voice	108
Appendix 1: Individuals and organisations that submitted evidence	110
Appendix 2: Witnesses that attended each panel session	111
Bibliography	112

Introduction

This report brings together a more detailed account of the commission's research, highlighting key items of evidence that support the commission's recommendations. It contains a mixture of:

- Relevant statistics;
- Findings from relevant literature;
- Summaries of written and verbal contributions to the commission; and
- Case Studies.

This report summarises the key themes emerging from this processes, supplementing views and perceptions with hard data where it is available in order to provide a strong evidence based analysis which supports the commission's recommendations.

Method

The commission opened with a 'call for evidence' which was promoted by all four LEPs with stakeholders and businesses in their area. This was also supported by direct communications from the secretariat to regional/national bodies informing them of the work of the commission. This was followed by a series of 5 panel hearings, one in each rural county across the four LEP areas. The panel hearings typically lasted from 9.30 to 5pm and the commission heard from a total of 41 witnesses.

Through its call for written evidence the commission received:

- 66 written responses from stakeholders, businesses and individuals;
- 80 published reports; and
- 71 items of 'other' material (e.g. leaflets, case studies etc.).

Appendix 1 lists the organisations that submitted evidence to the commission.

Appendix 2 lists the witnesses that attended each panel session.

The Commission



David Fursdon (Chair) – David runs a rural business in Mid-Devon and was previously a partner in a SW rural firm as a rural surveyor. He also chairs Beeswax Dyson Farming Ltd and the SW Rural and Farming Network and serves on the Board of the National Trust and the Duchy of Cornwall rural committee. Other previous relevant roles include President of the Country Land and Business Association (CLA); Commissioner of the Crown Estate; English Heritage and Affordable Rural Housing Commission, Chair of SW Board for 2012 Olympics, chair of Future of Farming review and Member SWRDA Board.



Catherine Mead DL (Cornwall and the Isles of Scilly) – Catherine is the CEO of Lynher Dairies Ltd, makers of Cornish Yarg. Since joining the company 20 years ago, Catherine developed the business exponentially and 10 years ago acquired full ownership. The business now exports all over the world and was awarded Regional Manufacturing Company of the Year in 2015 and Catherine was awarded the Women in business Award in 2011. Prior to this, Catherine was a director of a London based advertising agency, with clients including the Home Office, Department of Transport and Department of Health. She is Chair of Jamie Oliver's 15 Cornwall, a Trustee of the Duke of Cornwall's Benevolent Fund and Vice Chair of the Specialist Cheese Makers Association.



Luke Rake (Dorset) – Luke is the principal and Chief Executive of Kingston Maurward college (a specialist land based college). An Oxford educated zoologist, Luke's career has held roles in both schools and colleges including 10 years as vice principal of Hartpury College in Gloucestershire. Luke sits on the National Data Management Advisory Board for Further Education working with senior partners in Government bodies and until gaining his position at Kingston Maurward college was the senior convenor of the Landex National Curriculum Group. In his spare time, Luke enjoys the great outdoors and was previously a member and training officer for the Longdown Mountain Rescue Team based on the edge of the Brecon Beacons.



Sarah Bryan (Heart of the South West) – Sarah is the Chief Executive of Exmoor National Park, responsible for overseeing the work of the National Park Authority, which exists to; conserve and enhance the natural beauty, wildlife and cultural heritage of Exmoor, and promote opportunities for people to understand and enjoy its special qualities. Sarah has a degree in Environmental Science, a second degree in Landscape Design and is a Chartered Member of the Landscape Institute. She was brought up in Cornwall, loves the south west and has been involved in the development of policy and management of protected landscapes for over twenty years.



Paul Redmore (Wiltshire) – Paul is currently the Farm Manager of the Neston Park Estate, a 600Ha mixed organic estate, with various rural commercial ventures including farm shop, restaurant, cheese/ice cream production, joinery and film sets! Paul studied Agriculture at Seale Hayne Agricultural College and then worked on farms in Canada, New Zealand and Australia before returning to the UK. He has worked for 6 years as Bicton College Farm Manager, where he also sat on the college Governing body. He has sat on the Board of Directors of Organic Seed Producers Ltd and Organic Arable Marketing Group Ltd for 2 years. Paul has a strong interest in integrating new technologies into farming systems, practical on-farm research, rural start-ups and education and training young people for the rural economy.

The Geographical Scope

The commission was tasked with exploring rural productivity within the following LEP areas:

- Cornwall and the Isles of Scilly (C&IOS);
- Dorset;
- Heart of the SW (HotSW); and
- Swindon and Wiltshire (SWLEP).

Figure 1 below shows that rural areas make up 94% of the land area in the four LEP areas compared to 89% for England.

Figure 1: Rural and Urban Classification of the four LEP areas included in this study



Source: DEFRA, based on 2011 census output areas

Defining Rural

The commission recognises that there are a number of official and unofficial rural classification systems and different parties define rural in different ways. The commission did not wish to restrict contributions to the enquiry to sources that only utilised one agreed definition – therefore it took the pragmatic approach to accept and review all evidence that parties wished to submit and understand the implications of the submitted evidence within the context of the definitions utilised. In our own (limited) data analysis, we have utilised the most up to date DEFRA/ONS rural-urban definitions, as follows:

- If data is available at Census Output Area level (e.g. Census output area), the 2011, Rural-Urban Classification for Output Areas in England is utilised.
- If data is not available at this level, the 2011, Rural-Urban Classification for Local Authority Areas in England is utilised.

It should also be noted that many of the issues brought to the attention of the commission were issues faced by both urban and rural areas of the SW (for instance, strategic transport links into the region, careers advice in schools etc.). In our analysis and recommendations, we have tried to tease out those issues that are amplified or more extreme in rural areas or where specific rural challenges exist, although in the real world, there is no hard line between rural and urban and as such urban/rural should be seen as a continuum.

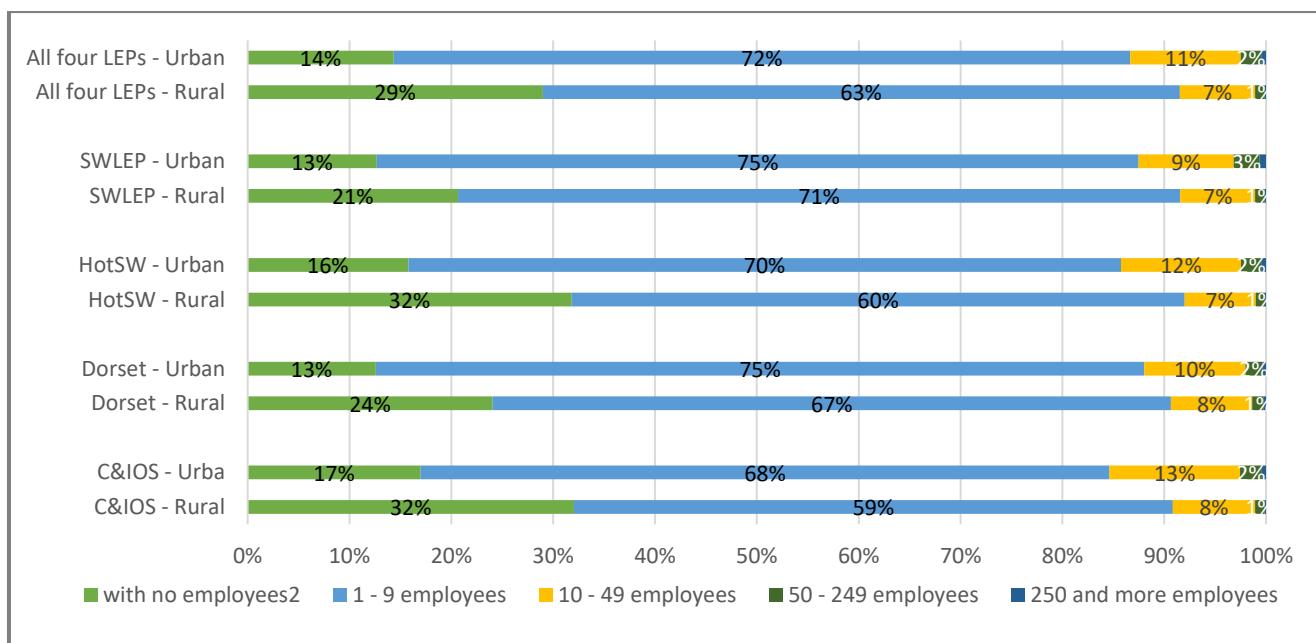
Key Facts & Figures

In this section we summarise some high level facts and figures about national and local urban and rural differences to provide some context for the discussions later in the document.

Business Population

In England in 2015/16 24% of businesses were registered in rural areas [1]. In 2012/13 in the four LEP areas, **54.1% of all enterprises were located in rural areas** [2]. C&IOS had the highest proportion of businesses located in rural areas (72.4%), followed by HoTSW (58.4%), SWLEP (51.8%) and Dorset (32.6%). Analysis by size of enterprise shows a **higher proportions of smaller enterprises in rural areas than urban areas** – in line with the national trend (see Figure 2 below).

Figure 2: Size of businesses in rural and urban areas

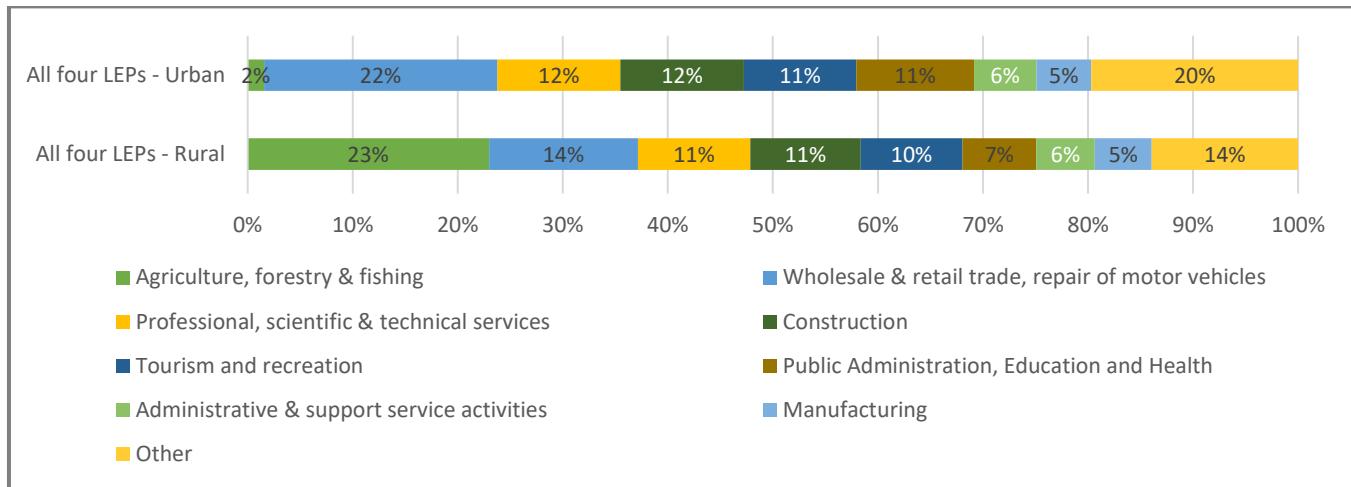


Source: [2]

Business Sectors

Figure 3 overleaf shows the sector profile by urban and rural areas across the four LEP areas. With the exception of agriculture, forestry and fishing, the sector profiles between urban and rural areas in the four LEP areas are broadly similar. With rural areas having a similar proportion of ‘construction’, ‘professional, scientific and technical services’, ‘manufacturing’, ‘tourism and recreation’ and ‘admin and support activities’ as urban areas. Unsurprisingly, urban areas have a slightly higher proportion of ‘wholesale and retail trades’. Nationally, ‘Agricultural, Forestry and Fishing’ accounts for 15.3% of the local units of registered businesses in rural areas, rising to 32.2% in rural areas in a sparse setting. In the four LEP areas, agriculture, forestry and fishing account for **23% of rural local business units**. This varies across the four LEP areas, from 14% in Swindon and Wiltshire LEP to 27% in the Heart of the South West.

Figure 3: Urban and Rural sector profile across the four LEP areas (percentage of businesses, local units)

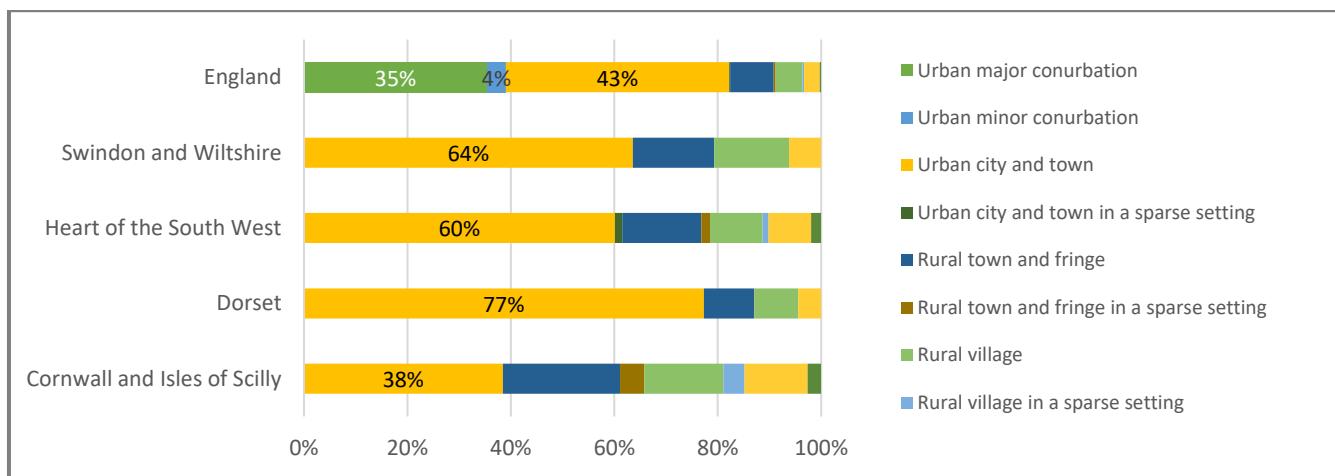


Source: [2]

Population

- 38% of the population in the four LEP areas live in a rural area**, compared to 18% for England. This ranges from 62% in C&IOS to 23% in Dorset [3];
- 5% of the population live in 'sparse settings'** and all of these can be found in C&IOS (11%) and HotSW (6%) – highlighting the sparse nature of some parts of the SW [3];
- None of the population live in areas classified as a major or minor urban conurbation compared to 39% of England – highlighting **the absence of significant urban centres in the four LEP areas**; and
- The population density ranges from 1.5 persons/hectare in C&IOS to 2.8% in Dorset, compared to 4.1% in England [3].

Figure 4: Population breakdown by urban/rural classification (Census Output Areas)



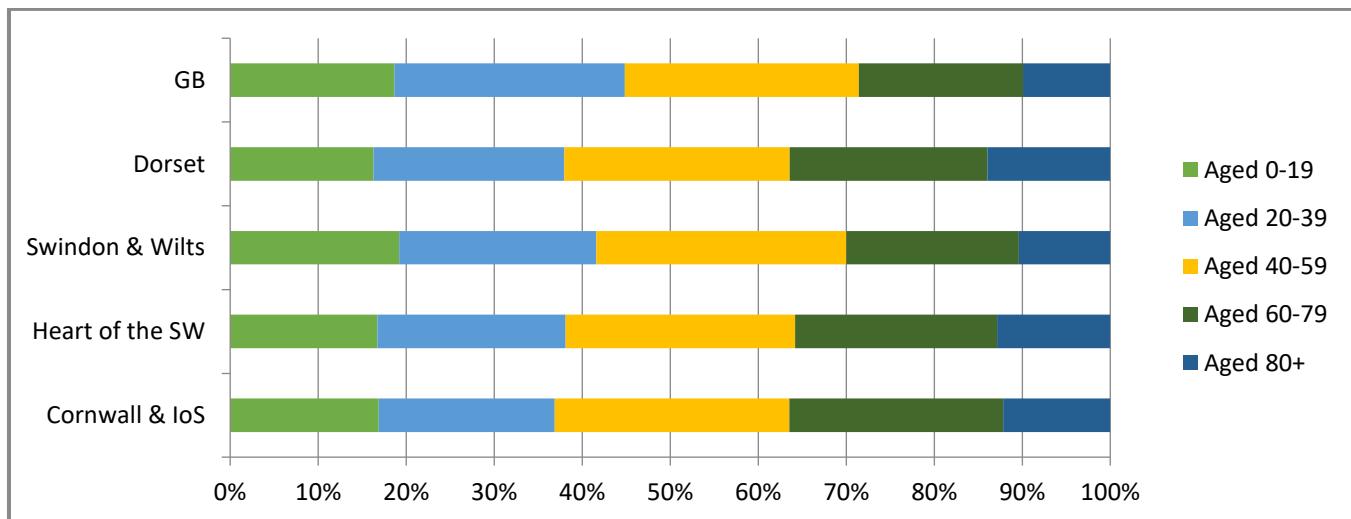
Source: [3]

Population Demographics

- Nationally, less than 50% of the population of rural areas are aged below 45 years, compared to 60% in urban areas and that the proportion of under 45s tend to decline the more rural the settlement type [1].
- The average age in rural areas was 44.1 years in 2014, 5.3 years older than in urban areas and the gap has been widening since 2002 [1].
- The population aged 65 and over increased by 37% in predominantly rural areas between 2001 and 2015, compared with 17% in predominantly urban areas [1].
- Since 2008/09 there has been an increase in the rate of net migration to predominantly rural areas overall. This occurs across all age bands except for 17 to 20 year olds [1], where there is net outward migration of 17-20 year olds [1].
- The largest net inward migration to predominantly rural areas for adults occurs for 30-34 year olds, 35 to 39 year olds and 40 – 44 year olds [1].

Figure 5 breaks down the population by age bands and compares our four LEPs with the national average. This analysis shows that three of the LEP areas have a lower proportion of young people (under 19) than the national average, the exception being Swindon and Wiltshire which is very slightly higher. However, all four LEPs have a higher than average of proportion of residents in the 60-69 and 80+ age brackets. Although this analysis does not enable us to see the differences between the urban and rural areas within the LEPs, given the national profile described above it is likely that this profile will be more pronounced in the rural areas.

Figure 5: Population breakdown by age group



Source: [4]

Employment

Nationally, the unemployment rate in 2015 was 5.6% in urban settlements and 3.2% in rural settlements [1], and this differential appears to be a long term trend. The lowest unemployment rates appear to be found in the most rural settlement types. Similarly, the economic inactivity rate (16-64) in 2015 was also lower in rural areas, at 22% in urban areas, compared to 20% in rural areas.

Figure 6 below shows that in March 2017, the unemployment rate and economic inactivity rate (across urban and rural areas) of all four LEPs was lower than the average for Great Britain, suggesting that the labour market is tighter. It also shows across the four LEP areas, approx. 29% of economically inactive people, would like to get a job – equating to 126,300 people. The proportion of the inactive population that would like to get a job is higher than the national average in all areas, except Dorset. Across the four LEP areas, we can see that 29% of the population are working part time, compared to 25% for Great Britain, suggesting that there is some under-employment in the labour market.

Figure 6: Key Labour Market Indicators by LEP

	Unemployment rate - aged 16-64	Economically inactive - aged 16-64	% of inactive population that want a job	% working part time	% Self employed
C&IOS	3.7	19.4	26.6	28.1	17.0
Dorset	3.4	21.1	20.3	29.1	11.8
HoTSW	4.6	21.1	33.2	30.4	12.3
SWLEP	4.1	15.5	29.5	26.4	12.5
Total	4.1	19.8	28.9	29.0	12.9
Great Britain	4.8	22.0	23.8	25.3	10.6

Source: [5]

It is not possible to easily produce these figures for urban/rural areas from the Annual Population Survey. Whilst the Census does allow such a disaggregation, the figures are quite dated.

Skills

Nationally, people living in rural areas appear to have better qualification levels than those in urban areas:

- In 2015, 80.7% of the working age people living in rural areas had NVQ Level 2 or equivalent qualifications, compared to 76.5% for people living in urban areas; and
- In 2015, 41.9% of working age people living in rural areas had NVQ level 4 or equivalent qualifications, compared to 37.4% for urban areas.

However, when examined from a workplace basis, the pattern is reversed. A higher proportion of people working in urban areas have NVQ level 4 or equivalent qualifications than those in rural areas.

Turning to our local data, Figure 7 overleaf shows the skills profile across the four LEP areas compared to the national average. All four areas have a lower proportion of people than the national average with no qualifications. At higher levels, with the exception of Cornwall and the Isles of Scilly, our LEP areas also have a higher proportion of residents with NVQ3+ than the national average but Swindon and Wiltshire is the only area with a higher proportion of

residents having achieved higher levels of NVQ4+. In other cases, particularly in Cornwall and the Isles of Scilly, the proportions of residents with NVQ4+ are considerably lower. These figures do also mask considerable variation within the areas. Contributors to the commission from more peripheral parts of the region highlighted a lack of higher level skills within their area [6].

Figure 7: Skills Profile

	Cornwall & IoS	Heart of the SW	Swindon & Wilts	Dorset	GB
No qualifications	4.8%	5.9%	4.1%	5.7%	8.0%
Other qualifications	4.8%	5.0%	5.8%	5.6%	6.6%
NVQ1+	90.4%	89.1%	90.2%	88.7%	85.3%
NVQ2+	77.0%	76.9%	77.7%	76.4%	74.3%
NVQ3+	54.3%	57.7%	59.6%	58.6%	56.9%
NVQ4+	32.9%	34.7%	39.4%	36.7%	38.2%

Source: [7]

Figure 8 Profile of Higher Skills by Urban and Rural

	Degree qualifications (NVQ Level 4)		
	Total	Urban	Rural
C&IOS	25%	23.4%	26%
HOTSW	25.6%	22.8%	30%
Dorset	26.5%	25.7%	29.3%
SW	27.4%	24.3%	32.9%

Source: [8]

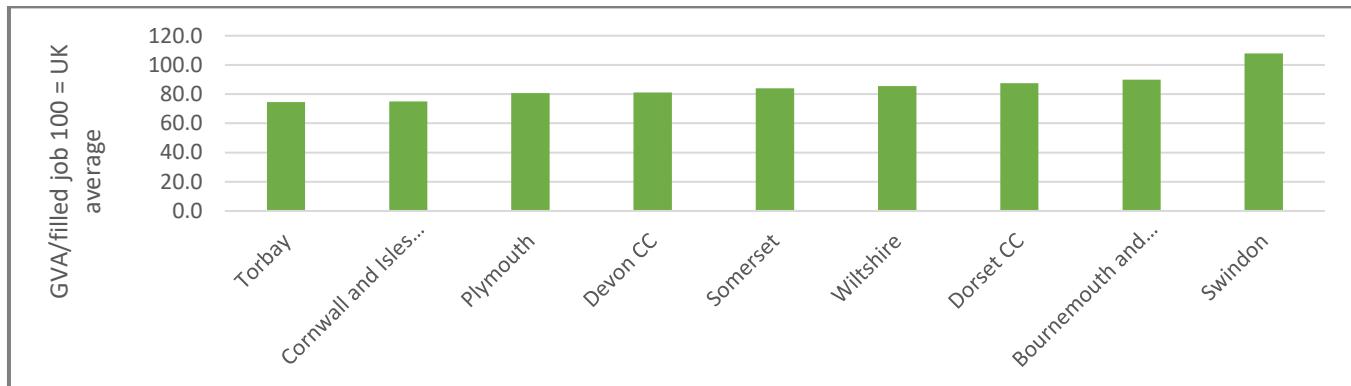
The Rural Productivity Challenge

The Industrial Strategy Green paper [9] highlights the need for the UK to address the productivity gap if we are to see faster growth in wages and real incomes. This is a national challenge – UK workers across every sector, urban and rural are producing less output per hour worked than our competitors in France, Germany and the US.

The Green paper also highlights the significance of regional disparities, with the productivity gap in different parts of the country widening and ultimately influencing how much people can earn. This is the challenge facing the South West of England.

Figure 9 overleaf shows that GVA/filled job is lower than the UK average for all parts of the four LEP area except Swindon. The data also shows a strong West to East correlation, which may illustrate the impact of peripherality and distance of markets on productivity.

Figure 9: GVA/filled job, 2015, Indexed to UK (100 = UK Less extra regio average)



Source: [10]

Bespoke analysis conducted by DEFRA's Rural Statistics team has allowed us to examine productivity in the South West according to the Local Authority Urban/Rural Classification system (see Figure 10 below). This shows that the productivity gap between our predominantly rural districts and our predominantly urban districts is £3,413/ workforce job.

Closing this productivity gap between rural and urban areas would secure an additional £3,924m or a 5% increase in output across the four LEP areas. However, the analysis also shows that there is a significant gap between the pre-dominantly rural districts in the four LEP area and the predominantly rural districts in England of £4,374, suggesting that the productivity challenge for the four LEP area may be wider than rurality per se.

Figure 10: Output, workforce and productivity by LA rural/urban classification

Local Authority Rural/Urban	Total Output GVA, £fm, 2105	No of Workforce jobs	Productivity (GVA/workfo rce job)	Total Output GVA, £fm, 2105	No of Workforce jobs	Productivity (GVA/workfo rce job)
Four LEP Areas				England Excluding London		
Mainly rural	22,554	591,667	38,119	102,841	2,360,667	43,565
Largely rural	22,929	558,000	41,091	134,304	3,037,000	44,222
Urban with significant rural	4,338	1,056,667	41,050	171,245	3,551,333	48,220
Urban with City and Town	28,435	661,667	42,975	364,857	7,849,333	46,483
Urban with minor conurbation				41,419	1,043,000	39,712
Urban with major conurbation				240,079	5,426,000	44,246
Predominantly rural districts	45,483	1,149,667	39,561	237,145	5,397,667	43,935
Predominantly urban	28,435	661,667	42,975	646,356	14,318,333	45,142

Source: [11]

How do Urban and Rural areas differ?

DEFRA data [1], suggests that the contribution to GVA from predominantly rural areas has remained broadly constant between 2001 and 2015 (17% and 16.5%) respectively, whereas the GVA from predominantly urban areas (excluding London) has declined from 47.2% to 45.1% during the same time period. The reason for the slight decline in both urban and rural classifications has been the growth in GVA from London. This data indicates that rural areas have maintained their contribution to the national output over the last 15 years, *albeit with a lower GVA/workforce job.*

This is broadly consistent with the findings of research by Frontier Economics [12] which examined business performance in urban and rural areas between 2008 and 2012. This research found that rural employment outperformed urban employment over this period (see figure 11). The research found that this out-performance is a general feature across many sectors and regions, rather than being driven by substantial differences in one or two sectors or regions. In around *two thirds of sectors and in every region, rural employment has grown more than urban.* So, this rural outperformance is not due to sector compositions being different for rural and urban, but due to performance being stronger sector by sector.

Figure 11: Employment Growth between 2008 and 2012

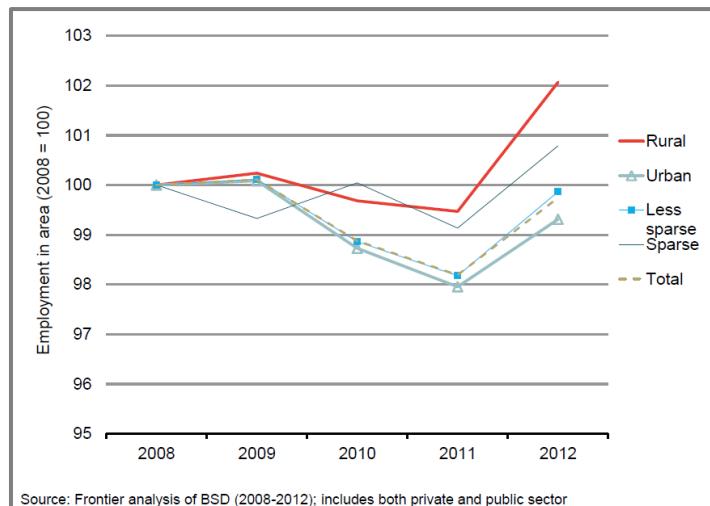
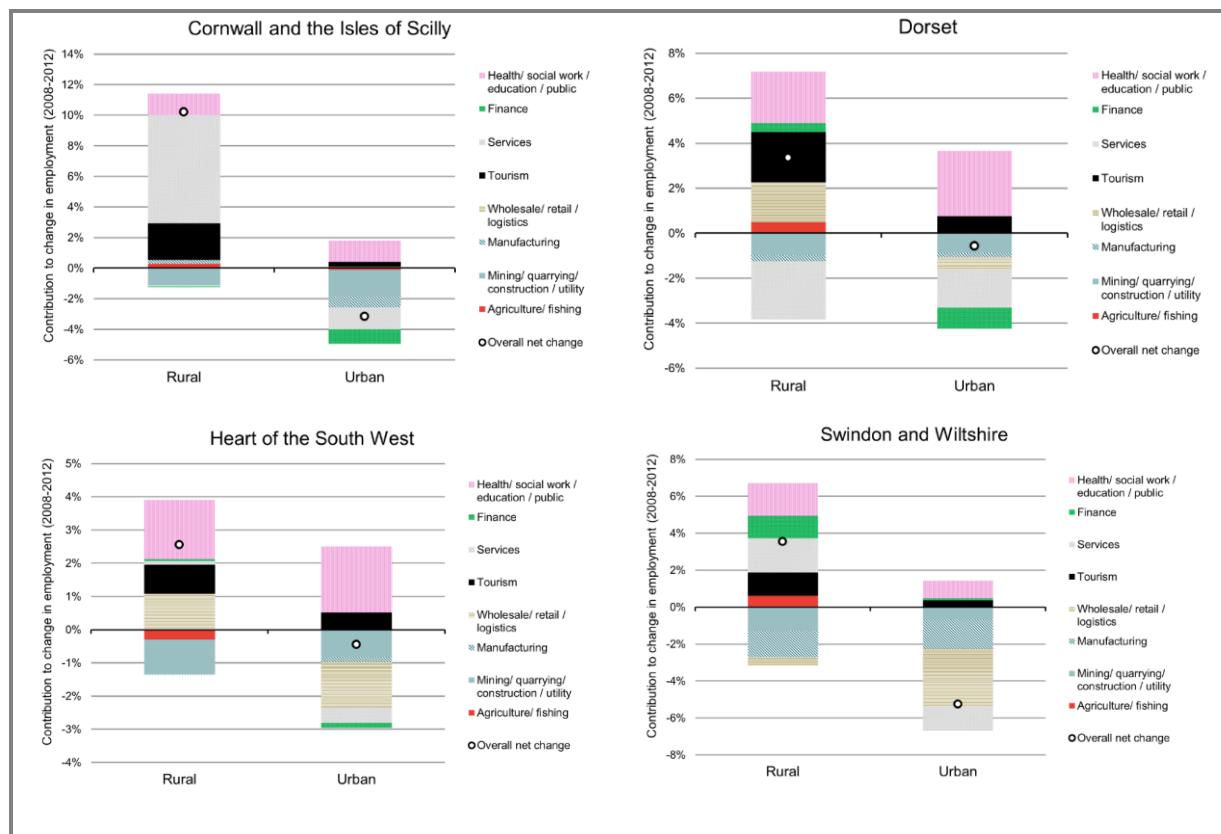


Figure 12 (overleaf) shows the urban/rural performance of the four LEPs in our study, which all show a similar pattern of rural/urban growth and decline.

Figure 12: change in rural and urban employment by LEP area



Source: Frontier Economics – analysis of BSD (2009-2012)

The report identifies that possible explanations for this stronger rural growth include:

- The structure of employment – with a greater share of rural employment in flexible contracts, making it easier to reduce the hours worked; and
- The structure of firms – with a greater proportion of small firms in rural areas, in which there is less scope to adjust employment downwards rather than exiting output.

The implications of both these explanations are that the impact of *recessionary pressures was on productivity per employee, rather than on the level of employment*. More granular analysis found that employment growth was *strongest in the rural areas that lie within urban local authority districts and closer to higher population centres*, pointing to a link between rural and urban economic activity.

Key Findings

- Rural areas have been more resilient to recessionary pressures, but this has been at the expense of labour productivity.
- Rural growth is stronger in rural areas that are closer to higher population centres.

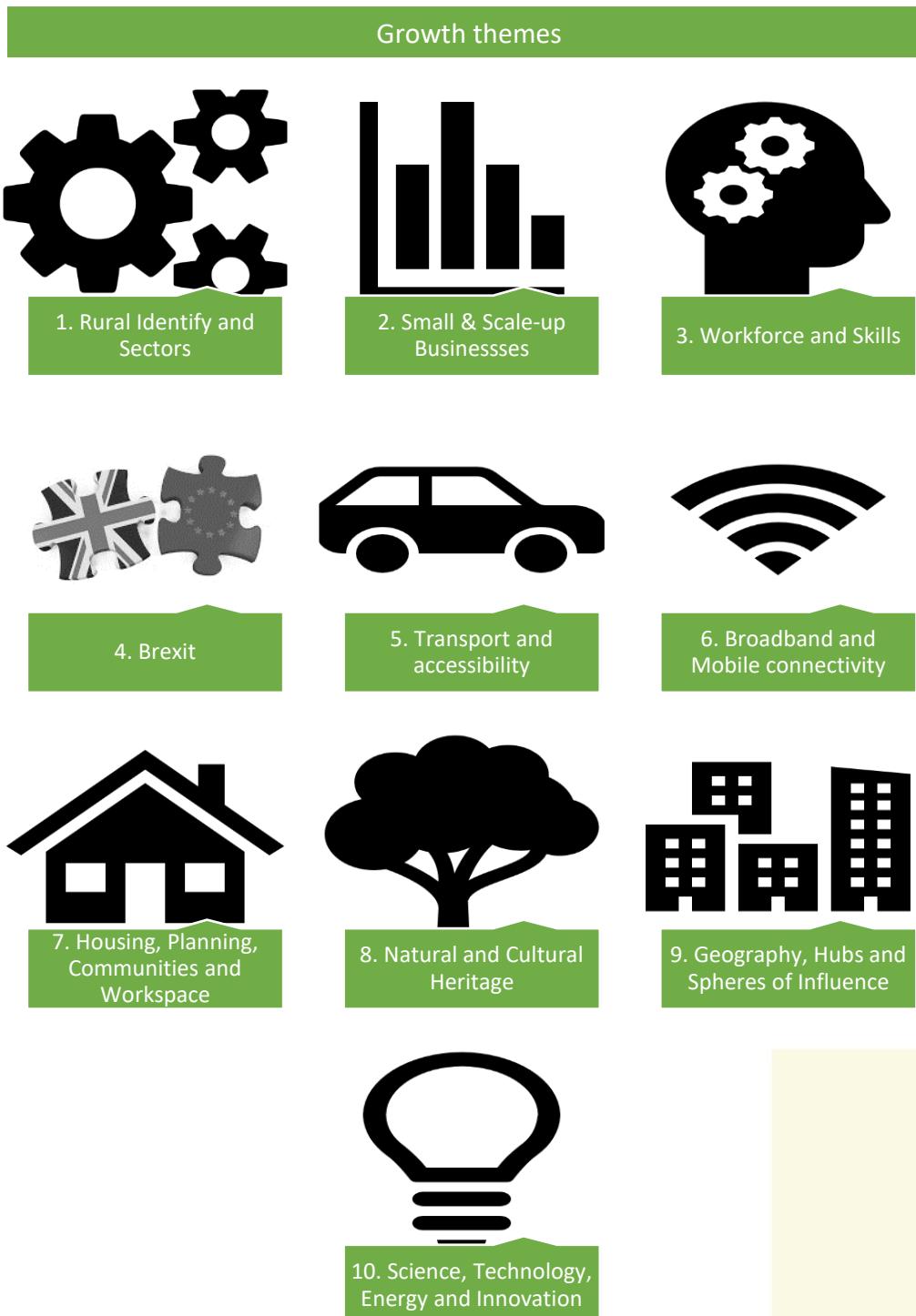
Rural Growth Opportunities

Research by Newcastle University [13], found that rural firms were significantly more likely to be profitable, but have lower annual turnover than businesses in urban areas outside of London and this is not explained by differences in sector, size or age, as the analysis controlled for these differences. It also found that rural firms were significantly stronger exporters of goods and services and more likely to have introduced new or improved goods in their businesses than firms in urban areas. These findings dispel some myths about rural businesses and show they offer significant opportunities for UK Plc.

The commission also heard evidence that rural areas are changing, there is an expanding portfolio of higher productivity businesses that have located in the SW to take advantage of the high quality natural environment, enabled by improved connectivity and we highlight these examples later in this report.

The 10 Growth Themes

The commission has heard a wealth of evidence pertaining to the barriers and opportunities for growth in rural areas. These have been distilled into 10 'growth themes' as illustrated below. These form the basis of the following chapters of the report and are illustrated below.



Theme 1: Key Rural Sectors

Introduction

This chapter explores the role of sectors in the rural economy, exploring first of all the rural/urban sector distribution, followed by evidence presented in relation to traditional rural sectors. It then explores the extent to which new sectors are emerging and the opportunities to foster this growth.

The Sector Profile

Figure 3 (previously) shows that across the four LEP areas, the sector profiles between urban and rural areas are broadly similar, with rural areas having a similar proportion of 'construction', 'professional, scientific and technical services', 'manufacturing', 'tourism and recreation' and 'admin and support activities' as urban areas. Unsurprisingly, urban areas have a slightly higher proportion of 'wholesale and retail trades' and rural areas have a much higher proportion of 'agriculture, forestry and fishing'.

However, local contributors have suggested that in rural areas, there are three sectors that have a particular rural significance:

- Agriculture, forestry and fishing;
- Food and Drink; and
- Tourism and Hospitality.

It has been suggested that the figures above do not represent a true reflection of the economy, as many micro businesses in the food and accommodation sectors are non-VAT registered businesses that will not be picked up in national datasets [14].

In more deeply rural and peripheral areas, these three sectors represent an even greater share of the business base and employment (for instance, 30% of jobs in West Somerset are reliant on tourism – item [15] and in the National Parks, 32% of businesses are in agriculture [16]).

However, these sectors tend to be associated with lower pay [17] and suffer from lower than average productivity [18]. **Given the relative size (in employment terms) of these sectors in rural areas, addressing the challenge of productivity and low wages in these sectors is a vital component of addressing the rural productivity challenge.**

The sectors are also strongly linked and dependent on one another. Agriculture, forestry and fishing provide the attractive environment that tourists wish to visit and high quality food and drink for them to consume.

Key Findings

- Whilst on paper, the rural/urban sector profiles are not too dissimilar, there is evidence that in more deeply rural and peripheral parts of the region, economies become much more reliant on agriculture, forestry and fishing, food and drink and tourism and hospitality.
- These sectors tend to be associated with lower pay, and lower productivity.
- Given their importance to more rural and peripheral areas, addressing the productivity challenges faced by these sectors will be vitally important to addressing the rural productivity challenge.

The commission has heard and received a considerable volume of material in relation to these three sectors and the sections below summarise this evidence.

Primary Production

The Economic Importance of Primary Production

Agriculture, Forestry and Fishing accounts for a large proportion of businesses in rural areas. Nationally, the sector accounts of 15.4% of rural businesses, but this rises to 32.2% in rural areas in a sparse setting. In the four LEP areas, the sector accounts for 23% of rural businesses (based on local units). However, this varies significantly across the area, from 14% in Swindon and Wiltshire LEP to 27% in the Heart of the SW [2].

Agriculture

DEFRA statistics [19] show that agriculture in the wider SW region, contributed 1.22% to the regional economy in 2014 and employed 2.24% of the regional workforce in 2015. This is a higher contribution than the national average of 0.57% and 1.07% respectively. However, research commissioned by the NFU found that agriculture also plays a vital role providing 61% of the raw materials for the wider UK agri-food industry, which is worth around £108bn of GVA to the national economy and provides over 3.7m jobs [20]. Nationally the sector provides around 475,000 direct jobs, as well as supporting a further 30,000 through procurement activity benefitting other sectors [20]. Locally, a survey of a dairy farm on the Lizard (C&IOS), identified that the farm business is trading with 51 separate businesses ranging from feed merchants, electrician, vet, solicitor, accountant to agricultural suppliers, machinery dealers and hauliers [21].

Key Findings

- Agriculture is an important part of the business base in the four LEP areas, especially in C&IOS and HotSW.
- The agri-food industry is worth around £108bn to the national economy.
- The sector has extensive (local) supply chains and a strong local multiplier effect.

Figure 13 overleaf shows key farming statistics for each LEP area. This shows significant differences in terms of average size of holding which varies from 63ha per holding and 64ha per holding in C&IOS and HotSW respectively, below the England average of 80ha per holding. Whilst in the East, the size of holding is larger than the England average, standing at 94ha per holding and 125ha per holding in Dorset and SWLEP respectively. The average labour per

holding also varies, with a lower average number of people per holding in C&IOS and HoTSW and higher in Dorset and SWLEP.

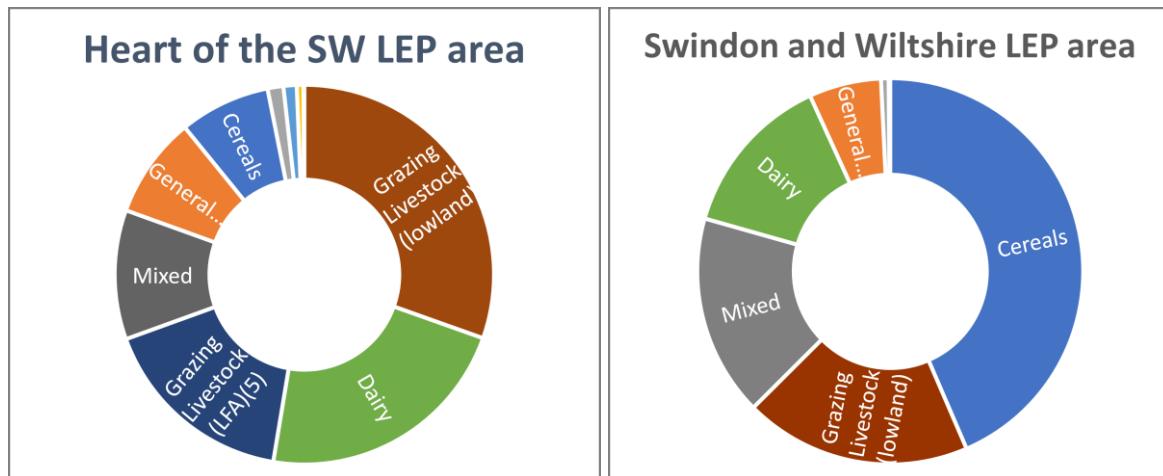
Figure 13: The Structure of Agricultural holdings in the four LEP area

	Number of farm holdings	Farmed area (ha)	Average size of holding	Total labour	Average labour/holding
C&IOS	4,419	277,427	63	10,699	2.42
Dorset	2,226	209,061	94	6,309	2.83
HoTSW	12,142	782,879	64	28,936	2.38
SWLEP	2,261	283,015	125	6,257	2.77
Total	21,048	1,552,382	74	52,201	2.48
England	102,836	9,086,480	88	295,563	2.87

Source: [22]

In terms of nature of farming across the area, again, there are significant differences between the West and East of the region as the two charts below illustrate. In the West of the region we see a dominance of livestock farming, but in the East cereals are much more important.

Figure 14: Distribution by farmed area (% hectares)



Source: [22]

Key Findings:

- Farms are smaller in the West of the area, sitting below the national average, and larger in the East (above the national average farm size).
- Farming is dominate by livestock in the West of the region and cereals in the East.

Fishing

The MMO provides data on sea fisheries in the UK, the latest, 2015 landings data for ports in the four LEP area is shown in Figure 15 overleaf. Whilst as a percentage of the UK catch, the SW ports have a relatively small volume, this reflects the size of the catch in Scotland. In terms of English ports, the SW ports dominate, with Plymouth securing the highest volume of catch and Brixham the highest value (with Newlyn following a close second). In all four administrative ports, the majority of boats are 8m and under (ranging from 57% in Brixham to

71% in Newlyn), however, these smaller boats landed a very small proportion of the catch (3% in Brixham and 12% in Newlyn). In the three major ports, the larger vessels (15-18m, 18-24 and >24m) were responsible for the majority of the catch. However, Poole, this was not the case, as the maximum vessel size registered is 15m.

Figure 15: SW Ports volume and value of catch – all species and number of vessels in administrative ports

Port	Quantity ('000 tonnes)	% of UK	Value (£ million)	% of UK value	Number of vessels
Plymouth	13.4	3.2%	15.5	2.8%	488
Brixham	12.4	3.0%	23.4	4.2%	250
Newlyn	11.7	2.8%	22.2	4.0%	600
Weymouth	1.8	0.4%	3.8	0.7%	-
Falmouth	1.3	0.3%	1.9	0.3%	-
Ilfracombe	1.1	0.3%	1.4	0.2%	-
Poole	-	-	-	-	395

Source: [23]

Seafish [24] estimate that fishing income for UK vessels has increased from 2015 to 2016, as a result of higher average prices of all species groups and total operating profit has increased by 22%. The main factors influencing financial performance of fishing businesses were quota, fuel price and market issues. Rising operating costs, uncertainty, status of stocks and prices were all identified as business limitations and factors influencing uncertainty in a survey of UK vessel owners and skippers [24].

The Dorset and East Devon Fisheries Local Action Group [25] also highlighted that Dorset's local marine environment is able to support a range of aquaculture, with the area around Poole being the largest production area in England for pacific Oysters. They also highlight the link between the fisheries sector and tourism, with tourists valuing the harbours, ports and active fishing industry [26].

Forestry

Up to date, consistent forestry data is limited, however, a study conducted by ekosgen in 2009 [27], found that the SW is the third most densely wooded region in England, with 8.9% of the land area under woodland cover, amounting to 212,022ha. There are some 15,000 woodlands of less than 2ha, representing 56% of all individual woodlands, but only accounting for 3% of the total afforested area. 77% of woodlands are privately owned, although 17% is owned by the Forestry Commission. 40% of the resource is assessed as being un or under managed, limiting its commercial exploitation in terms of timber. The study estimated that in the SW, there are at least 1,297 people directly employed in primary production with a further 889 in primary processing. When secondary and tertiary activities are included, the sector employs 14,882 regionally a decline on a 2002 baseline. Key issues for the forestry sector are a lack of new planting, under-management of the resource and a lack of 'wood culture' [28].

Barriers and Opportunities for Growth in Primary Production

Through our call for evidence and panel hearings, we have identified the following barriers and opportunities for growth in the agricultural, forestry and fishing sector. These were:

- Innovation and R&D;
- Leadership & Business Management;
- Finance and Investment;

- Expanding market opportunities;
- Skills and labour; and
- Advice and support.

Innovation and R&D

Agricultural innovation has been the subject of some policy interest in the last five years. In 2013, 'Feeding the Future' [29], provided an industry led assessment of the innovation requirements for primary food production. This was followed by the publication of the UK's Agri-tech strategy [30] which aimed to address the UK's declining productivity growth and competitiveness, with £160m of government investment through the 'Agri-tech Catalyst' and four new 'virtual centres for agricultural innovation'. A recent review of the 'Feeding the Future' research priorities [31] highlighted the need for research to now focus on:

- Harnessing the power of recent developments in data and digital technologies;
- Improving and balancing environmental protection and agricultural productivity in commercial farming systems;
- Understanding how farm businesses can build resilience to contend with change in policy and trade in the coming decades;
- Developing labour-saving technologies; and
- Understanding farming's contribution to the health and well-being agenda.

The NFU's written responses [32], [33], [34] suggest that productivity growth over the last 20 years has been characterised by reduced use of inputs and reduced labour, rather than growth in output. They assert that one of the significant reasons for this has been the decline in R&D investment as well as a reduction in knowledge transfer. At our Devon Panel hearing, a Dairy farmer from Devon highlighted a need for farmers to be able to access independent advice on innovative products and methods as well as engage directly with researchers (e.g. through on farm trials and near farm research).

"Universities continue to do research, but it is not percolating down" [35]

This was echoed by the Bath and West Showground which suggested that innovation investment needs to be made in smaller bodies, allowing farmers to innovate [36].

Another contributor [37] suggested that innovation took longer in agriculture because it is regulated by the seasons and the agricultural cycle and that transfer of knowledge and ideas from within and outside of agriculture was harder. Potentially due to isolation and lack of networks. However, it was also suggested that adoption of technology from other sectors (e.g. drones and robotics) could become increasingly attractive and could be fostered by linking rural businesses with research and business support organisations [38]. The need to link production with research was also highlighted in the fisheries sector [26]. It has been argued that the market for research and innovation activity in the fisheries sector is potentially substantial, with the export of expertise and equipment around the world [39].

Across the four LEP areas, agri-tech has been an area of focus with recent investment. However, due to the early stage of investment it is too early to identify the impact of these investments.

Key Findings

There is significant potential for innovation from within and outside the sector to drive improvements in primary production. However, there is a need to ensure research is more effectively disseminated to primary producers.

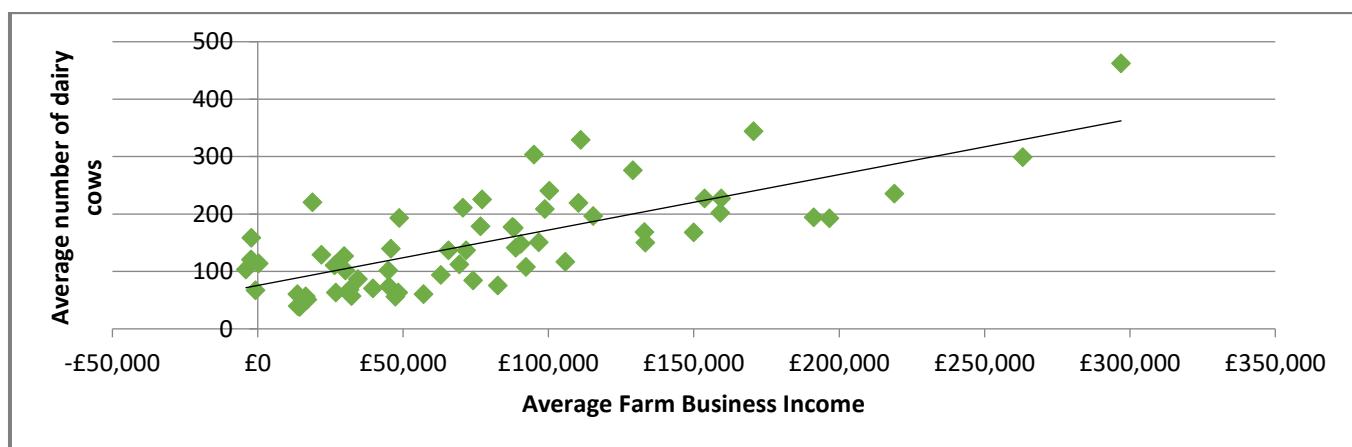
Leadership and Business Management

Several contributors highlighted the importance of improving 'leadership and management skills' in the agricultural sector [37], [40]. It was suggested that whilst farmers may possess considerable technical expertise, they often lacked the business expertise necessary to drive improved productivity. Business structures and lack of planning mean that many businesses lacked strategic direction. Evidence from the Rural Business Survey shows that 'agriculture did not make a profit in the SW last year' and that there is considerable variability in the incomes achieved by farmers [40]. For instance, Figure 16 below shows the relationship between the number of cows and the average farm income. By comparing points on the graph we can see that a farmer with 100 cows is able to make the same income as a farmer with 250 cows, suggesting that one is very productive and the other less so. It has been suggested that this lack of focus on productivity and efficiency leaves farm businesses vulnerable to commodity price fluctuations.

"The recent crash in commodity prices has caused some dairy farmers to apply efficiency to their business. However, again this has been patchy. Some have taken it really to heart and driven efficiency to the core of what they do, but many who started the process of trying to drive to make their business more efficient and increase productivity have then not followed through as they have perceived an uplift in the price of milk" [37]

Likewise, the NFU highlights the need for interventions to focus on productivity and volatility mitigation [32].

Figure 16: Relationship between the Number of cows and average farm income



Source: [40]

An important element of this issue is the need for succession planning, recognising that the vast majority of agricultural businesses in the SW are family businesses, where succession planning has often been absent [41].

Key Finding

- As in any sector, there is considerable variability of performance.
- There is a need to improve leadership, management and business planning skills to help primary producers improve productivity, manage volatility and plan for the future.

Finance and Investment

The commission has witnessed a mixed picture in relation to finance and investment. On the one hand, some contributors have highlighted the difficulties that some land-based businesses face in raising finance [34], [37], whereas others point to a strong pattern of investment [42].

For existing land based businesses, there is evidence that the availability of capital for investment is a challenge. The NFU have highlighted that 'many farmers are unable to make a fair return on their produce (for a number of complex reasons)' and as such are heavily reliant on the current EU support structures during times of poor market condition' [34]. Whilst others indicated that for some businesses, the lack of attention to margins, means that profit is stripped out of the business for living costs and there is no excess for capital re-investment and nor is the business capable of supporting bank borrowings [37]. However, the low debt to equity ratio of farms suggest that there is the potential for rural businesses to borrow significantly more than they currently do [43]. The NFU highlighted that the capital allowances system does not currently incentivise investment in equipment that benefits productivity [34]. At the Devon panel session it was highlighted that long term investment (10-50 year investment cycles) in farming is needed to enable businesses to make a profit [35].

The CLA, in its recent report which focused on rural business investment found that land owning businesses in the SW invested 2.2bn in 2015, up 50% since 2012 [43]. The research also found that 4 out of five rural businesses were planning to make investments in the future, although only 13% of the surveyed population had a formal investment plan, reiterating the finding above of the need for improvements in leadership and management skills.

The commission also heard evidence from the banking sector that indicated demand for investment in the SW was strong [44]. Whilst the NFU highlighted that the capital intensive nature of agriculture presents a significant barrier to entry to the sector, which in turn stifles innovation [34].

Key findings

- Farming and fishing are capital intensive industries
- For some farmers, lack of profit makes it difficult to re-invest
- Despite this, there is evidence that businesses are investing
- The capital allowance system could be improved to incentivise investment

Expanding market opportunities and diversification

The NFU indicated that British Farming currently contributes 61% of food consumed in the UK and that this figures has been on a decline since its peak in the mid-1980s [34]. They suggest that with the strengthening of the pound and changes to trading practices post Brexit, there is an opportunity to increase self-sufficiency.

It was also highlighted that the farming sector is dominated by world commodity prices, which can be very volatile, leading to tough times when prices are low. Contributors highlighted that the subsidy system has helped to support farm incomes during these times. In the future, 'futures' markets' and insurance schemes may provide mechanisms to manage this volatility.

Other contributors suggested a number of different markets and approaches that could be further exploited to increase productivity and profitability of primary producers:

- **Local marketing initiatives** – Several contributors highlighted the opportunity to add value to basic products through processing, shorter local supply chains and branding [45]. A recurring idea was the model of securing higher prices for higher quality products that have a link the landscape and brand of a given local area (e.g. Dartmoor Farmers meat). Some contributors, suggested that there is a role for a facilitator to bring local producers together to serve these markets [25]. Whilst the commission acknowledged that there is scope for growth in these niche markets, particularly in areas with high landscape value, they also recognised that there is a natural limit to the growth of these markets before premiums diminish.
- **Adding value through processing** – Some contributors highlighted that much of the produce from the SW leaves the region in an undifferentiated commodity form and that processing of some form would help to retain value in the region. The lack of fish processing facilities was highlighted as a barrier (and opportunity) in both Brixham [46] [47] and Newlyn [39] and this is discussed further in the food and drink section below.
- **Public Procurement** – Public procurement of food by local schools and hospitals was seen by some contributors as an important market for SW primary producers. There is an argument that these initiatives, as well as providing opportunities for producers, also offer health and educational benefits [48] [49].
- **Ecosystem Services** – The CLA suggest that delivering better environmental outcomes has the potential to be a commercial opportunity for landowning rural businesses, but currently this potential is rarely achieved [43]. More than half of landowners (52%) in their survey have invested in natural capital, but their primary motivation has been their sense of stewardship. They suggest that in the future, publicly funded schemes are likely to remain the foundation for investment in natural capital, but to date, these schemes have been inflexible, bureaucratic and unattractive for many rural businesses. Looking ahead, government and land-based rural businesses can work together to establish natural capital as a marketable service, so that by 2030 private and public investment in natural capital is a profitable part of being a rural business.
- **Renewable Energy** – the CLA report that almost a half of land-owning businesses have invested in renewables of one form or another [43]. While a third of landowning businesses plan to make a future investment in this area. However, recent change in government policy, specifically the dramatic curtailment of direct public funding is causing business owners to rethink this potential investment. In the SW, lack of grid capacity is also curtailing activity in this area, an issue we expand upon in more detail under theme 10.
- **Woodlands** – Contributions from the forestry sector highlighted how a large proportion of woodlands in the SW are currently unmanaged and under-utilised. This lack of utilisation means that sawmills are not operating at full capacity and face an uncertain future. However, there are several examples of wood-fuel initiatives that have proven to be successful [50].

- **Aquaculture** - Contributors in the fisheries sector highlighted the opportunity for greater production of shellfish through aquaculture, given Dorset's ideal environmental conditions [51] [26].

Case Study – Dartmoor Farmers

Joining forces in 2007 with the support of HRH the Prince of Wales, a group of Dartmoor hill farmers formed the Dartmoor Farmers Association, responding to demand for quality local British produce and to ensure the future success of upland farming on the moor.

The hill farmers work cooperatively, championing quality beef and lamb produced on the moor in a move away from commodity driven supply to the supply of a unique premium brand. They understand that the cattle and sheep create the landscape that brings tourists to the area and work with local businesses by creating a market for their products, co-existing to maintain the National Park with one economy essential to the other. This helps to strengthen the future of sustainable hill farming on and around the Dartmoor, while maintaining the environment for wildlife, recreation and tourism.

The farmers have won accolades for their produce including 'Farm Product of the Year' in the Western Morning News Countryside Awards.

Key Findings

- There are opportunities for some primary producers to add value to their products and achieve better prices for quality branded products.
- There are opportunities for some primary producers to diversify into non-food areas (e.g. ecosystem services, renewable energy, woodfuel and tourism). But these markets have barriers and are in some cases immature.

Skills and labour

Contributors highlighted that the primary production sectors have skills and labour challenges. These can be summarised as follows:

- **A lack of entrants** – the agricultural sector needs a range of skilled workers to come in at all levels and there is a need to change the mind-set that the agricultural industry only needs low skilled workers [34]. Lackham college highlighted that 'access to school leavers is becoming increasingly competitive' and that young people in an increasingly urbanised school setting are not getting the opportunity to experience farming or appreciate the high quality opportunities in the sector [52]. It was also described that demand for entrants is so strong, that students are being offered jobs half way through their course and are 'dropping out' of study to take these opportunities [52]. In the forestry sector, like agriculture an aging workforce is an issue [28].
- **Suitability of existing training provision** – Some contributors suggested that existing land based courses were not holistic enough and that courses should cover the full food chain [45]. However, Lackham college describes how they focus on business, rather than technical skills, which can be learnt on the job [52]. The NFU suggest that there is a need to work with qualification providers to develop a suite of fit for purpose land based qualifications for delivery by existing land based providers [34].

- **A need for continuing professional development** – Within the sector, farmers are encouraged to undertake CPD as part of their life-long learning [34]. Cathy Case, a farmer from S. Devon highlighted the need for staff to undertake statutory training in order to be compliant and this comes at a cost to the farm [53]. The NFU suggested that an on-line register of land based of land based learners and employees, which encourages CPD throughout their lives could be beneficial [34].
- **A need for leadership and management training** – see previous
- **A need for STEM skills** – e.g. coding, software, engineering, robotics and Artificial Intelligence
- **Seasonal Labour** – Brexit related – see theme 4.

"There are issues with recruiting staff with skills to run modern farm businesses. This goes beyond the need to recruit labour for seasonal harvesting work, which has been widely highlighted in Brexit discussions, but includes shortages in business management skills, technical knowledge and training in environmental management...Agricultural courses are beginning to recognise the need for and offer courses which go beyond agriculture" [42]

"We have lost one generation, we can't lose another" [53]

It was also suggested that farmers need to be supported to 'teach' [35], to help them support the skills needed in the next generation.

Key Findings

- There is a skills shortage at all levels within primary production.
- There is a need to change mind-sets to make people aware of the quality opportunities within agriculture.
- There is a need to ensure skills provision aligns with the needs of industry.
- Leadership and management and STEM skills are needed.
- The availability of seasonal labour is becoming an issue.

Advice and Support Mechanisms for Primary Production

Contributors identified that there continues to be a need for advice and support mechanisms to help businesses in primary production. Key message in relation to advice and support mechanisms were:

- **The need to be holistic** – Contributors highlighted that advice and support schemes were highly fragmented - often leading to multiple advisors, focusing on different issues and often offering conflicting advice [54]. For instance, currently a farmer looking to benefit from Pillar 2 of the CAP would need to speak to Natural England about their agri-env scheme, respond to national calls under Countryside Productivity and /or EAFRD Growth Programme and also their local LEADER group. They could apply to them all for different activity which would mean numerous applications, offer letters etc. no-one would be looking at the overall performance of the business and all would be working in isolation. An alternative model would be to align all of these activities at business level into an holistic development plan. This is model that partners in Cornwall and the Isles of Scilly are keen to explore [54].

- **Developing trust and relationships** – Contributors highlighted that engagement with primary producers takes time to develop trust and relationships.

"There is also an element that you have to engage the company first before you can get them to identify themselves as being a business that can support through growth. Rural businesses tended to be fundamentally self-reliant and wary of anybody coming to them to try and make them change or grow. We often find that when we are talking to rural businesses that it can take up to three years of continual talking to them in order to actually get them to engage with a strategic review of their business". [37]

"The greatest impact we have achieved in working with the farming sector (over 650 farms advised since 2008) has been through 1:1 advice, where relationships are able to develop, trust built and as a result, ambitious outcomes secured. Long term continuity of advice and support is crucial and this is most effective where 1:1 relationships are prioritised with complementary 'one to many' workshops where appropriate". [55]

- **Expert face to face advisors** – Contributors felt that advisors needed to be experts in their field to be trusted and respected.
- **Use of Networks** – Contributors highlighted several examples of using networks to bring producers together to exchange ideas and practices, address particular challenges or work together [56] [16] Examples include the Exmoor Hill Farm Project [16], the Cranborne Chase AONB [57] and CQLP, a farmer led livestock marketing co-operative. Contributors identified two factors that made networking groups successful 1) producer involvement in setting the agenda; 2) resource/capacity to support and facilitate the group.

Case Study - South Wiltshire Farmland Birds

Groups of neighbouring farmers are brought together in 'clusters' to carry out environmental work at a much larger scale than previously when it focused on individual farms.

The project advisor facilitates a discussion amongst the farmers around what their priorities should be for collaborative action, with expert input from outside, but essentially the farmers decide what will happen on their land, and then they carry out the work.



This gives total ownership of the environmental improvements on the farm to the farmer. It is not dependent upon a government funding scheme or on land designation and is free of the constraints associated with grant schemes. The experience of pilot clusters trialled by the Game & Wildlife Conservation Trust (GWCT) has been highly positive.

One interesting approach adopted by the HotSW RGN's Family Business Growth Programme was a 'train the trainer' concept [41]. The programme did not attempt to deliver 'succession advice' directly to family businesses, instead it provided training to trusted professional advisors, such as lawyers, accountants and land agents, as well as not-for-profit business advisers to help them 1) understand the complexities of a family business; 2) provide them with global best practice on issues such as governance, succession and strategy, allowing them to embed this support within their business. Importantly, this approach capitalises on

existing, trusted relationships and avoids public sector support schemes 'crowding out' private sector advice. Potentially this model could be self-funding, with professional advisors contributing to the cost in part or in full.

Key Findings

- Advice and support schemes are currently fragmented and difficult to access, reform of the subsidy system provides an opportunity to provide more holistic advice.
- Advice and support schemes need to develop trust and relationships with producers.
- Networking schemes provide an opportunity to help producers help themselves, with a small amount of capacity input.
- The 'train the trainer' model has proven to be successful in the past.

Food and Drink

The SW is renowned for its food and drink sector, with a rich tapestry of producers that range from micro-businesses to multi-national food giants. These businesses are built on the SW's strong food and drink heritage that stems from the quality of its raw materials.

Key issues and opportunities

The commission heard from a small number of food and drink producers who highlighted the following key issues for the sector.

Availability of labour and skills

Food processors highlighted the challenge associated with the availability of skilled people.

"the sector is struggling to both recruit sufficient numbers of people and people of the correct calibre and skills. The sector has a strong reliance on immigration labour due to the lack of available British candidates. It is estimated that on average the % of immigrant labour in the sector in the 'shop floor' category is around 50-60%" [58].

Engineers and technical skills were highlighted as a particularly challenging area, where practical, innovative skills were seen to be diminishing [45].

This is supported by research, which highlights that the food manufacturing sector is being squeezed by the twin challenges of Brexit, plus the need to recruit up to 140,000 new workers by 2024 to replace early retirees [59]. The report highlights that the sector is often considered unattractive to new recruits and suggests there is the need for the industry to re-think its approach to recruitment, careers and progression. It also highlights other labour and skills challenges facing the sector including exploitative working practices and conditions within parts of the industry. The paper suggests that this 'labour crunch' calls for a collaborative approach and leadership from business, government, trade unions, educators and NGOs to develop an integrated workforce strategy of the future. The report argues that this approach should seek to integrate local and regional needs, be directed towards smaller and medium-sized companies that comprise the majority of food businesses, and developing workers with the skills to innovate for a more sustainable and healthier food supply.

Production facilities and premises

Several contributors highlighted the shortage of 'food ready' production and innovation space [45] [60], [36]. Contributors commented on the need for specialist 'clean' facilities that are

suitable for the needs of food production. It was also suggested this needs to be complemented with specific food industry expert advice. They also highlighted that food innovation facilities have proved successful in other parts of the country [60]. However, it was also noted that a Food Innovation Centre is currently being planned on the outskirts of Weston-super-Mare, which could conceivably serve businesses within Somerset and Wiltshire and potentially further afield [45].

VAT

VAT on food was highlighted as a particularly complicated aspect of VAT regulation, with products being liable for VAT depending on how the consumer uses the product. The lack of clarity in these regulations poses a considerable risk to businesses if they get it wrong, with fines and retrospective payments imposed. Therefore, for new food and drink businesses, this represents a considerable barrier to start-up and indeed scale-up [45].

Challenges of working with multiple retailers

Increasing downward cost pressures from supermarket chains is a well-known challenge for food producers [59], but this is compounded by 'flip flopping' over the degree to which they want to adopt a price driven or quality driven approach [61]. One contributor suggested that there is scope for the Grocery Code Adjudicator to take a more even handed approach [48]. It was also suggested that public sector procurement, particularly by the education and health sectors could drive a local market [48].

Challenges associated with start-ups

There are considerable hurdles facing start-ups in the food and drink sector, including finance for equipment and kit [45].

Key Opportunities

They also highlighted opportunities to:

- **Increase the role of automation** – particularly in addressing the skills challenges outlined above [35]. However, whilst this was recognised as a potential solution within larger companies, automation technology is not necessarily within the reach of SMEs [45]. Although others suggested that sharing equipment and co-operative movements may be a way to address this challenge [48].
- **Increase the added value to raw materials** – linked to the primary production sector, a number of contributors identified the opportunity to add value to the primary food products through the development of local marketing initiatives and processing [45] [62] [16].
- **Maximise brand distinctiveness** – many contributors highlighted the opportunity for the food and drink sector to benefit from the range of brands associated with the SW localities and developing initiatives around these brands (see Dorset Food and Drink Case Study below) [62].
- **Create links to the visitor economy** – the link between food and drink and the tourism sector is well understood and nationally recognised by Visit Britain, whose Food Hubs project aims to position British Food and Drink as amongst the best in the world. In Torbay, the English Riviera Bid Company is leading a Discover England funded project which aims to position the English Riviera as an international seafood destination and develop new bookable products to attract more international visitors to the destination. The project aligns with the BID company's business plan, maximising opportunities for 'foodie tourism' (over £120m spent annually by visitors on food and drink). England's Seafood Coast will develop new products centred on creating

compelling packages and visitor experiences including an international seafood festival, short break experiences and Brixham fish market experience tours [46].

Case Study – Dorset Food and Drink

Dorset Food & Drink is a member-based organisation with a special trademarked brand overseen by the Dorset Area of Outstanding Natural Beauty team. It represents Dorset's food and drink business community bringing a strong and vibrant sector together under one banner. As well as promoting what Dorset has to offer, it provides excellent networking opportunities for its members and specialist advice on a number of topics, including environmental issues and support to improve your businesses environmental sustainability.



Tourism

Economic Importance of Tourism

Figure 17 below shows that the four LEP areas capture a significant proportion of the domestic tourism market, capturing 20% of domestic tourism nights and 6% of inbound tourism nights. However, the area does not capture the equivalent amount of expenditure.

Figure 17: Volume of tourism in the four LEP areas

LEP Area	Domestic Tourism (GB Tourism Survey 2015)			International visitors (International Passenger Survey)		
	Total Trips (2013-15) (thousands)	Total Nights (2013-15) (thousands)	Total Spend (2013-15) (£ millions)	Staying Visits (thousands)	Nights (thousands)	Spend (£millions)
C&IOS	3817	18897	1,128	351	2401	147
Dorset	2886	10422	642	381	3175	191
HoTSW	6416	24804	1374	894	6789	561
SWLEP	1329	3706	247	245	1522	78
Total	14,448	57,829	3,391	1,871	13,887	977
England	99,028	289,850	18,788	32,970	245,704	19,686
4 LEP %	15%	20%	18%	6%	6%	5%

Source: [63], [64]

Nationally, tourism is worth £97bn and is the third largest employer in the UK, supporting 2.7m jobs or 9.1% of employment [65]. Year on year growth has averaged 8.7%, against a projected target of 5%, well ahead of performance in the wider economy and by 2020, it is expected to grow by £50bn and support an additional 225,000 jobs [65].

Contributors from a number of different parts of the region highlighted the importance of tourism to the economy in their area:

- In 2015, Swindon and Wiltshire's visitor economy was worth £1.53bn and supported 29,000 jobs, just over 8% of all employment [66]
- In 2015, the South West Coast Path attracted 8.6m visitors, or 5% of all visitors to the region. A direct spend of £500m was attributable to SWCP users during 2015 a 7%

increase on 2014 levels. When indirect impacts are considered this rises to £767.5m, equivalent to 11,193FTE jobs [67].

- Dartmoor and Exmoor are two of the strongest tourism brands in the South West attracting over 5 million visitor days, with an economic value of over £250m a year and supporting over 4,500 FTEs [16].

Key Issues and Opportunities

Contributors have identified the following issues and opportunities for the sector:

- Sector co-ordination and management;
- Marketing;
- Product development;
- Seasonality;
- VAT and Rates;
- Skills (including leadership and management);
- Market Disruptors;
- Digital connectivity – see theme 6; and
- Planning – see theme 7.

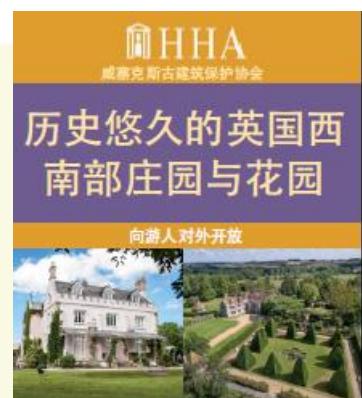
Sector Co-ordination and Management

Contributors highlighted that the sector is made up of predominantly small and micro businesses, is diverse and fragmented [65]. Co-ordination is provided at a national level by Visit Britain and Visit England with a network of local Destination Management Organisations (DMOs). Contributors have highlighted that since the closure of the RDA's in 2008, funding and statutory responsibility for supporting the sector has been lost. As a result sub-national DMO's across the country are either struggling to survive or are increasingly having to focus on short term tactical marketing only [66]. Contributors indicated that there is variability in how this destination management function is being performed across the four LEP area and that this, as well as the lack of funding to support DMO activity means that opportunities to provide strategic direction and influence the actions of others (e.g. planning authorities) are being lost [66].

Marketing

Contributors suggested that national marketing campaigns, run by Visit England, should focus on the domestic market, to encourage people to holiday in the UK (rather than abroad). They argue that as the proportion of international visitors coming to the SW is so low, that concentrating resources on this market is nonsensical. The SW Tourism Alliance suggests that the Britain is Great Campaign could be re-focused on the domestic market. If run centrally, it could avoid region's competing with one another [68].

"You would not find a business that spent 100% of its budget on marketing to 5% of its customers" [68]



This said, the Historic Houses Association, recognising the growing importance of the Chinese tourism market have had their leaflet translated into Chinese and distributed it in Beijing and Shanghai [69].

Product Development

Contributors noted that effective marketing needs to be supported by effective product and asset development to increase visitor spend and ensure visitor satisfaction and return visits. Key areas highlighted were:

- Natural capital – including rights of way and national trails (including the SW Coast Path), natural assets and town centres [70], [6]
- Food and Drink - creating stronger links between the tourism and food and drink sector (see Torbay Case Study)
- Heritage and culture – including the network of historic houses and heritage organisations [69], [71]
- Quality accommodation – "*Although there are many proactive tourism businesses, there are many that have not invested in their offer, or take a lifestyle approach to operating, which sees services limited for visitors during winter months*" [15].

Case Study – the Man Engine

In July and August 2016, a cultural arts project developed by the Cornwall and West Devon Mining Landscape World Heritage Site and partners tapped into huge public enthusiasm for the area's mining past.

The 'Man Engine' – a 10 metre high mechanical giant and the largest puppet ever made in Britain – travelled the length of the World Heritage Site, from Tavistock in west Devon to Geevor in the far west of Cornwall, celebrating ten years of World Heritage Site status.

The project engaged 2,200 school and community participants, a live audience of 149,000 and a remote audience of 112 million. Man Engine was a major celebratory triumph which resonated with the area's strong sense of place. In addition to the high level of public support garnered, the event is estimated to have generated around £3m spend in the local economy.



Seasonality

Seasonality was identified by several contributors as an important driver/constraint on productivity in the tourism sector – directly influencing the turnover that a tourism business is able to earn and their ability to retain staff all year round [72]. Seasonality appears to be a function of both supply and demand. From a demand side perspective, the problems of seasonality are exacerbated by the rules surrounding school holidays, the timing of Easter etc. [73]. On the supply side, there is evidence that supply can drive demand, with major attractions (such as the National Trust, Eden project etc.) leading the way all year round opening and seeing increased visitor numbers as a result [71]. The National Trust argued that extending the season can only be achieved by catering to the needs of people without

children, through a focus on wildlife, heritage, food and drink and using tools such as 'programming' and 'packages' to draw people in [71].

VAT and Rates

Several contributors highlighted the specific challenges to the tourism sector in relation to VAT and business rates [74], [68], [66]. The issues are described as follows:

- VAT – Accommodation providers in the UK face a higher rate of VAT than their European counterparts, making domestic holidays less attractive. Further, holiday homes let through an agent only attract VAT on the commission paid to the agent, whereas any business marketing their cottages directly has to pay VAT on the full amount [75].
- Business Rates – Changes in the recent re-valuation have led to significant rises in business rates for rural businesses (the average rise for a Premier Cottages Member is 66% for 2010-2016, on top of a previous increase of 56% in 2006-2010 [75]). The biggest challenge is the lack of a level playing field in relation to taxation for different types of accommodation providers. Changes to taxation rules for people with second homes, means that people who let out their second home as a holiday home for part of the year do not have to pay business rates at all [75] [76].

The VAT and Business rate issues combined are likely to penalise larger, professionally run accommodation providers and by the same token act as a barrier to business growth and year round operating.

Skills (including leadership and management)

A key challenge for the sector is that it is perceived to be a low paid, seasonal employer with limited career opportunities [74] [6] [77]. Many businesses in the sector rely on workers from the EU and this has started to cause concern to rural tourism businesses. Rural businesses are finding it increasingly difficult to find suitably qualified staff and this is a cause of continual frustration, with recruitment and retention of chefs a particular issue [42].

It was also suggested that the industry shares many occupations with the care sector such as chefs, caterers, cleaners and gardeners and that this could be an opportunity to build a common skills base [74]. However, it was also highlighted that tourism is an 'easy to access' sector for many people, providing first employment and returning to employment opportunities [72]. One suggestion was that LEPs, DMOs and colleges could work together to resolve skills shortages [78].

Several contributors highlight the need to improve the skills of small business owners as well as employees to improve their ability to market their business in a digital age and provide a high quality welcome [68], [46]. Benchmarking was also identified as a means of improving productivity in the sector, but relevant tools are needed [72]. Support for the sector needs to be in 'bite sized' units, so that businesses have the capacity to take it up [72].

Case Study – Experts Grow

The 'Experts Grow' project at Jamie Oliver's Fifteen Cornwall shares ways of improving the earnings and progression of low-paid workers through changes to business practice which deliver clear benefits in productivity and product quality.

Led by a partnership of progressive hospitality businesses and supported by UKCES UK Futures Programme, the project developed the [hospitalityskills.net Toolkit](#) to demonstrate to small hospitality businesses how they can afford to train and progress their staff. The project engaged 15 hospitality businesses in prototyping practical tools to enable investment in people to achieve business improvement as well as personal professional development.

Over 400 low-wage employees in partner businesses have benefitted from the project, developing clear career progression pathways and achieving lasting increases in wages. At the same time, employers report productivity gains sufficient to fully offset the cost of their investment; suggesting increased pay for staff and increased profits for businesses.

Market Disruptors

Contributors from across the region described how the rise of 'Online Travel Agents' such as Airbnb are having an impact on the sector. A key issue highlighted is that these operators enable individuals to enter the market at relatively low cost to provide accommodation flexibly. Whilst flexible accommodation may help to meet demand during high season, these operators do not have to meet the regulatory requirements currently being met by professional businesses (e.g. insurance, business rate, safety regulations etc.), distorting the market [75]. It was reported that Air B&B currently has 14,000 bed spaces in Cornwall [72].

Key Findings - Tourism

- Tourism is an important part of the rural economy, where there is considerable scope to improve productivity through increasing the length of the season and improving skills.
- VAT and Business rates present a significant barrier to growth.
- As a fragmented sector, there is a need for co-ordination through Destination Management Organisations and strategic planning. However to be effective, plans must be utilised by other parties (e.g. DEFRA, planning authorities etc.).
- Addressing seasonality is an important factor in addressing productivity, alongside improving skills.

Emerging high productivity sectors and clusters

"Digitally enabled businesses mean that for the first time in history, distance from markets becomes irrelevant" [74]

Context

Nationally, there has been a lot of focus on the rise of 'digital, creative and professional' sectors. These have been hailed as the 'new work' sectors by the Centre for Cities because they appear to be growing faster than businesses in traditional industries and also because they increase demand and jobs in other sectors such as service-based businesses [79]. A theory that has been tested by recent research by the resolution foundation, which found that whilst growth in advanced industries can lead to strong multiplier effects, this does not necessarily lead to an increase in wages within sectors benefitting from the multiplier effect [80]. Thus confirming the findings of the commission, that any rural strategy must improve the pay and productivity associated with the lower paying sectors directly.

Locally, research commissioned by the Cornwall and Isles of Scilly LEP bears out this picture of national growth, finding that between 2011 and 2015, the number of creative firms in the region grew by 26% from 990 to 1,250. Employment in the creative economy grew by 12% to almost 27,000 (which is more than 10% of all employment), and economic output was up 7% to £2.73 billion, or 10.6% of all economic activity [81]. The report also highlighted the importance of people who are in creative occupations, but not actually employed in a creative industry, such as a designer working for a brewery. In Cornwall, these actually outnumber people employed by creative businesses and show just how important creativity is to driving growth and innovation in other sectors.

Commission Findings

Contributors to the commission cited numerous examples of innovative, creative businesses operating in rural areas. Contributors suggested that in rural areas, these highly innovative businesses tend to be more dispersed and less visible:

"Rural businesses are thinly spread and when trading outside of Dorset, nationally or internationally, do not have collective market visibility, unlike urban areas which often have pockets or clusters of similar industries and their supply chains with a visible presence" [77].

"Less visible clusters – we are aware locally of significant numbers of Creative Industries businesses, (including digital design, media, software, advertising, as well as craft and maker businesses), who serve local and national markets. Environment and quality of life are relevant factors in decisions to locate here, but for many this must also be combined with excellent digital connectivity, which is a significant opportunity for rural areas. There are good examples of infrastructure investments in the Creative Industries which have strengthened and expedited cluster growth (e.g. Krowji in Cornwall) [17]

But it's not just the traditional creative arts that thrive in these places. With better connectivity, the creative tech industries are thriving and drawing inspiration from these landscapes too. Lots of small and medium enterprises are also taking the opportunity to live and work in these iconic landscapes. Knowledge industries, such as solicitors, accountants and architects are becoming increasingly home based. [82]

"We do not know what gems we have here" [83]

Contributors highlighted that the environment and quality of life, is an important factor for many people setting up businesses in these sectors, although they also highlighted that the dispersed nature of many businesses meant that they do not benefit from proximity to other like-minded businesses, which makes it harder to attract staff and share ideas [77] [14]. Many contributors suggested a need to improve networking in rural areas.

"Create better collaboration opportunities between businesses on a sector basis as well as geographical level... Identify the main drivers of collaboration and innovation – notably through higher education and build strong, business led support around them. These partially exist through SWMAS, iAero and Nuclear SW, but we need to strengthen those groups as well as enable the introduction of groups serving other priority sectors" [6].

"Many rural communities have a number of small businesses which are not necessarily connected. There is scope to create business support networks, promoting sharing and mentoring and offering enterprise support for these rural businesses, home workers etc". [84]

"Find ways of clustering businesses and sharing knowledge for the benefit of their employees as well as their direct growth. Identify the sectors and make it clear each business is not alone, but part of a community and there is a buoyant jobs market, making it an attractive place to work" [14]

The commission also heard from two hub works (see case studies below) that have targeted their offer at these sectors and established that these hubs can be successful in both market towns and more rural areas. Critical success factors for both hubs have included:

- Investment in quality design, attractive environment;
- Designing for collaboration (e.g. shared spaces to encourage organic discussion);
- Ultrafast broadband capability; and
- Urban comforts (e.g. good coffee).

It is perhaps important to differentiate between the work hubs described here and the multitude of 'barn conversions' into rural workspace that have been much less successful [85], including those developed between the 1970's and early 2000's which are of varying quality and may no longer be suitable for the modern market (e.g. Blisland or Tregony in Cornwall) [86]. It was suggested that:

"to achieve transformational impact, you need transformational levels of investment" [87]

Case Study – The Old Church School - Frome

In 2007, motivated to 'surround himself' with ambitious, creative people, the company's founder, Gavin Eddy, embarked on a mission to revolutionise co-working and shared spaces.

Investing over £2m, he restored the Grade II listed Church School in Frome to create a new type of co-working environment. Aimed at attracting ambitious, creative businesses, the building itself aims to inspire, with good quality design and features to encourage collaboration and co-working (such as a café, lounge, garden, event space etc) as well as activities such as table tennis, pizza on Friday etc. Not to mention of course, 100mb/s broadband!

The centre has been a huge success, full within four months of opening, it now hosts 87 companies, with 200 jobs in the building. As a town centre building, this economic activity is having a significant impact on the town, as people working in the centre spend money in the town – re-invigorating it.

The centre primarily attracts people in their 30's who have had a career elsewhere, but want to do something else. Frome offers people an attractive place to live, with good schools and London 1.5 hours away on the train. 50% of start-ups are from outside the area. The company invested strongly in its back office systems, so that staff can spend their time supporting tenants and adding value. An important element of this is engaging with local higher education and further education institutions. Key to the Centre's success has been high quality investment in the right things to create the right environment, with transformational levels of investment.

Case Study – The Glove Factory Studio, Holt, Wiltshire

Described as 'an urban diamond in a rural area', Glove Factory Studios provides workspace for businesses specialising in digital media, design and communications. Glove Factory Studios offers a mixture of studios, meeting rooms and flexible workspace to meet different needs with ultrafast broadband. Glove Factory Studios' onsite cafe 'The Field Kitchen' offers a place for collaboration, networking and cultural events, as well as a place to relax and enjoy the rural setting.

As one tenant put it:

"Glove Factory Studios is full of very dynamic businesses; varying sizes mostly to do with Arts, Media but also engineers, architects, landscape designers, Communications, catering/events management... a whole range of sectors, but the whole dynamic of the place takes some beating and the opportunities for collaboration are great. I worked for a while from a small office out the back of a farm near Devizes on the edge of an industrial estate/business park and the contrast is chalk and cheese. Several companies have relocated from cities and many enjoy the freedom that rural working brings whilst still competing in all the usual markets. The format here and effort that goes in to making the place thrive are key to its success." [88]



At the Cornwall and Isles of Scilly panel hearing it was noted that inward investment into the SW has traditionally been lower than other areas. However, an example was provided of re-

location of services from London to Cornwall enabling the business to benefit from a lower cost base in Cornwall (compared to London), enabled by the presence of superfast broadband technology (see case study below) [89]. It was also suggested that the growth of Falmouth University also presented an opportunity to attract small agile businesses into Cornwall [83].

It was suggested that this was a significant opportunity for the SW, but capitalising on it requires a 'step change' in approach to promoting the area, with an aggressive approach required to secure 'visibility' from potential re-locators.

Case Study – Kings Service Centre, Quintdown business Park, Cornwall

King's Service Centre hosts an award winning innovative and forward thinking technology team that supports the services of King's College London.

King's Service Centre provides all of the first line IT support on a 24x7x365 basis as well as hosting the Estates & Facilities Service Desk required for King's College London and its 27,000 students and 7,000 staff.

Quintdown Business Park in Cornwall offers the perfect package with an impressive and highly skilled local workforce, good connectivity thanks to the proximity of Newquay Cornwall Airport and the opportunity to benefit from Superfast Cornwall's ongoing investment in fibre optic broadband.

The world-class Service Centre brings modern highly skilled IT career opportunities to Cornwall; building through the ongoing recruitment of local talent, as well as investing in the training and development of staff and creating apprenticeships opportunities.

Theme 2: Small and Scale-Up Businesses

Small and Micro Businesses

A large number of contributors highlighted that rural areas had a higher proportion of micro and small businesses than their urban counterparts and this is confirmed by the data shown in Figure 2 (previously). Self-employment levels are also higher in rural areas, as illustrated in Figure 18 below.

Figure 18: Self employment across the four LEP areas

Self employment			
	Total	Urban	Rural
C&IOS	16.1%	9.9%	13.7%
HOTSW	12%	8.9%	17.1%
Dorset	11.5%	10.5%	14.9%
SW	10.2%	8.2%	13.6%

Source: [8]

Size matters, research by the ONS shows that SME GVA per employee is on average 8.7% less than employees from larger firms [90]. The RSA's report Boosting the Living Standards of the Self-Employed reveals that the number of people in self-employment has grown by 39% since 2000, with one in seven of the labour force now saying they work for themselves [91]. However whilst many find self-employment a satisfying career choice, there is evidence to suggest that for many it is a low paid option that stems from necessity, with HMRC figures showing that 75% of self-employed people earn less than £15,000 per year – with obvious implications for productivity and incomes [92]

Contributors to the commission highlighted the specific challenges faced by smaller businesses including lack of capacity to grow, leadership and management skills, difficulties networking as well as culture and lifestyle, as illustrated in the quotes below.

"Many small business owners are engrossed in the day to day work, unable to look up anything other than general support/ fragmented and apparent distant advice through regional networks are often seen as irrelevant with business owners preferring more personal contact and local engagement" [60].

"Culture of ambition, understanding of wider competition and innovation – many segments of the population, including business owners, have limited experience of spending time outside of Northern Devon and even outside the SW peninsular" [17].

"Many rural communities have a small number of businesses which are not necessarily connected. There is scope to create business support networks, promoting sharing and mentoring and offering enterprise support for these rural small businesses, home workers etc" [84].

"Help smaller businesses as they are hampered by a lack of resource to grow. The most frequent request is for funding to help them carry on their day to day activities whilst implementing growth plans and this is not eligible for funding" [14].

The commission recognises that self-employment and micro businesses are a vital part of the economy in rural areas and has explored a number of practical steps that could be taken to support these smallest businesses to become more productive, profitable and resilient, achieving inclusive, incremental growth. These have included:

- **Developing co-operative models** – The RSA in co-operation with the FSB recently produced a report exploring the potential for a new form of grassroots collaboration [93]. The report looked at a number of innovative co-operative models for people who work alone. The report found that the schemes made a tangible impact for their members – de-risking self-employment, making it more secure, resilient and successful. The report argues that these sorts of initiatives could be nurtured with the support of trade unions, anchor institutions, local authority and fintech organisations to provide back office financial platforms.

Case Study – Self -Organising Self Employed – Research by the RSA and FSB

The RSA/FSB recently completed a study to explore the growth of novel bottom-up solutions for people who work alone, including collective sick pay funds to manage ill-health, salary guarantee schemes to deal with late payments, time sharing initiatives to spread workloads and micro loan service to plug gaps in bank finance. It explored nine worldwide case studies which included:

Broodfonsen, Holland – A collective sick pay fund.

Smart, Belgium – A one stop shop service for the self-employed including a ‘salary guarantee fund’ made up of contributions from members which can be used to settle late payment of invoices.

RICOL, UK – A language co-operative which markets the services of its members and connects them to clients at the fraction of a cost of a typical agency.

Coopaname, France – A cooperative that technically employs self-employed members, giving them access to social security protections enjoyed by employed persons. It also encourages project collaboration and co-tendering.

Swindon Music Co-operative, UK – A group of independent music teachers who have clubbed together to pool costs of marketing, admin and debt collection, as well as CPD.

Outlandish and CoTech, UK – Outlandish is a worker coop where tech developers pool all their assets into one organisation, with each person’s pay set according to their experiences and needs. CoTech is a collection of coops that allow tech coops like Outlandish to share staff time.

Loconomic, US – A platform for booking local services which is cooperatively owned and governed by the same service professionals that use it, including personal trainers, child carers and therapists.

IndyCube and Community Union, UK – Community Union has teamed up with IndyCube co-working space network to give their self-employed members access to a package of affordable invoice factoring and legal advice services.

East End Trades Guild – A community of small independent businesses in East London that use community organising methods to hold the government and local landlords to account, protecting tenants from eviction and controlling rent increases.

The report found that co-operative approaches are making the self-employed workforce more secure, resilient and successful. It argues that with the growth of self-employment, ‘self organising’ should be a part of the mainstream economy and that government and local policy makers could create the environment to encourage this movement to develop.

- **VAT and Business Rates** - According to the FSB [94], over a quarter of small businesses think that VAT is the most complicated tax they have to deal with. Many small firms have told them that they find calculating VAT burdensome and the rules on both input and output rates particularly confusing. Several contributors also highlighted issues in relation to the VAT threshold [74], [42], the VAT rate for tourism [42], as well as the complexity of legislation, particularly for the food and drink sector, where classification of products as VAT exempt is confusing and a potential barrier to entry [45]. In relation to the VAT threshold, the current threshold of £85,000 per year was considered to represent a barrier to growth, as for many businesses, passing the threshold would mean an effective 20% price increase for their customers, making them less competitive than other similar non-VAT registered businesses. The threshold means that small businesses wanting to grow are faced with having to make a large leap forward in terms of expansion in order to over-come this additional cost, whereas they may previously have been growing more organically [42]. Contributors have suggested solutions including: lifting the VAT threshold (to say £125,000) or introducing a phased entry (with a lower rate in year one), allowing businesses time to expand accordingly. It is thought that a threshold of £125,000 would better reflect the 'productive capacity' of an individual [83].

"Campaign for a reduction of VAT on tourist businesses, phased or lifted VAT threshold. Some commentators believe that raising the VAT threshold to £120,000 turnover would be the one things that would have most impact on SME productivity" [74]

In relation to tourism, several contributors highlighted that the current rate of VAT on accommodation in the UK (20%) makes UK accommodation less competitive with providers in other part of Europe that have to pay only (5%). It has been argued that this would deliver a boost to tourism and after approximately 18months, deliver the Exchequer more funds than at the higher rate [75].

- **Women in Business** – Research by the Women's business Council has shown that the UK economy is missing out on more than 1.2million new enterprises due to the untapped business potential of women [95]. The commission does not have data on the number of self-employed women or women business owners in rural areas. However, data on part time employment suggests that women in rural areas are more likely to be working part time than women in urban areas (part time employment amongst women is higher than the national average in all four LEP areas - 48.1% in HOTSW to 43% in SWLEP, compared to 40.9% for England). Again this indicator increases in more rural/peripheral districts (i.e. 66.7% in West Somerset) [96]. This data suggests that women are an under-utilised resource in the rural economy. Contributors to the commission have indicated that self-employment and enterprise and social enterprise are important mechanisms to enable women to have fulfilling careers [97], [98].

"The South West is full of skilled and intelligent women who are getting increasingly bored as they raise their children, having given up high powered jobs. That's where Onion Collective came from, four women who wanted to be there to collect there to pick up their children, but also do jobs that are challenging and stretching. You simply can't find these jobs in West Somerset, unless you create something for yourself. I think there are hundreds of women out there who have amazing skills who are doing jobs they are over qualified for. If we could harness this, we would be onto a great thing" [97].

"One of the most effective interventions has been the encouragement of women into rural enterprise. This has produced an exceptional response and could easily be expanded given limited levels of support" [99].

- **Business Start-up Apprenticeships** – At the panel hearing in Devon, one contributor suggested that the apprenticeship model could be adapted to create a business start-up apprenticeship, using some of the funding already in the public sector cost base with appropriate safeguards and mentoring. [100]
- **Business Support** – Many contributors across all panel sessions described the need for face to face business support and mentoring to help businesses improve, as well as practical support and advice to speed up the start-up process (e.g. finding suitable premises [97]). Some suggested that SMEs don't have the resources of large businesses and therefore need assistance through simplified processes. In Devon the DR Company highlighted the return on investment secured from rural grant programmes proved to be good value for money and because it was targeted at a small and micro businesses, spread the risk more effectively than schemes targeted at a small number of high growth businesses [100]. Mentoring schemes were suggested as a cost effective way of providing support and advice to small businesses [73], [101].

However, the commission recognises that providing face to face, free business support to a plethora of micro and small businesses is likely to be costly. One sustainable solution referred to the commission is the 'train the trainer model' developed by the Heart of the SW RGN's Family Business Growth Programme [41].

Case Study – Dormen – Dorset Business Mentoring

Dormen is Dorset's own bespoke business mentoring service. It is a confidential service provided by volunteers who are drawn from experienced members of the business community and the professions. Dormen operates on a not-for-profit basis and is managed under the wing of Dorset's Local Authorities, who also provide part of Dormen's funding. This enables the project to keep the charge made to clients (£100 for up to 12 months mentoring) very modest and well within the range of any small business. Dormen recruits experienced business and professional people as volunteers to help small businesses by providing a mentoring service to them.

The experience gained by a mentor throughout their business and professional career can be brought into a developing business through the mentoring relationship. The mentor is not there to run the business nor to see it run the "way they did it". The business owner is in full control with the mentor behind them all the way. However, experience is invaluable in working through to the best business decision and mentors can help to formulate and test business plans and solve problems. Mentors work to the SFEDI (Small Firms Enterprise Development Initiative) standard for business mentors and undergo a selection process as well as CPD.

Case Study – The Family Business Growth Programme

The Family Business Growth Programme was piloted with DEFRA funding through the Rural Growth Networks. It was developed by the Clinton Devon Estates and brought together world experts in family business from the renowned global business school, the Institute of Management Development (IMD) in Lausanne, Switzerland and the University of Exeter's Centre for Rural Policy Research, pioneers in family farming succession research, with links to other centres of excellence, including Iowa State University.

The programme did not attempt to deliver 'succession advice' directly to family businesses, instead it provided training to trusted professional advisors, such as lawyers, accountants and land agents, as well as not-for-profit business advisers to help them:

- 1) understand the complexities of a family business;
- 2) provide them with global best practice on issues such as governance, succession and strategy, allowing them to embed this support within their business.

Importantly, this approach capitalises on existing, trusted relationships and avoids public sector support schemes 'crowding out' private sector advice. Potentially this model could be self-funding, with professional advisors contributing to the cost in part or in full.

Scale-up Businesses

Context

The OCED defines a 'Scale-up' business as an enterprise with an average annual growth in employees or turnover greater than 20% per annum over a three year period, and with more than 10 employees at the beginning of the period.

The Industrial Strategy sets out a range of actions to support businesses that are 'scaling rapidly', reflecting that this group of businesses has unique challenges [9]. The Scale-Up Institute identifies these as specific requirements for capital, management, skills and organisational processes and broadly describes the challenge as 'growing pains'. The Scale-Up Institute states that the UK lags behind the US and other leading economies in the extent to which our companies scale – the 'scale-up gap'. The Institute makes the case that addressing this gap will secure economic value and competitive advantage for Britain and that LEPs as well as Government have a key role to play in supporting their growth [102].

Data from the Enterprise Research Centre shown in figure 19 overleaf shows that the number of high growth firms varies across the four LEP areas, with Swindon and Wiltshire performing above the UK average, but the Heart of the SW performing below the average (bottom quartile). However, when we look at the rates of growth of 'Small High Growth Firms', we see that our LEPs, perform well above the UK average (Heart of the SW and C&IOS in the top quartile), but marginally below the average in Dorset. However, when we look at stepping up rates, we see considerable variation across the area. With C&IOS and Heart of the SW falling into the bottom quartile of LEP performance and Dorset (the highest of all LEP areas in England) and Swindon and Wiltshire in the top quartile.

Crudely analysed, these findings suggest that C&IOS and Heart of the SW LEP areas are better at supporting the growth of small high growth firms and Dorset and SWLEP are better at scaling existing businesses, which may not be surprising given the business demographic

described previously. It is understood that some LEPs in the SW are in the process of conducting research into 'scale-up' businesses at the current time.

Figure 19: Enterprise and Scaling indicators

High Growth Incidence Rate (13/16)	Small High Growth Firms ¹	Existing Businesses – Stepping Up ²
C&IOS	6%	2.4%
Dorset	5.8%	1.6%
Heart of the SW	5.5%	1.9%
SWLEP	6.4%	1.7%
England	6.1% (UK)	1.7% (UK)

Source: [103]

Whilst the data is not disaggregated by urban and rural, we can reflect on what we know about the business demographic in rural areas and the definitions of scale up. We know (see figure 2), that rural areas have more businesses below the threshold of 10 employees. Therefore, rural areas are likely to have less 'scale-up' businesses that fall into this standard definition and are more likely to have a higher proportion of 'Small High Growth Firms'.

The Value of Scale-ups

There were mixed views from contributors regarding the value and opportunity associated with 'scale-ups' in rural areas. As the comments below illustrate:

"This is based on the premise that you want small numbers of high growth businesses. A business increasing from 1-2 jobs doubles their employment. Do this multiple times and this exceeds most of the 'high growth' business opportunity. It also mitigates the risk of a business failure as the risk is spread across multiple businesses" [14].

"Vital to also support "shape up" in addition to scale up so that those businesses that do not want to grow (in scale) can make improvements in their productivity" [104]

"A gap has been that previous interventions have not focused on supporting existing business to stabilise" [84].

We need start-ups, scale-ups and 'shake-ups' – to help businesses be as good as they can be [105]

Identifying Scale-ups

Contributors to the commission suggested that a key challenge is identifying 'scale-up firms':

"It is very difficult to identify in advance those companies that will grow rapidly or have the potential too. What is required is having the information and flexibility to work with companies when they identify an opportunity grow and are able to provide that in a quick and timely fashion. One of the issues with the grant programme is that it can take up to six months to get an approval, by which time the opportunity may have passed the company by [106]".

"One of the challenges we face is identifying the businesses that have both the capacity and desire to grow or 'scale up'. It is believed that there are a significant number of 'lifestyle' businesses in the region who have no desire even if they have the capacity and capability to grow" [58].

¹ Firms with less than 10 employees in the first year of the three year period, but who add 8 or more employees during the three year growth period

² Firms born before 2012 with a turnover of £1-2m in 2012 and reaching £3m in 2016.

Research suggests that achieving growth can take a long time, with 37% of those scaling for the first time in 2012-15 first categorised as high Growth Firms (nationally) pre 1998" [104].

However, the Scale-Up Institute is recommending that 'scale-up status' is officially recognised as a formal business classification and that national datasets are utilised to allow the verification of a company's 'scale-up' status [107].

Barriers to Scale-up

One contributor suggested that although all SMEs experience problems in scaling up arising from step changes in capital requirements, premises size, staff numbers and so on, rurality exacerbates certain issues associated with scale up, such as:

- Limited availability locally of higher skilled talent and skilled workforce;
- Lack of range of business infrastructure for growth; and
- Limited scale, resources, and reach available through rural business support networks such as growth hubs, mentoring, LA services etc. [77]

Through our panel hearings we also heard that barriers to rapid growth included:

- Capacity of the management team;
- Workforce skills; and
- Availability of finance and investment.

These findings do not differ significantly from the barriers highlighted by the Scale-Up Institute, as highlighted in figure 20 below:

Figure 20: The Scale-up Gaps



Source: [107]

Supporting Scale-ups

There were mixed views about how best to support scale-ups in rural areas. Whilst many contributors recognised the need to get the basic conditions right, it was also acknowledged that there was a need for high quality business support. It was suggested in Cornwall that support needs to be bespoke to the needs of individual businesses and that a 'one size fits all' approach was not appropriate [89].

Theme 3: Workforce and Skills

Introduction

Having a highly skilled workforce is seen as a key driver for raising productivity and there have been some significant changes in the skills landscape over recent years. Many skills challenges face urban and rural areas alike but this chapter of the report reflects on a range of specifically rural issues. It considers skills in relation to young people as the workforce of the future but also from the point of view of businesses which need to recruit and retain workers.

Context

The Commission for Rural Communities report: Barriers to education, employment and training for young people in rural areas [108] shows that young people living in rural areas face a number of uniquely rural barriers:

- They are more dependent than their urban counterparts on public transport, particularly for accessing education and training. However, the high cost and low availability of public transport in rural areas is a significant challenge for young people, and can act as a barrier to their post-16 choices;
- With the tightening of school budgets for quality careers guidance they may be less likely to receive independent careers advice as providers find it harder to engage in more isolated areas of the country, where economies of scale are more difficult to achieve;
- They are more likely to be in low paid work, insecure employment or working within smaller firms than their urban counterparts which also presents difficulties for progressing in work, upgrading their skills and taking up training; and,
- Whilst good quality youth work can make a big difference to the lives and future employability of young people, there are notably fewer services in rural areas.

Some of these findings are also echoed in research by the UK Commission for Employment and Skills (UKCES) which has considered employment practices in rural areas [109]. Their 2013 report explored previous research which had shown that employers and employees in rural areas were likely to be disadvantaged with respect to both their skills needs and the opportunities for those skills needs to be addressed. It set out to understand the differences and commonalities in vacancies, skills deficiencies and approaches to training and staff development across urban and rural areas. Key findings include the fact that whilst the employment structures of urban and rural areas have become more similar over time some important differences remain in the sectoral, occupational and size profile of establishments and employment which have an impact on these issues. For example, the primary sector is more important in rural than in urban areas, while other sectors such as financial services and public administration provide smaller shares of employment. Additionally, the size of business is skewed towards smaller enterprises in rural areas.

The research found that there is a slightly higher incidence of hard-to-fill vacancies in rural areas but the composition (i.e. size, sector) is a more significant factor rather than location per se. This does not mean that locational factors are unimportant – the problem is exacerbated by a limited labour pool in rural areas, remote location and poor public transport. Interestingly, differences were found in responses to the issue of having a hard-to-fill vacancy between urban and rural businesses. Rural establishments were more likely to 'do nothing' but they were also more likely to redefine existing jobs or increase training. The research found

that similar proportions of establishments in rural and in urban areas seek external information and advice on skills and training issues but establishments in rural areas were slightly less likely to plan and less likely to train than their urban counterparts; and they were less likely to have a dedicated training budget. Establishments in rural areas were found to make greater use of FE Colleges for their training and, perhaps unsurprisingly, a lack of relevant training courses/providers locally were more frequently cited in rural areas as reasons not to train staff.

Turning to our local data, Figure 7 (previously) shows the skills profile across the four LEP areas compared to the national average. All four areas have a lower proportion of people than the national average with no qualifications. At higher levels, with the exception of Cornwall and the Isles of Scilly, our LEP areas also have a higher proportion of residents with NVQ3+ than the national average but Swindon and Wiltshire is the only area with a higher proportion of residents having achieved higher levels of NVQ4+. In other cases, particularly in Cornwall and the Isles of Scilly, the proportions of residents with NVQ4+ are considerably lower. These figures do also mask considerable variation within the areas. Contributors to the commission from more peripheral parts of the region highlighted a lack of higher level skills within their area [6].

Key Issues

In its broadest sense much of the evidence submitted for this commission indicates that skills issues are the same for urban and rural areas. However, local evidence also supports many of the findings from the national literature about the uniquely rural challenges facing both young people and businesses.

Access to education and opportunities

For young people the low availability and high cost of public transport [77]:

"... can act as a barrier to their post-16 choices and overall progress into employment. For many rural young people, having a driving licence and being able to afford a car is the only option. At that age, costs are generally prohibitive. The annual fees for student travel passes have risen in many areas, and some [Local Authorities] are subsidising transport only to the nearest college, thus restricting choice of institution and courses. As a result, people in rural areas are more likely to end up in low paid work, insecure employment or working within smaller firms with limited career progression potential than their urban counterparts."

Further, public transport links do not always support journeys to and from education providers so young people may not have the opportunity to attend courses and this is also an issue for employers who find it hard to up-skill their workforce [56]. This is significant because rural areas need to invest more heavily in training because the labour and business pool on which they can draw is smaller [38].

Key Finding

Lack of public transport can act as a barrier to young people in accessing education, apprenticeships and employment.

Careers Education Information Advice and Guidance

In line with the national literature it has also been suggested that Careers Education Information Advice and Guidance (CEIAG) can be patchy in rural areas. There is an identified

need for businesses to work closely with the education sector to ensure that they are aware of the skill sets most required by the students moving through the system who will be the employees of the future [58]. This also has a vocational dimension, with some careers perceived to be less attractive than others [60]. In the words of the Somerset and Wiltshire FSB, given the profile of the job opportunities available in rural areas [110]:

"We need our schools and colleges to advocate a clear and equal pathway for young people into more vocational occupations and recognise vocational qualifications as equal to academic ones. They need to give all students transferable skills, particularly a focus on digital skills training which has become ever more important to all parts of the economy and provide better Careers Advice and Guidance about vocational training opportunities and entrepreneurship."

There has been an increasing emphasis from the government on apprenticeship routes in recent years, and an acknowledgment locally of their potential in driving up skills levels and addressing some of these issues. There is a golden opportunity at the moment to increase both the demand and supply of higher level apprenticeships as younger people are facing the cost of financing the university path, coupled with the introduction of the apprenticeship levy [6]. However, evidence provided by the FSB on behalf of its members in Somerset and Wiltshire indicates that a number of barriers remain [110]. This includes cost; lack of time; day to day management; and, difficulty accessing information. Whilst these may also be barriers for urban businesses the issues are often seriously compounded by rural transport issues (highlighted above). It was suggested that Apprenticeship training agencies (see case study below) are a particularly effective solution in rural areas, but that few businesses are aware of them [111]. A recent programme run by DR for example, found it harder to place apprentices in more remote rural businesses because they simply could not get there [14].

CASE STUDY: The Cornwall Apprenticeship Agency Model

The Cornwall Apprenticeship Agency was established in 2012 when it was awarded its ATA (Apprenticeship Training Agency) status from the National Apprenticeship Service and was further developed through UKCES funding. It set out to offer new and unique approach to bringing together businesses and apprentices that would help both parties succeed in their objectives. Since then the Agency has been involved in delivering hundreds of apprenticeships across the County, and further afield, in a broad range of apprenticeship frameworks.

With the aim of reducing the barriers to recruiting an apprentice and making it more affordable/less risky the Model offers businesses:

- An initial Training Needs Analysis – offered free of charge to help pinpoint areas where an apprenticeship programme could benefit the business;
- Payroll Services - employing the apprentice on behalf of the business, managing their payroll and helping reduce administration; and,
- Recruitment - including searching, short-listing, matching and supporting the interviewing of apprentices to save businesses save valuable time and effort.

Key Findings

- Careers advice in schools needs to include vocational as well as academic routes.
- Apprenticeships are becoming increasingly impact, but some businesses perceive barriers to take up, but there are models, such as the Apprenticeship Training Agency Model that help to overcome these barriers.

Labour and Skills Shortages

For businesses, labour market issues have been a strong theme running throughout the commission. In the words of Mendip District Council [60]:

"The rural labour market, of course, is more limited than that in urban centres and some sectors often find difficulty in attracting and retaining staff with particular high level/professional skills given the wider employment prospects in larger urban centres."

"A shortage of labour is stopping businesses from growing, there are not enough people" [111]

A joint submission by North Devon Council and Torridge District Councils highlighted findings from research commissioned by the Northern Devon Employment & Skills Board (ESB) which showed that [17]:

- Almost a third (30.8%) of businesses reported a skills gap; a proportion which increased with business size (50.0% amongst large businesses); and,
- 43.3% of businesses with a vacancy had problems filling the post which impacted on productivity through overburdening other staff and delaying the development of new products and services.

Likewise, findings from a DR Company survey of businesses in West Devon, Teignbridge and South Hams (2015) found that over half of the businesses experienced recruitment difficulties; and that this had restricted their growth [14]. The findings from the DR research found that not enough people are attracted to work in rural areas and they also anecdotally found that the issue appears to be around an insufficient concentration of career opportunities to enable people to move around, build experience and progress. Other factors included inadequate public transport, inaccessibility, lack of affordable housing, perception of poor career prospects and difficulties attracting employees away from the urban areas.

Evidence provided by a local business support organisation [37] highlights the real mix of jobs that are available within the rural economy from skilled professional roles and some skilled workers in agriculture to less skilled manual labour as well as unskilled jobs, particularly in the tourism trade or retail sectors. There are many different types of skills shortages to accompany each sector and identifying the priorities for up-skilling are difficult [112]. Several contributors to this commission have focused on what they see as the specific skills deficits reflecting the requirements of particular sectors from agriculture and horticulture through to domiciliary care, as well as the need for more generic skills such as leadership and management. These are not rehearsed here but more generally, at one end of the spectrum [37]:

"...in some rural areas where there is high demand for unskilled labour, for instance in the horticultural industry in West Cornwall, the local population is not overly keen on working in the fields and so the gap is filled by foreign workers. Those foreign workers are already being switched

off the UK due to the Brexit vote and the Euro/Pound exchange rate and thus finding workers to undertake manual work is becoming harder in some sectors."

At the other end of the spectrum, evidence from Dorset highlights the struggle to find skilled workers to fill vacancies [77]. In the manufacturing sector, the challenge is to attract middle management [113].

The joint submission by North Devon Council and Torridge District Councils similarly indicates that higher paid, professional jobs can be particularly hard to fill, with the area suffering from what they described as a 'cul-de-sac' syndrome - i.e. a reluctance of potential recruits to relocate from urban/central parts of the UK as opportunities in the area are limited [17], [98].

"People cannot see that there is mobility in the jobs market, that there are other IT businesses they could go to if things did not work out" [98]

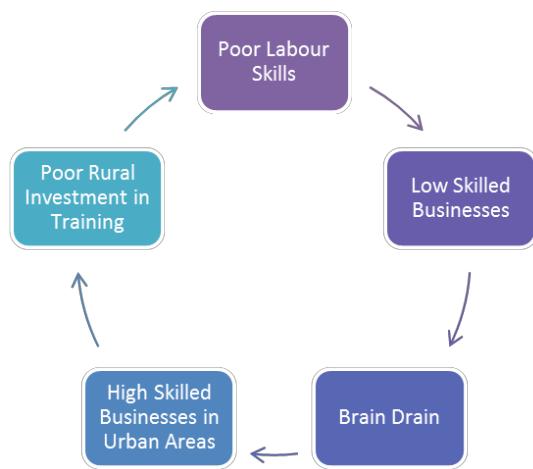
However, it was also suggested by many contributors that the quality of life is an important attractor for people looking to work in the SW, but there is a need to promote the area as a place where there are also challenging and rewarding careers.

For certain sectors and at higher qualification levels, employers can experience recruitment as a major issue due to the inaccessibility of rural areas, competition from neighbouring urban areas and the outward migration of young skilled workers [77].

The 'exodus' of young people in search of HE and career opportunities is clearly a significant factor locally [17], particularly as they rarely return [46]. There is perhaps a need to make core industries more appealing as career options to retain local talent, such as tourism and fisheries [114], which comes back to the availability of good CEIAG identified above. There have also been calls for stronger links with education providers and universities, with the absence of an HEI presence in some areas (Wiltshire and Somerset) seen as a significant barrier to developing and retaining higher level skills within the area [115], [116].

The response from Teignbridge Council suggests [117] that rural areas need to boost their attractiveness to higher-skilled workers if innovative companies are to start-up or re-locate there and rather than accepting the 'brain drain' we should instead look towards developing a 'brainport' similar to that developed in Eindhoven, Netherlands (see Case Study). Interestingly, evidence from Devon County Council [112] references the interplay between these various issues:

Figure 21: Illustration of low skills cycle



"The cyclical nature of low skills makes remedying difficult; breaking the chain at the investment in education and training link might create a higher skilled labour force but then only cause more movement of skills away from the rural areas where there are few companies to use skilled labour. Conversely, attracting higher skilled businesses to periphery areas so they retain the skilled labour force only works if the skilled labour force is there recruit from".

Source: [112]

In any event there is evidence to suggest that rural jobs will not be as well paid as jobs that can be obtained in urban areas; and adding in commuting costs can make it financially unviable for workers to take jobs in rural areas unless they are already resident in the area [37]. Evidence suggests that there are particular pockets within the four LEPs where this is a very significant issue. Areas such as Mendip have highlighted the rising wage gap between local employment and resident workers working elsewhere [60]. In Devon full-time workplace based earnings in Torridge, Teignbridge and West Devon are all ranked in the bottom 20 UK authorities [118] and the average pay in Torridge was the third lowest in England [17]. Only Exeter (within Devon) currently has earnings above the national average, which contributes to significant commuter flows into the city from areas close by, but not from areas that are more distant such as Torridge and North Devon [118]. It was also highlighted that in parts of the region, higher wages paid by EDF in relation to the Hinkley development will exacerbate existing skills shortages [119].

Other, wider factors that impact on the workforce include housing costs. Written evidence provided by the Country Land & Business Association (CLA) suggests that [42]:

"The link between skills shortage and the availability of suitable, affordable housing should not be overlooked and is a particularly important factor in the labour shortages experienced by rural businesses....The supply and affordability of housing is essential to the ability of rural businesses to be able to recruit and retain employees, as is a good mix of housing tenures."

Which was echoed by a business in Exmoor that found housing to be one of the most significant barriers to recruitment of staff [120]. Housing issues are dealt with more thoroughly under theme 7.

Finally, affordable housing also needs to be coupled with affordable childcare, which can be challenging to provide in rural areas as identified within the Rural Productivity Proposal prepared by Dartmoor and Exmoor National Parks [121]. Childcare in rural areas tends to be very limited for those having to commute to urban areas to work [77].

Key Findings

Businesses in rural areas are facing labour and skills shortages at all levels. The reasons for this include:

- A smaller pool of potential candidates.
- Typically lower wages and higher transport costs.
- A 'cul-de-sac' effect, where businesses cannot attract people from outside the area.
- A shortage of housing and childcare.
- Businesses in rural areas are less likely to 'do something' about their skills shortages.
- There is an 'exodus' of young people from rural areas and the region more generally.
- At the lower end of the skills spectrum, Brexit is starting have an effect.

Supply of Labour

Although many contributors to the commission highlighted the low levels of 'unemployment' in the area, the unemployment indicators do not take into account people that are not in the labour market due to ill-health, incapacity or other reasons. Whilst across the four LEP areas, the unemployment rate is low, the number of inactive people is considerably higher (approx. 20% - see Figure 6). Of these, approximately 29% would like a job, a pool of 126,000 people across the four LEP areas.

Several contributors to the commission worked with people to help them overcome barriers to employment and access jobs. The Somerset Business Agency for example runs a series of bootcamps in the hospitality, retail and care sectors, linked to employers, so that on completion participants are able to secure employment straight away, thus meeting the needs of employers and individuals [122].

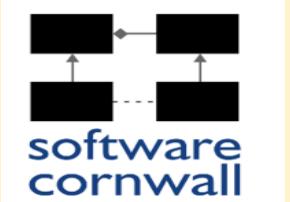
Whilst many highlighted the issues associated with an ageing demographic, others highlighted that 'older people' also represent an opportunity [6] [123].

Case Study – Software Cornwall

Software Cornwall is a not-for-profit company, formed because there is a well-established and rapidly growing software cluster in Cornwall in which businesses have experienced high growth in recent years that they anticipate will continue.

Future growth will require increased numbers of highly skilled and talented individuals to enter and progress within the workforce but there has been a lack of appropriate accredited training programmes locally to enable this to happen.

Software Cornwall has worked with Cornwall College to research these issues and is now proactively engaging with the providers on behalf of their members to develop suitable packages of training. A key priority is to fill the careers pipeline: inspiring people into careers in software and digital technology.



Theme 4: Brexit

Many contributors found it difficult to articulate precise impacts of Brexit, given the outcome of the negotiation process is still unknown [58]. However, they highlighted the following areas:

- The changing agricultural support regime;
- Impact on fisheries policy;
- Loss of funding for economic development;
- Loss of workers from the European Economic Area (EEA);
- Impacts arising from changes in tariffs and terms of trade; and
- Uncertainty acting as a break on investment.

The Changing Agricultural Support Regime

The EU provides support payments annually to farm businesses across all Member States (currently in the form of the Basic Payment Scheme) which are designed to ensure compliance with world leading production, welfare and environmental standards for the benefit of the whole European population. The Basic Payment Scheme is further supplemented with payments for environmental improvements through the 'agri-environment' scheme as well as capital grants for capital to improve productivity. It is recognised by many contributors as a complex, bureaucratic and imperfect regime, however, numerous evidence sources, including the Farm Business Survey shows that many farmers are reliant on the current support structures, particularly in more marginal farming communities (e.g. the Basic Payment Scheme and agri-environment agreement payments equate to over 90% of farm business income for Less Favoured Areas grazing livestock farms on average and 70% for lowland grazing livestock farms [124]). Several stakeholders have highlighted the important role that the EU Rural Development Programme currently fulfils in relation to the environment, with £60-70m currently spent on agri-environment schemes [125] [49].

Several contributors have highlighted that changes and indeed reductions in the level of financial support could have wide reaching consequences for the rural economy, such as:

- Small/marginal farms becoming increasingly unviable – driving farmers out of business, with consequences for the farming supply chain, land prices and wider economy; and
- Increasing efforts to improve profitability in the short term leading to environmental degradation, with consequences for tourism [55]

However, some contributors have also highlighted that changes in the subsidy regime may provide an opportunity to 'shake-up' the industry by forcing inefficient, unproductive businesses out of the sector [37]. Others have highlighted that Brexit provides an opportunity for the UK to develop a new regime that is less bureaucratic, more flexible and rewards farmers for public goods (such as nature conservation). It has been argued, that such a 're-wiring' of the system could create a more diverse and resilient economy [38].

"Parts of the rural economy are reliant on existing subsidies. An opportunity from Brexit concerns whether some of the current subsidies can be 're-wired' to support outcomes other than food or fuel production, for example, through the provision of flood protection or tourism opportunities. This would help create a more diverse agricultural economy, more resilient to any global or national"

economic trends, but also give access to other income streams thus reducing reliance on subsidies over the long-term” [38]

“The largest single injection of public money into the economy of this AONB comes through the CAP which go directly to farmers. This income is spent out to local businesses such as builders, fencing contractors and agricultural services. It is paid in salaries to farm staff, it supports professional services such as agronomy, surveying, valuation, legal and financial. Significant reduction in farm support, which seems to be inevitable, will hit the rural economy at its foundation. Land values may change, affecting the property market and the ability of arm businesses to borrow money”. [56]

“For the rural economy, any loss of funding from the withdrawal from the CAP will have far wider implications for rural economic growth and productivity and again government must consider how any transition is managed through a new farming and food policy” [42]

“Whilst the full implications are currently unclear, the impact will be significant, with the vast majority of rural support stemming from the European Union. However, with this comes an exciting opportunity to shape a new approach to supporting our rural communities and managing our environment” [16]

Future Model – Farming in the English National Parks [124]

The English National Parks sets out a new system of integrated, place based delivery that focuses on the outcomes that society seeks from farming in the national parks, whilst tackling some of the limitations to the current subsidy regime (silo-based, managed via prescription rather than empowered, risk adverse rather than stimulating innovation and productivity). The proposal is centred on three, interlinked components:

- A National Park FARM (Farming and Rural Management) Scheme to provide a base or foundation level of environmental husbandry and public goods;
- FARM Plus – locally led, agri-environment schemes for each National Park; and
- Wider Rural Development – local resources for wider rural development.

The ‘FARM’ could be in the form of a ‘certification scheme’, voluntary for farmers to sign up to. In return for a base level of payment, there would be certain management obligations (tailored to each National Park) and elements of cross compliance. People entering the scheme would also be eligible for farm business advice to produce an integrated farm plan (linking environment and business) and act as a baseline for the scheme. This builds on experience of current hill farm projects and offers an approach to deliver improved productivity of both environmental outcomes and high quality food and fibre as well as contribute to farm profitability. The scheme would seek to develop a National Park brand, enhancing the development of the food economy and creating a ‘sense of place’ for consumers and producers.

The FARM plus, would be focused on enhanced levels of environmental management to deliver public goods, with multiple options, aiming to deliver a broad range of benefits, rather than a narrow focus on one or two and allow local flexibility in setting priorities. Within this locally led approach, there is the opportunity to pilot and evaluate new systems (e.g. environmental contracts, payments by results, private payments etc.). The wider rural development component would deliver community led local development programmes that link environment, economy and community. These could include grants (similar to the Sustainable Development Funds

currently deployed by National Parks), but could also include loans and the opportunity for revenue funding.

Impact on Fisheries Policy

Several contributors highlighted concerns about the implications of Brexit on fisheries in the SW [26] [51] [14], highlighting concerns about the loss of targeted funding for the fisheries sector as well as uncertainty about the implications for fishing rights and quotas.

A House of Commons library briefing paper [126] stated that 'the implications of Brexit for fisheries are highly uncertain, with the implications depending on future negotiations with the EU and future UK Government policy'. It identified the following implications:

- The UK obtaining exclusive national fishing rights up to 200 miles from the coast. However, the UK may trade-off some of these rights in order to obtain access to the EU's sea area or access to the EU market for fisheries products;
- Impacts on the UK's ability to negotiate favourable fish quotas for UK fishers with the EU. It is not possible to say whether the UK will be more or less able to obtain satisfactory quotas for fishers;
- The need for a new mechanism to enable the UK to negotiate and agree annual fishing quotas with the EU and other countries;
- The introduction of a UK fisheries management and enforcement system. This in many respects may mirror the existing arrangements for managing fisheries, albeit with additional resources required;
- Restrictions on EU market access for fishery products (depending on the outcome of negotiations) and less influence in discussions on determining EU market rules for fish;
- Less certainty around public funding of support for fishing communities or environmental sustainability; and
- Issues related to possible changes to the protection of the marine environment.

Loss of Funding for Economic Development

Exiting the EU will mean that the UK will no longer benefit from structural funding (ERDF, ESF and EAFRD). Whilst ERDF and ESF are not rural specific, they still benefit rural areas [77]. However, EAFRD funding (or pillar 2 of CAP) is specifically targeted at rural areas and includes a number of locally and nationally developed programmes to support growth in rural areas. The UK Government has stated that it will provide successor programme(s) to replace the loss of European funding for economic development and is expected to consult on the UK Shared Prosperity Fund shortly. Contributors highlighted a concern that rural areas may lose out under new funding arrangements, as well as the opportunity to improve the design and delivery of economic development funding streams.

"Uncertainty around the future of European, rural and structural funding programmes. Funding programmes which target the rural economy and regional imbalances are particularly important in peripheral areas" [17].

"As a predominantly rural area LEADER funding has been extremely important to enabling business growth and job creation, and it is important that equivalent UK funding is brought in after exit from the EU "[123].

"It is an opportunity to develop area based plans drawing on new funding streams for investment in productive infrastructure and exploitation of natural and built capital – using funds more wisely in terms of being based on placed based productivity initiatives not generic initiatives" [127].

"UK domestic arrangements need to recognise that the UK is currently the biggest recipient of EU innovation funding; that impact should be assessed and funding replaced. It is essential that funding streams do not 'fall off a cliff'" [104].

"There needs to be a 'single pot' approach that can sustain long term projects (beyond five years) through revenue funding, perhaps predicated on loans. It is vital that the proposed UK Shared Prosperity Fund is fully rural proofed during its development and implementation" [104] .

Loss of workers from the European Economic Area (EEA)

The NFU suggests that certain businesses and sectors are facing a real crunch on labour sourcing [33] and the strengthening of the pound is already making it more challenging to source non-UK labour and the view of the UK, post Brexit has exacerbated this. If businesses are not able to source labour then this will undoubtedly have a negative knock on effect on the wider economy. These findings were echoed by other contributors [117] [128].

Impacts Arising from Changes in Tariffs and Terms of Trade

The NFU argue that the EU is our biggest trading partner, with exports amounting to around £16bn and accounting for 60% of agricultural exports [21]. If there are barriers to this (tariff and non-tariff barriers) then it could have a real impact on farm returns and as such, a negative impact on the local economy. Likewise, the risk of cheap imports undercutting UK produce was also highlighted.

"There is the risk that trade deals may allow cheap imports of agricultural produce to undercut our farming areas. For farmers if that is allowed to happen then we will probably find that our farmers will be run out of business in an uncontrolled fashion and then that will leave the rural economy in dire straits because it is basically built on land based businesses". [37]

"Agriculture still dominates the rural economy and is likely to face severe competition through trade deals with countries where agricultural products are produced without adhering to high welfare or environmental standards e.g. the USA, Brazil etc. [129]

However, it was also highlighted that the SW is well known for its high quality produce, so this does offer opportunities to grow high value exports, under new trade deals, given sufficient time and consideration to the wider positive and negative impacts of such exports [33].

South West Water [38] highlighted the need to avoid 'market shocks', for instance, if UK producers were no longer able to export red meat to European markets, this could lead to changes in land use and land use practices in order for businesses to remain liquid. Market shocks such as this, could have significant multiplier effects on the rural economy and result in long term damage to the environment, which the rural economy relies on.

The Manufacturing Advisory Service highlighted how there was uncertainty around currencies, trade barriers and free movement of labour and goods [113] and the Devon and Cornwall Business council described how Brexit is the most common topic for debate received through their networks, with businesses raising concerns about the consistency of advice and lack of

clarity on central issues such as free market access or tariffs. Businesses now want firm evidence on exactly where the new markets will be, assuming that existing trade agreements will cease and that new agreements will be more expensive and procedural [99]. Similarly the FSB highlighted that the impact of Brexit on overseas trade – both positive or negative, is not isolated to exports. It argues that small business importers and those that operate or are part of global supply chains will be equally affected and that both groups require dedicated support to mitigate the risks and disruption caused by Brexit [110].

Devon County Council highlight that the impact on overseas tourism after Brexit is difficult to predict, highlighting that any loss of overseas visitors may be compensated for by additional domestic tourists who switch from European destinations. The relative strength or weakness of the pound against the Euro is likely to be factor [112].

Uncertainty acting as a brake on Investment

A recurring theme was a concern that the uncertainty over Brexit is acting as a brake on investment, as the comments below illustrate:

"Uncertainty is constraining business confidence and investment. At the moment, nobody knows what the implications of the various potential forms of Brexit might be. There is a general lack of information and this is unlikely to be addressed soon" [17]

"We are finding businesses are holding back their expansion plans, this delay will restrict growth and productivity; potential negative impact on exporting to Europe if a favourable trade deal can't be reached which will be hugely damaging to the local economy" [46]

Legislative

Contributors from the fisheries sector highlighted that Brexit will have significant implications for fishing, with the possibility of greater control of fishing rights, changes to fish quotas and the management of fisheries [51]. Similarly, a large proportion of environmental designations, laws and protection legislation is linked to EU legislation. There is concern amongst some contributors to the commission that this legislation may come under threat as a result of the Brexit process, leaving protected sites at risk of degradation and depletion of natural capital [55], [125].

Key Findings

- The changing agricultural support regime is likely to have a significant impact on farming post Brexit, although it does represent an opportunity to make improvements.
- Likewise there will be significant changes affecting the fishing industry.
- Rural businesses will also be affected by changes to migration policy and trade and uncertainty may be acting as a brake on investment.
- Loss of funding for economic development is a potential issue for rural areas, although successor programmes provide an opportunity to make improvements.

Theme 5: Transport and Accessibility

Context

The Statistical Digest of Rural England, 2017, [1] shows that:

- Over a five year period up to 2012 people living in the most rural areas travelled 50% further per year than those in England as a whole and 63% further than those living in urban areas;
- When travel as both a car driver and passenger are taken together, 88% of travel in rural villages, hamlets & isolated dwellings was made by car compared with 76% in urban areas and 79% in England as a whole; and
- In 2012 the percentage of households with no access to car or van was lower in rural areas (11%) than in urban areas (28%), although this figure rises to 28% for rural households in the lowest income quintile, highlighting the challenge of rural transport for people on low incomes.

Considering public transport, bus availability is expressed as the percentage of households where the nearest bus stop is within 13 minutes' walk and has a service at least once an hour. The Digest shows that since 2002 bus availability in urban areas has remained at a stable level of 96 – 97% of households. Although bus availability in rural villages, hamlets and isolated dwellings did increase between 2002 and 2012 only 49% of households in the most rural areas had a regular bus service close by in 2012 (item 30).

Research by the FSB indicates that many businesses in rural communities report how public transport can be insufficient for their needs. Services are often infrequent and unreliable which affects the ability of customers and employees to access small business premises. Further, public transport is frequently relied on by younger workers and apprentices in rural areas who may otherwise be unable to afford private vehicles [130].

The Statistical Digest also attempts to measure accessibility to services using the Department for Transport's (DfT's) accessibility indicators for eight key service locations which calculates the percentage of target users within the resident area who have 'reasonable' access to the given service location by different modes of transport. Overall, data shows that 48% of people in rural areas have reasonable access to services by public transport or walking, compared with 61% in urban areas; and that 69% of people in rural areas have reasonable access to services by car, compared with 75% in urban areas. Figure 22 breaks down the results by type of service location, indicating that there are particularly big differences between urban and rural areas for accessing secondary and Further Education without the availability a car which is significant given the importance of skills as a driver of productivity.

Figure 22: Percentage of the Population with 'Reasonable' Access to Key Service Locations by Public Transport or Walking (PT/W) or by Car, in England, 2013

	Town Centres		Food Stores		Centres of Employment		FE Colleges		Secondary Schools		Primary Schools		GPs		Hospitals	
	PT/W	Car	PT/W	Car	PT/W	Car	PT/W	Car	PT/W	Car	PT/W	Car	PT/W	Car	PT/W	Car
Rural	21	48	49	65	76	88	49	77	33	69	45	58	56	74	19	53
Urban	39	63	61	67	85	90	69	84	58	75	52	58	67	76	36	67

Source: [1]

Key Findings

- People in rural areas travel greater distances than people in urban areas and are more reliant on the car.
- People in rural areas are more likely to own a car than people in urban areas.
- However, 28% of people on the lowest incomes in rural areas do not have access to a car.
- Public transport availability is almost half that of urban areas, and represents a barrier to take up of apprenticeship and employment opportunities in rural businesses.
- People in rural areas are significantly less likely to be able to access education facilities by public transport.

Key Issues and Opportunities

Transport and accessibility issues were an important issue raised by many contributors to this commission, which can be grouped into the following issues:

- Strategic Road and Rail Infrastructure into the region;
- Intra-regional transport infrastructure; and
- Transport for people without a car.

Strategic Road and Rail Infrastructure into the region

Many of the submissions to the commission have focused on strategic infrastructure issues that are important for the region such as:

- The resilience of motorway network (M4/M5) [118], [127] – in particular to closures due to accidents [110];
- Improvements to the A30/303/A358 route from Wiltshire to Exeter [123], [68], [131];
- A350 link to ports [116]
- Airport growth to provide international links into the region [110]; and
- Rail resilience and improvements – in particular through Dawlish [118], [68].

The scale of the peripherality challenge is illustrated by following graphs produced by the CBI, which show that the travel time to London by car and rail from some parts of the SW is similar to the travel time from southern Scotland.

Figure 23: Travel time to London by car and rail



Source: [132]

These issues are really important for whole region in terms of accessing markets and reducing the peripherality of the far South West and were raised by a number of contributors, particularly those in Cornwall and the Isles of Scilly and the Heart of the SW where the issues of peripherality are more keenly felt [44], [118].

We are aware that Regional Transport Investment Priorities have been identified by partners such as the ADEPT SW Group of Councils as well as the Peninsular Rail Task Force. As such regional priorities include 18 highway schemes, 7 rail schemes and 2 aviation schemes [133]. Additionally, the Peninsula Rail Task Force's Plan 'Closing the Gap' [134] defines its ambition for a 21st century rail network underpinned by three priorities: resilience and reliability; faster journey times; and, improved connectivity with sufficient capacity.

Key Finding

There is a need to improve strategic connectivity in the SW to improve productivity across the whole economy.

Intra-regional transport infrastructure

Several contributors described the links between transport and productivity:

- Distance to key resources which can be found in urban centres such as innovation centres, universities, suppliers/clients/business contacts [17]
- Congestion at nodal points restricting investment and development [6]

In the words of Torbay Development Agency [46]:

"Accessibility is paramount for businesses, residents and visitors. Quality of transport connections (private and public transport) is vital for ensuring the correct environment to encourage business growth, inward investors and visitors."

Research by the FSB [130], for example, shows that congestion, poorly maintained local roads and a lack of regional strategic planning are the major issues reported by small businesses and these combine to impact on those small businesses, imposing direct and indirect costs on businesses.

Whilst small businesses in all areas rely on transport connectivity to provide access for employees, customers and suppliers to their business, their research found that the road network was 'very important' to 63% of rural businesses and 69% of remote rural businesses compared to 57% of urban businesses. They highlight that:

"It is important that business owners who make the decision to base their business in rural communities are able to access markets in the rest of the UK - and indeed in the global economy as well. Without access to these markets, rural businesses will frequently struggle to grow and expand."

The research also showed that small business owners in rural and remote rural areas were more likely to believe the road network had worsened in the last 5 years than small business owners in urban areas, a point echoed by the FSB in their response to the commission:

"There is a fear from our members that local roads are not seen as important as motorways or 'A' roads in the priority list. This is particularly important as 80% of all trips in the car are less than 5 miles" [110]

However, it was also highlighted by Devon County Council, that Devon has the largest road network in England [118].

The CBI suggests that improving travel times to major employment centres (i.e. cities), productivity could be increased, as it would allow the catchment of cities to grow. Using modelling techniques, it suggests that for every 1,000,000 increase in population (brought into a catchment), there is an additional £0.6 in GVA/hour [132]. Whilst this may have significant potential in the large northern cities (with a large hinterland population), the potential to expand the catchment of SW cities is much lower, as the 'hinterland' population is much smaller.

Many contributors highlighted the importance of the transport network within the region, in particular the road network, highlighting:

- Trunk road, rail, air and ferry connectivity into more peripheral parts of the region (e.g. North Devon, West Somerset and the Isles of Scilly [58], [17], [135];
- Suitability of roads for large vehicles (one off main trunk road network) [106]; and
- Maintenance of road network [136].

The DfT also recognises the importance of these roads, identifying in its Transport Investment Strategy plans to create a 'Major Road Network', including proposals to allocate a proportion of the National Roads Fund to the MRN [137]. The Strategy also outlines several plans to improve the department's appraisal process for schemes. In particular:

- Strengthening the department's ability to measure a scheme's local economic impacts, assess the benefits of resultant housing growth and capture the structural changes in the economy which result from step changes in capacity and connectivity;
- Commitment to developing a 're-balancing' assessment toolkit, for use as part of the strategic assessment of future investment programmes; and
- Developing a new assessment standard that will require investment programmes to be judged on how they contribute towards creating a more balanced economy, as part of the overall assessment of their strategic case.

Key Findings

- Strategic connectivity within the region is important to improve productivity of more peripheral areas (e.g. North Devon, West Somerset, parts of Cornwall and the Isles of Scilly).
- Maintenance of the rural road network is important and needs to be properly resourced.

Transport for People without a Car

As highlighted in the statistics at the beginning of this chapter. Rural bus services cover a much smaller proportion of rural households and for people without a car (the young, old and those on low incomes), accessibility to employment, education and services can be an issue. Some contributors suggested that rural bus services were diminishing [99] and others highlighted that services were not always compatible with working schedules [106]. At the Cornwall panel session, integration of public transport was highlighted, with branch line trains and buses failing to connect with main line rail services, highlighting the need for better public transport integration [83].

The FSB research showed that rural and remote businesses were less likely to value public transport provision than their urban counterparts [130], however, findings from a DR Company survey of businesses in West Devon, Teignbridge and South Hams (2015) [14] identified poor public transport links as one of two main constraints holding businesses back, inadequate mobile/broadband coverage being the other. However, contributors reflected that in a time of austerity, public subsidy for bus services is likely to be challenging. One contributor suggested that models, such as those deployed by 'Uber' could be utilised to revolutionise 'lift-sharing' and 'transport for colleges' [98].

As discussed in other chapters of this report rural transport can impact negatively on many productivity drivers including:

- Post-16 choices and overall progress into employment [17];
- The ability to effectively deliver apprenticeship schemes [14] [16];
- Staff recruitment for rural businesses with vacancies [37];
- The ability of businesses to up-skill their workforce [110];
- Planning applications for both businesses and housing developments where refusals are made on the grounds of transport sustainability [42].

Key Findings

- Public transport integration needs to be improved.
- Innovative transport solutions need to be identified to improve accessibility to education, apprenticeships and employment for those without access to a car.
- Disruptor models such as 'Uber' could be utilised.

Case Study - Wheels to Work:

Funding was secured for a 'Wheels to Work' service in South Devon from July 2009 to March 2012 through the SDC LAG program. A similar project in the Dartmoor area was also supported. Both projects were generally successful and have proved invaluable in helping young people access work and training opportunities particularly where they either live or work in isolated locations where there is limited or no public transport. The basis of the scheme is to provide a moped and all the protective gear and equipment on an affordable loan basis (with the option to buy), plus training to enable them to pass the driving test and advanced training to enhance their safety.

Rural Cycling, Walking and Tourism Transport

Some contributors highlighted the need for sustainable rural transport solutions, in particular in relation to the tourism and leisure economy. Visit Wiltshire suggest there is a need to improve sustainable tourism transport links to benefit the rural economy, but that these initiatives require public intervention [66].

Contributors highlighted the economic importance of walking and cycling generally [70] as well as the economic contribution made by particular routes and trails (e.g. the SW Coast Path) [67]. Others highlighted that the Rights of Way network, whilst being a unique asset with the potential to make significant contributions to rural tourism, is inadequately maintained, inadequately promoted and under-utilised as a result [138].

The South West Coast Path (featured previously) highlighted the challenges of operating in an uncertain funding environment, with funding confirmed for 2017/18, but unclear after this [139]. Uncertainty regarding core costs is already having an impact, with the Trail Partnership unable to make long-term decisions or offer solid terms to staff and contractors delivering work. This in turn inhibits external parties such as local businesses, funding bodies and planning authorities that would otherwise act to support and develop the long-term future of the Trail. It is argued that to safeguard the future of National Trails that DEFRA commits to a 3 year funding cycle, maintains investment in the National Trails network and provides financing for the English Coast Path as it opens.

Key Findings

- Rights of way and walking and cycling trails provide a positive economic impact, but they require public sector support.
- There is a need to develop and sustainable tourism transport initiatives across the region to reduce congestion on roads.

Theme 6: Broadband and Mobile Connectivity

Current Digital Infrastructure

Ofcom's Connected Nation's report shows that in 2016 [140]:

- Almost 90% of premises across the UK can now access networks offering superfast speeds of 30Mbits/s. In rural areas, it is 59%, which is a significant improvement on the level in 2015 (44%);
- 4G coverage has now reached 40% of the UK landmass, up from 8% in 2015; and
- Most 4G deployments to date have focused on urban areas, as a result, geographic coverage of the UK's rural areas is only 38% of landmass, compared to 89% in towns and cities.

Figure 24 shows the digital infrastructure coverage across the four LEP areas.

Figure 24: Digital infrastructure coverage

	% of premises with speeds >30Mbits/s	% premises with <10Mbp	4G coverage (indoor)		3G		2G (indoor)	
			Urban	Rural	Urban	Rural	Urban	Rural
Cornwall	84%	6%	40%	14%	68%	20%	51%	23%
Bournemouth	98%	0%	97%	100%	96%	92%	80%	100%
Devon	76%	12%	42%	7%	63%	14%	64%	22%
Dorset	84%	6%	47%	13%	60%	20%	49%	17%
Isles of Scilly	92%	1%	-	-	-	-	-	15%
Plymouth	96%	1%	79%	57%	94%	93%	72%	94%
Poole	97%	0%	94%	96%	88%	55%	77%	36%
Somerset	79%	9%	38%	18%	73%	22%	54%	22%
Swindon	82%	4%	89%	58%	75%	49%	70%	43%
Torbay	89%	1%	76%	66%	89%	69%	77%	69%
Wiltshire	84%	6%	59%	29%	79%	38%	48%	27%
England Average	90%		82%	28%	87%	32%	74%	27%

Source: [140]

Analysis by Ofcom that explored the factors influencing 3G and 4G coverage in a given area found that population density has the largest impact, followed by the affluence of a local population, the proportion of local population under the age of 60 and local topography [141].

The commission notes that publicly funded schemes have been operating across all four LEP areas in recent years and roll-out over the last year will have improved upon the statistics above. Likewise, phase 2 roll-out activities are also expected to improve coverage, including through innovative schemes such as Airband covering Dartmoor and Exmoor and Avanti In Cornwall.

Case Study - Avanti

The new Superfast Satellite Broadband project, funded by the European Regional Development Fund (ERDF), will provide SME businesses across Cornwall and the Isles of Scilly with up to 40Mbps broadband speeds. The scheme enables businesses, which currently cannot get access to superfast broadband, to take up a 40Mbps service with subsidised installation and service charges. The service uses the latest technology through the Goonhilly base to deliver superfast broadband services to businesses across the globe.

Case Study - Airband

Across both Moors Airband Community Internet Ltd is deploying a fixed wireless network delivering speeds of up to 30Mbps to over 4,000 homes and businesses in some of the hardest to reach areas across the country. Using radio transmitters to push connections over long distances in line of sight, fixed wireless can be effectively used to bring superfast speeds to almost anywhere. This new wireless network once finished will be the largest in the UK, and the nature of the technology being used will bring wide coverage across both Moors.

The service has been funded through the Connecting Devon and Somerset Scheme. The NPA planning teams have worked positively with Airband to collectively identify the optimum sites for the transmitters to provide maximum coverage with minimal impact to the special qualities of the moors.

Case Study – Cranborne Chase AONB – Open FEMTO Mast

Vodafone has been trialling 'open FEMTO' technology in rural not spot areas across the UK. A FEMTO Cell is essentially a small base station that boost mobile signal strength. Open FEMTO technology is capable of delivering this boost at a community scale for areas that have proven difficult to reach with conventional mobile phone signals.

The AONB team, Cranborne Estate and local businesses applied for this trial technology from Vodafone on behalf of the community in 2011. It was an action in the Parish Plan and the application was successful in 2013. The local MP said:

"Bringing a mobile phone signal to the area will not only make the day-to-day lives of residents, both young and old, considerably easier, but will also help to sustain the economy of this rural village and create jobs and growth at a time when many rural villages are stagnating".

Current Digital Infrastructure Challenges

Without exception, every contributor to the commission raised the issue of broadband and mobile connectivity, highlighting the challenge for businesses without superfast broadband to compete with those with superfast. It is now viewed as an essential utility to allow businesses to function. The FSB found that 94% of small business owners consider reliable internet connection critical to the success of their business, but only 38% of members were satisfied with the reliability of their broadband [110]. Contributors highlighted that as the roll-out has proceeded more quickly in urban areas, it has put rural businesses at an unfair disadvantage. This was also perceived to be particularly challenging to tourism and agricultural businesses. SW Tourism Alliance highlighted that guests connectivity demands are increasing

exponentially, putting significant pressure on band-widths [68] and some customers (particularly younger travellers) are starting to select accommodation on the basis of broadband availability [73]. In agriculture, access to broadband and mobile have been identified by the NFU as essential for running a modern, efficient, profitable and safe farm business. Their recent survey highlighted how smart and precision farming methods can help minimise inputs and maximise food outputs in modern farming systems (e.g. smart livestock management systems can track movements online and detect illness and unusual behaviour) [142].

Specific challenges highlighted were:

- Loss of speed resulting from Fibre to the Cabinet deployment – disproportionately impacting very rural businesses [143];
- Failure by developers/BT to provide SFBB to industrial sites and new housing developments [123], [42]; and
- Failure of the Mobile Infrastructure Project and failure by telecoms companies to share masts [144], [57];
- Some contributors also highlighted the need to improve digital skills and capabilities within our business community, so that they can take advantage of the opportunity [42], as well as protect themselves from cyber-crime [110];
- Lack of take-up [117].

Specific opportunities to improve coverage were:

- **Community led schemes** – Several contributors indicated that communities would be willing to engage in community led initiatives, but that currently they did not know how to go about doing this. It is interesting to note though, Government produced a practical guide to community led broadband schemes in October 2016 [145];
- **Ultrafast** – Several contributors thought that ultrafast broadband connectivity would offer the greatest returns in terms of boosting exporting and competitive business practices [118];
- **Mobile connectivity** - The existing government commitment that 90% of households will be able to receive 2G mobile signal by 2017 should be extended to cover 4G by 2019;
- **5G** – Rural areas should be prioritised for 5G deployment, ‘leap-frogging’ older technologies and negating the need for broadband infrastructure [144], [40];
- **Future Proofing** – Ensuring that all new developments, residential and business, have ultrafast broadband installed at the outset;
- **Hubs** – Installing ultrafast infrastructure at key locations across rural areas, allowing businesses to travel to it when required [83], [17]; and
- **Alternative Finance** – Use of crowdfunding models, such as those utilised by Swindon Borough Council to fund renewable energy projects to fund broadband infrastructure [146] or new forms of public sector borrowing [118]. It was also suggested that joint venture/shared risk mechanisms between landowners and mobile phone companies may be a way to secure greater mobile phone connectivity [144].

Theme 7: Housing, Planning, Communities and Workspace

Introduction

The development of housing and employment land is complex and is managed through the National Planning Policy Framework (NPPF) [147]. This chapter of the report provides an overview of the planning context and expectations as well as some of national and local evidence, particularly in relation to housing development in rural areas. It then focuses on the key issues affecting supply and demand as identified through this commission.

Planning Context

The NPPF sets out government's planning policies for England and how these are expected to be applied. The focus is on sustainable development which has three dimensions:

- **An economic role** – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure;
- **A social role** – supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being; and,
- **An environmental role** – contributing to protecting and enhancing our natural, built and historic environment; and, as part of this, helping to improve biodiversity, use natural resources prudently, minimise waste and pollution, and mitigate and adapt to climate change including moving to a low carbon economy.

These roles are seen as are mutually dependent and it is expected that economic, social and environmental gains should be sought jointly and simultaneously through the planning system. Local Plans drawn up by Local Planning Authorities should meet strategic and objectively assessed needs for both housing and economic development. Local Planning Authorities should aim to involve all sections of the community in the development of Local Plans and in planning decisions, and should facilitate neighbourhood planning. Neighbourhood planning is not a legal requirement but a right which communities in England can choose to use, providing them with a powerful set of tools to ensure that they get the right types of development for their community where the ambition of the neighbourhood is aligned with the strategic needs and priorities of the wider local area.

Local Planning Authorities are expected to boost the supply of housing by delivering a wide choice of high quality homes (including affordable homes). At the same time, they should identify strategic sites for local and inward investment and proactively meet the development needs of business. Land allocations should be regularly reviewed. With regard to rural areas specifically, Local and Neighbourhood Plans should:

- Support the sustainable growth and expansion of all types of business and enterprise in rural areas, both through conversion of existing buildings and well-designed new buildings;

- Promote the development and diversification of agricultural and other land-based rural businesses;
- Support sustainable rural tourism and leisure developments that benefit businesses in rural areas, communities and visitors, and which respect the character of the countryside. This should include supporting the provision and expansion of tourist and visitor facilities in appropriate locations where identified needs are not met by existing facilities in rural service centres; and,
- Promote the retention and development of local services and community facilities in villages, such as local shops, meeting places, sports venues, cultural buildings, public houses and places of worship.

Nationally, according to the most recent statistical release, 12,300 residential applications were granted in England between January and March 2017, which is up by nine per cent from the previous year; and 2,600 applications were granted for commercial developments between January and March 2017, which is down by 2% from the previous year [148].

Key Finding

The National Planning Policy Framework makes provision for sustainable development, covering all three aspects of sustainable development (economic, environmental and social).

Housing

Rural housing was identified as an issue by a significant proportion of contributors to this commission and the issue is nicely summarised by the CLA:

"Housing is one of the most significant challenges currently facing this country. The level of need in rural areas is particularly acute impacting on businesses and economic growth and community cohesion....What is necessary is a wider range of tenures to provide choice, flexibility and affordability to the young and old and those in the middle too, who make our living, working countryside the wonder that it is." [149]

A shortage of supply and growing demand from net in-migration makes it difficult to attract or retain key employees. Low wages and high house prices continue to make it difficult, particularly for young people to afford to live and work locally and affordability is particularly poor in many rural villages [77].

Key Finding

A shortage of housing is making it harder for businesses to recruit and retain staff.

Demand for Housing

Contributors to this commission highlighted that demand for housing in rural areas is increasing as a result of net inward migration from urban to rural areas [150]. Dorset Council's partnership, for example, has found that [77]

"The area is generally regarded as a good place to live. This makes the area attractive to affluent and early retirees and this accelerates growth in residential property values making premises unaffordable for many people in rural areas, whilst dissuading land owners from developing employment land in preference for seeking aspirational residential development values."

This pattern of demand is thought to have a negative impact on communities:

"As the demographic gets older, then without an injection of younger persons the community will wither and die with the demographic." [37]

This contribution draws on the fact that many older people are more financially stable than the younger generation and can therefore afford to live in the countryside despite rising living costs. Rising living costs are forcing younger people to move to more urban areas to find cheaper ways of living, especially when they have children, forcing first time buyers out of the areas they grew up in which affects overall community cohesion [112]. It has been suggested that the older generation can sometimes find themselves being 'house-blockers' who want to downsize but are unable to do so without suitable properties being available in community [37]. Therefore strategic developments are needed in some villages to increase numbers by providing smaller homes for older people in the village to down size as well as affordable housing for those in the village and open market homes [37]. It was also highlighted that less wealthy older people can often be living in very poor circumstances and have little access to support and health services [150].

This is particularly significant given the restructuring of the older care sector with an increasing emphasis being placed on home care which will have implications on new housing provision in remote rural areas [16]. Whilst these issues have been clearly articulated, there is also some suggestion that the rural communities themselves can be part of the problem as they are plagued by 'resistance to change' for fear of destroying the local community [37]. However, Hastoe Housing, which is a specialist rural housing association, has found that:

"more and more we are finding that the need for new homes is outweighing the NIMBY attitudes expressed by some. All our schemes are oversubscribed and we never have any difficulty letting our rented homes or selling our shared ownership homes" [150]

Overall rural areas were found to have a higher rate of home working³ compared with urban areas, with the highest rate to be found in rural hamlets and dispersed areas, at 33 per cent, compared with 12 per cent in urban areas [1].

A particular challenge identified in areas with high levels of summer tourism is the need to be able to house a transient workforce [151].

Key Findings

- Demand is being driven by net migration from urban to rural area, reflecting the attractiveness of rural areas as places to live – increasing prices.
- There is strong demand from an older demographic and out-commuters who can afford to buy more expensive rural properties.
- As demand increases, prices rise younger people find it harder to afford to buy or rent in rural areas.
- There is a risk that, as the demographic gets older, communities will become increasingly unsustainable.

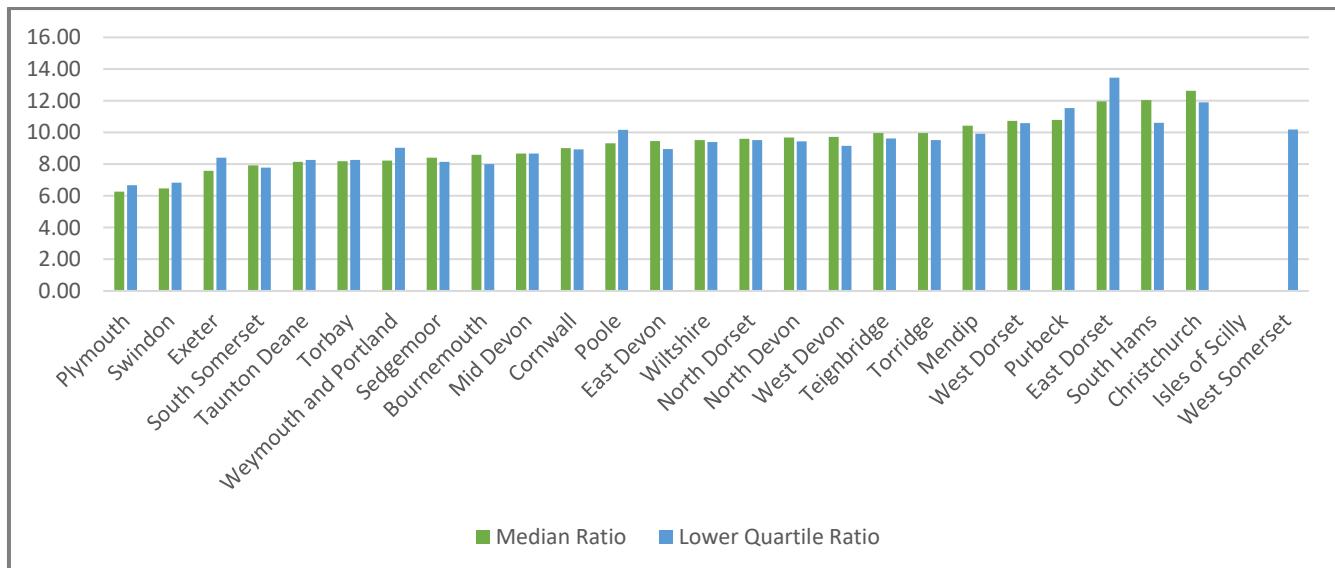
³ People who spend at least half of their work time using their home, either within their grounds or in different places or using it as a base.

- Small developments providing a mixture of homes by different types of tenure are required.
- Home working is increasing, with implications for new house building and tenancy arrangements.

Housing Affordability

In line with the national picture, housing affordability is, however, an issue throughout the four LEP areas. Whilst housing affordability can be measured a number of ways, the relationship between workplace-based earnings and house prices (rather than residence based earning and house prices) tells us most about the house-buying power of employees in a given area. Figure 24 shows us that the more urban areas have a better housing affordability ratio. With the exception of Plymouth and Swindon, every local authority in the four LEP areas has a house price affordability ratio that is higher than the national average of 7.6. The lower quartile ratio is the ratio between the lowest quartile house prices and lowest quartile earnings. This appears to be broadly consistent with the median across the area (with some exceptions), suggesting that affordability for people on the lowest incomes is also challenging and in some areas, particularly in the east of the area, this is particularly challenging. On the Isles of Scilly, affordability is reportedly 29 times local income [151].

Figure 25: Workplace based house price affordability ratio – Local Authorities in the four LEP areas



Source: [152]

This is confirmed by evidence from Hastoe Housing, which shows that nationally, only 8% of rural homes are affordable, compared to 20% of urban homes – a dramatic reduction in the number of affordable homes since the 1980's when 24% of rural homes were affordable [150].

In relation to rental affordability, the statistical digest of Rural England [1] also shows that:

- Although there is little difference in rental values between urban and rural areas (with the exception of London), affordability will be affected by average incomes in those areas, and lower earners may choose to rent where they cannot afford to purchase a property; and
- There are proportionately fewer homeless people and people in temporary accommodation in rural areas than in urban areas.

Additionally, there is some suggestion that the earnings to house price ratio can be more pronounced in areas with a high degree of tourism activity where second homes and rental properties drive up prices [112]. The second homes issue is a complex one. Second homes are only occupied seasonally and in some communities the population reduces by 50% during the winter months meaning that shops and other local facilities are not viable out of season and the provision of services such as waste facilities becomes harder to manage [153]. Additionally, some local intelligence indicates that the most sought after homes tend to be smaller properties which traditionally would have been entry-level houses for local people [153]. However, research carried out by the University of Exeter in partnership with North Devon District Council [154] presented a more mixed picture in respect of these issues with some suggestion that second home owners can actually be useful within the local economy. The report concluded that it's about keeping the right balance whilst also tackling wider issues concerning the lack of affordable supply of housing in low wage areas. A worrying part of this picture is anecdotal evidence of houses being bought as investments, with no intention of the owner using the property even as a second home or holiday let, solely on the expectation that house prices will rise quicker than returns on other forms of investment. This will have absolutely no community benefit [155].

In Cornwall, partners have sought to capitalise on the skills, expertise and finance that second home owners can potentially bring to an area by running a promotional campaign highlighting how they could contribute to the success of the county [83]

Key Findings

- There is clear evidence that housing affordability is a significant issue in most rural areas of the SW.
- 2nd home ownership and holiday homes may increase demand for housing and reduce affordability, however there is evidence that holiday homes and 2nd homes provide some economic benefits, but getting the balance right is important.

Supply of Housing

The statistical digest of Rural England [1] shows that the rate of house-building is higher in predominantly rural areas than in predominantly urban areas and this appears to be a long term trend.

Looking at the local profile, with the exception of Dorset, data shows that the rate of house building across our four LEPs has increased over the past five years, indeed substantially so in Heart of the South West and Swindon and Wiltshire as can be seen from Figure 26.

Figure 26: House building completion rates by four LEPs

	2012/13	2013/14	2014/15	2015/16	2016/17	5 year change
Cornwall and the Isles of Scilly	1,680	1,430	1,880	1,760	1,750	4%
Dorset	1,680	1,500	1,730	1,570	1,480	-12%
Heart of the South West	4,290	5,500	6,360	6,260	6,460	51%
Swindon and Wiltshire	1,960	1,960	2,560	2,740	3,010	54%

Source: [156]

Although statistics (see figure 25) show that the rate of house building has increased across three of the four LEP areas, there is nevertheless the perception in some areas and particularly

in Dorset, that the delivery of housing has failed over a number of years to achieve the objectively assessed need [77].

Key Finding

House building rates have been variable across the four LEP area in the last five years.

The role of landowners

It is a common assumption is that the private rented sector detracts from rather than contributes to housing supply, with landlords purchasing properties to let out at the expense of first time buyers. However, data from CLA surveys of its members found that their tenants stay longer than the national average and have higher levels of satisfaction with their dwelling [149]. Additionally, a high proportion of members choose to let property below full market value for a range of reasons. Their report argues that landowners are important stakeholders in their communities, often being local employers and providing housing and are therefore well placed to build new homes in their communities. A recent survey indicates that 43% of CLA members intend to build properties in the next five years which could increase the diversity of housing providers in rural areas and provide those unable to access home ownership with another housing option. However, many have identified concerns about the complexity and uncertainty of the planning system and the need for greater support from local planning authorities [149].

This is consistent with the contribution from Hastoe Housing, which suggests there is a:

"Lack of appreciation of the potential of rural landowners to contribute to the work to solve our housing crisis" [150]

They describe being overwhelmed with interest in making land available for affordable housing following a seminar in Newmarket and subsequent events being over-subscribed. Their contribution suggests that the Government's Community Housing Fund⁴, holds great potential to unlock capacity within the rural landowning sector, potentially supporting landowners to manage their relationship with local communities before and during the planning process and provide grant support for any affordable elements of a scheme [150].

Key Finding

- There is significant interest from rural landowners in making land available for affordable housing.
- The Government's Community Housing Fund could provide a tool to unlock capacity with rural landowners.

Self-Build

The commission also heard innovative evidence of self-build projects in the SW. The National Park Authorities also suggested that a 'revolving loans fund' could be created to assist with site acquisition and infrastructure provision, as a means of supporting affordable development [157].

⁴ A new annual fund to help approx. 150 councils tackle the problem of high levels of second home ownership in their communities

Case Study - Vanguard Self Build

A joint project looking to support local people to build new affordable homes on Dartmoor and Exmoor, adding vitality to rural communities. The project is part of a national 'vanguard' pilot for potential new national policy around self-build funded by Central government.

Speaking in the House of Commons, Planning and Housing Minister Brandon Lewis said, *"Perhaps the most welcome bid was a joint bid for vanguard status from the Dartmoor and Exmoor National Park Authorities. I am delighted that the national park authorities are actively engaging with our proposals. We have no intention of using the right to build as a means of encouraging unacceptable development in our most precious landscapes. However, the National Park Authorities are keen to explore how the register could be used to identify and address local housing demand from long-standing residents who work and live in their national parks."*

Regulation and planning

Contributors highlighted a number of regulatory and planning issues that affect the supply of rural housing:

- S106 – the Government's decision to remove the requirement for developers to provide affordable housing on schemes of 10 homes or less was intended to incentivise SME builders. It is argued by Hasteo Housing, it is instead resulting in delivery delays while schemes are resubmitted for planning, so that the S106 affordable housing quota can be removed. Going forward, land values will increase on these small sites because the residual value calculation will take into account that no affordable homes will be required. Any gain to SME builders is short term and not beneficial to the rural communities, who depend on this source for about two thirds of the new affordable housing supply.
- 'sustainability restrictions' – Several contributors highlighted that planning authorities in some parts of the SW have restricted all development in some villages on sustainability grounds [98]. This is practice highlighted in The Taylor Review [158] results in 'protected villages' become increasingly exclusive communities of the retired and wealthy commuters, where schools and other services have been lost. The review suggests that these ill-thought through restrictions on development in rural areas had unintended consequences in holding back rural economies and making rural homes increasingly unaffordable – pointing to a need for improved rural proofing.
- Local Plans – One contributor suggested that involving local people in the production of 'local plans' for communities can be an effective way of overcoming resistance to development [144].

Key Findings

- Section 106 changes may not be beneficial to rural communities.
- Sustainability restrictions may result in unviable rural communities.

Rural Exception sites

Hastoe Housing indicated that the majority of their schemes are built on 'Rural Exception Sites⁵' which depend on a landowner's generosity in making land available that would not otherwise achieve planning permission, at agricultural values [150]. CPRE suggest that there has been a 'stark reduction' in the number of homes delivered on rural exception sites over the last year, which may point to unintended consequences of adaptions to the rural exceptions site policy introduced through the NPPF in 2012 [159]. Devon Communities Foundation highlighted that approx. 100 houses per year are built on rural exception sites, but this is not meeting housing need [98].

Key Findings

Rural Exception sites are a useful mechanism to secure rural housing developments, however, there is concern that changes may have had an adverse impact.

Community Land Trusts

The Community Land Trust movement has been more successful in the SW than any other region in England [150].

Case Study – Devon Rural Housing Partnership

The Devon Rural Housing Partnership (DRHP) consists of five local authorities, Dartmoor National Park Authority and eight housing associations all involved in providing affordable housing in rural communities across Devon. The aim of the partnership is to support rural communities in developing sufficient affordable housing to meet the needs and aspirations of local people and to support the sustainability of those communities. A rural housing enabler is employed to work with parish councils, landowners, developers and local authorities. If there is a need for a small development in a village, for workers or families, a survey of every house in the community will be undertaken to identify housing need, bring the community together and talk to landowners to find a site.

Construction Sector

Hastoe Housing identified that it is becoming increasingly difficult to find good SME builders to tender for the construction of their schemes, especially in the more remote locations, which can lead to an increase in costs [150]. This was echoed by Devon Communities Together [98].

On the Isles of Scilly build costs are significantly higher (50% higher than the mainland on St Mary's, but 100% higher on some of the off Islands), than on the mainland due to the cost of transporting materials and workers [151].

Case Study – Smart modular homes on the Isles of Scilly

The Council of the Isles of Scilly are working with the Duchy of Cornwall and partners to develop innovatively designed houses. A modular design reduces the build costs and smart technology and metering reduce fuel costs which are higher on the Islands.

⁵ Small sites used for [affordable housing](#) in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating [households](#) who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the [local authority](#)'s discretion, for example where essential to enable the delivery of affordable units without grant funding.

Commercial Development

The interplay between housing and employment land and issues of affordability in rural areas are complex. As indicated by Mendip District Council, Local Planning Authorities face a dilemma in protecting and preserving areas of employment land in rural areas against the strong demand (and indeed government pressure) for residential development; and the resulting land value expectations [60]. It was felt by some that local authorities were not doing enough to protect industrial space, allocating it to housing in their local plans and failing to aggregate demand from SMEs [113].

"Business parks and employment space can provide opportunities for increasing employment and attracting larger and more productive businesses to the area. Creation of these employment spaces can stimulate employment and perhaps help to create and retain higher skilled labour in the areas." [112]

In West Somerset there is consistent demand above all for modern light-industrial space from locally based businesses [15]. However, there are broader requirements in some areas. The submission by Taunton Deane, for example, states that access to modern, well located and accessible business space of all shapes and sizes is currently an inhibitor to business growth across the area, including towns and rural areas [123]. It suggests that the supply of suitable business property should include:

- Workspace in rural areas;
- Serviced and supported business space in our towns creating a culture of innovation; business networking and growth;
- Good quality, new retail space in town centres;
- Hotel provision within towns along the M5, particularly to accommodate demand from Hinkley suppliers;
- Strategic employment sites in and around the main towns; and,
- Smaller employment sites serving businesses in our villages and rural communities.

Within the manufacturing sector, there was thought to be demand across all unit sizes [113].

However, there is a significant 'cost-value gap' for commercial workspace developments where the end market value in rural areas is typically less than the cost of construction. This is seen as a key market failure which requires intervention [17] [46] and there is some evidence that when there is intervention for the release of employment land, demand is often high [77]. Incentives may therefore be required to the private sector to deliver high quality employment land at pace, including through tools such as Enterprise Zones [118]. Additionally, it is suggested that Local Planning Authorities may require greater support to protect allocated employment land from housing developers [6].

One contributor highlighted that access to power supplies can be a significant barrier to the development of employment space, citing 2 potential rural employment sites in Teignbridge where Western Power have provided quotes of approximately £2m to connect the grid and a 18-24 months lead in time. It was suggested that there is a requirement to engage utility providers at a strategic level to look at how timescale and costs could be reduced [117].

The limited speculative development of commercial property described above also creates a high reliance on businesses building their own/extending their own property in order to facilitate growth. This takes time, effort and knowledge [42]. It has been suggested that the planning process is a major hurdle here, compounded by Planning Authorities' approach to rural businesses which has been described as undermining and preventing economic activity in rural areas by making the cost of submitting a planning application for beneficial economic development so prohibitive as to prevent the application from ever coming forward [42]. The complexities of the planning system have also come through some of the responses from individual businesses who find them both strict and lengthy [53] [160]. Additionally, contributions to this commission indicate that planning applications - whether for buildings to allow business expansion or housing to support a local workforce - are often refused on the grounds of transport sustainability which is problematic [42]. Notwithstanding the above, there is evidence of good practice in relation to planning within our area as can be seen from a case study of the National Parks [16]. It has been suggested that the it is the 'fear of planning' which is holding back development in rural areas and that the planning system should be a more welcoming, positive process [53].

Case Study – Planning in the National Parks

Within the National Parks well over 90% of applications are approved which is higher than the English average. These approval rates are achieved through proactive client centred approaches, where pre application advice is prioritised (and offered for free within Exmoor), alongside an emphasis on innovative thinking to creatively overcome any barriers.

Both National Parks have up to date local plans which manage a careful balance between conserving the special qualities of the areas, promoting growth and supporting local communities. This is achieved through focusing growth in the most sustainable settlements, creating vibrant communities which are a good place to live and do business, whilst protecting the historic and natural environmental assets that the National Parks and the wider region trade off. The two National Parks aim to promote themselves as 'open for business', recognising that saying 'yes' may directly promote productivity, but equally saying 'no' may sometimes be necessary in order to protect natural capital, indirectly help productivity.

Dartmoor and Exmoor's towns and villages can be vibrant and thriving communities. They may offer a high quality 'USP' with businesses such as the high tech Grey Matter and Singer Instruments recognising that quality of premises and location make a business an attractive place for skilled employees, and to trade with on an international stage. At the same time, planning policies protect the wider Dartmoor 'offer' with businesses such as the new Princetown whisky distillery attracted to the wild and rugged Dartmoor environment to associate with its brand.

The Parks are involved in a pioneering 'vanguard' pilot project which is looking to support local people to build new affordable homes on Dartmoor and Exmoor, adding vitality to rural communities. Exmoor is also actively exploring the feasibility of a 'work hub' at Wheddon Cross in the centre of the moors to provide start up and incubation space for small businesses alongside training, networking and virtual services.

Rural Services and Viable Communities

Introduction

A key theme running through the evidence to the commission is the need to ensure rural communities remain viable places to live and work, in order for rural areas to continue to

make a contribution to productivity. Contributors highlighted challenges to the viability of rural communities including:

- A loss of rural services; and
- Changing relationship with market and coastal towns.

However, contributors also highlighted the important role of the voluntary and community sector in addressing these challenges.

Rural Services

The 'State of Rural Services' report [161] pulled together evidence relating to the state of 9 rural services. Key findings included:

Welfare service – JC+ offices are overwhelmingly in urban settlements. In rural areas, 5% of households lived more than 10 miles from an 'advice supplier' such as Citizen's advice, rising to 30% in more sparsely populated rural areas;

- Access to cash – closure of retail bank branches is a long term trend, expected to continue. The Post Office network, which provides access to the current accounts of 20 other banks has rural reach and is increasingly significant in rural areas. the number of Post Office closures slowed down in 2014/15.
- Retail – the average rural consumer needs to drive for 9 minutes to reach their nearest convenience store and 16 minutes to reach their nearest town centre, compared to 7 minutes and 11minutes respectively for the average urban consumer. Online shopping and home delivery is a fast growing trend for grocery shopping and retail purchases more generally Whilst this may be particularly valuable to many rural consumers, some will face the limitation of a slow broadband connection. Whilst commercially run shops are closing in significant numbers, there has been a steady and sustained growth in the number of community run shops, which trade primarily for community benefit and typically where there is no other retail outlet.
- Mental Health – Analysis shows that mental health service provision is consistently more restricted in NHS trust areas classified as rural, when compared with those that are urban. Issues include fewer professional staff, the infrequency of home visits, poor access to in-patient facilities and a lack of alternative care options. Patients in rural Trust areas, receive less contact with professionals and fewer patient bed days are available. Underlying reasons for this are issues with recruitment, transport and service delivery costs
- Older People's Services – Older people are a significant share of the rural population and projections suggest a continued 'ageing demographic'. Whilst one in nine rural residents are unpaid carers, research suggests that the number of old people in need of care will grow enormously faster than the number of children who might help provide it. Specific rural issues were staff recruitment difficulties, contract providers being less willing to support clients in outlying locations, day centres mainly being urban based, and a lack of public transport for clients to access centres. There appear to be a growing number of schemes which offer contact, support and signposting for older people, many of them delivered by volunteers.
- Public Health Services – Funding for public health services is significantly lower in rural than urban local authority areas. Allocations per resident in 2014/15 were £27 in East

Riding of Yorkshire, £28 in Rutland, £29 in Devon and £31 in Cumbria, compared with an England average of £51 and as much as £133 in inner London boroughs.

- Community Assets - the report highlights the network of 10,000 village halls and rural community buildings across England which host a number of community services and activities, as well as a growing number of community shops. It also highlights that there are now 170 Community Land Trusts in England and Wales, developing new affordable homes. The evidence points towards a community asset-based approach to service provision being of disproportionate importance in a rural context. It shows that certain types of community assets are growing in number, although they may be plugging gaps left by service retraction in public and private sectors.

The report also highlights the demography of rural area and how, the growing number of older people has implications for the future of services above. On the one hand, demographic ageing places considerable pressure on public services, but on the other hand older age groups are more likely to users of locally based commercial services in rural areas, such as convenience stores. Similarly, retired people are also likely to make up a good proportion of volunteers engaged with providing community-run services.

Contributors to the commission highlighted the loss of 'commercial services' such as post offices, banks and local shops [98]. The FSB's 'Locked Out' report highlights the impact of bank closures on small businesses, suggesting that cash is still vital to the operation of many local economies [162]. Importantly, the report recommends that the Post Office needs to create a standardised services that matches the specific needs of businesses. Other contributors highlighted the need for services more generally.

"These areas are not just full of tourism, there are also people living and working there and trying to make their businesses run. Access to services, not just GPs, schools, hospitals but also supermarkets, broadband and mobile phones are important" [37].

"Allowing rural businesses to do more of their banking through local Post Offices can save time and money. With more and more local banks closing in smaller towns and villages, businesses which are still 'cash heavy' are having to spend time and money travelling to more distant localities on a regular basis to do their banking. This is a deterrent to productivity growth. Accessing banking services through the Post Office is one solution – the Post Office in Ashburton has shown how this can be done successfully in a rural location. More collaboration between the Post Office and the UK banks is needed, as not all business accounts are covered and banking through the Post Office can often be more laborious with added paperwork and clearing times" [117].

Key Findings

- People in rural areas have to travel further to access services.
- Services within rural communities are under threat from funding cuts and changing consumer habits.
- Some services (e.g. rural banking services) have implications for rural businesses.
- The ageing population of rural areas will have implications for the delivery of rural services, particularly health and social care. However, older people also represent an asset.
- Rural areas have a network of community assets and there is evidence that communities are starting to plug gaps in services (e.g. community shops).

The role of the voluntary, community and social enterprise sector

The State of Rural Services report stated [161]:

"As a rule, the third sector or community volunteers are playing a growing role in service delivery and they are more likely to be found in rural than urban areas. By contrast, as a rule, those services which are delivered by the public and private sectors are less likely to be found in rural than in urban areas, and many of them have been contracting. Community action is playing growing part in rural service provision, especially where there is declining provision as a result of public sector austerity or competitive market pressures".

This finding was echoed by contributors to this commission who highlighted the important role played by the voluntary, community and social enterprise sector in delivering rural services [84] [163], [164]. In Cornwall, the Cornwall Voluntary Sector forum shared evidence of the scale of the sector in the county which shows [165]:

- There are over 4,525 formally recognised voluntary, community and social enterprise organisations;
- 36% of the population of Cornwall are active volunteers; and
- VCSE organisations work across a broad range of fields including: Support for community groups, Social care/welfare, Culture/arts, Health/well-being, Education, Sports/leisure/recreation, Pre-school children, Environment, Young people and School aged children

Of particular significance is the number of organisations working in the field of social care/welfare (25%), with these organisations providing significant support to help people back into the labour market. Social Enterprises were also highlighted as a business model that is able to deliver a range of community services and solutions to local challenges [164].

However, it was also recognised that public procurement practices remain a barrier to the growth of the social enterprise sector [164] [84], with a failure of public sector organisations to implement the Social Value Act⁶. A recent review of the Social Value Act by Lord Young [166] found that the Act is having a positive effect where it is taken up, and that it has a clear potential to act as a tool for smarter procurement given the right application. However, there was mixed awareness and take-up of the Act as it currently stands. Locally, one contributor suggested that public sector agencies should be prepared to focus procurement of services on smaller, local providers (e.g. health and social care) which will further help the emergence of community based businesses which are already being seen [84].

Key Findings

- There is national and local evidence to suggest that the VCSE sector is playing an increasingly important role in the provision of rural services.
- Social Enterprise is a growing business model, which uses business activities to deliver social and environmental benefits, re-investing profits in social purpose.
- Greater utilisation of the Social Value Act in public procurement may support growth of social enterprise approaches to rural service delivery.

⁶ The [Social Value Act](#) came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

Case Study – Ilsington Village Shop - the Little Shop with a Big Heart

The village of Ilsington is a small rural community located on the eastern flanks of Dartmoor National Park, six miles north-west of Newton Abbot in South Devon. The closure of the village shop in 2008 left a huge gap in the community, taking away the convenience of local shopping as well as a much valued meeting place.

This prompted the local community into action with an aim to transform the existing Village Hall into a community hub and focal point for village activities, by providing space for a new community-owned village shop and additional meeting room.

The Ilsington Village Community Shop Association was formed as an Industrial Provident Society, run by the community for the community. After three years of continuous effort and fundraising from the whole community, planning permission and funding for the structural build is now in place and work began on the build at the end of January 2012 and opened in July 2012.

The shop is open 7 days a week, stocking local produce from across the moor and surrounding area, with a local post office service on a Monday and Friday. With one paid manager, the shop is run by team of volunteers from across the community. The shop is the heart of the community, supporting community events and providing a vital social link for many residents.



Case Study – the Transform Ageing programme

The Transform Ageing programme is a Design Council initiative that is helping local people to identify, develop and scale effective innovations for a healthy, active and prosperous later life. Funded by the £3.65m from the National Lottery, the programme puts people in later life at the heart of the design process to gain their insight, increase their influence and deliver solutions that better meet their needs. In turn, Transform Ageing will support commissioners to feel more confident in incorporating new services and interventions into mainstream care supply chains, and social entrepreneurs to scale their effective solutions more sustainably.

The programme will identify effective, replicable and sustainable solutions to improve the experience of ageing. Through thinking differently and aiming to be more innovative the programme will help transform the experience of ageing for people in later life, reduce the strain on public spending, and transform products and services to ensure effective and efficient later-life care for the UK's population.

How will it work?

The programme is initially convening people in later life and their friends and families, with health and social care leaders and social entrepreneurs in Cornwall, Somerset and Devon to collaboratively explore challenges associated with ageing that resonate in each of these communities. We will then gather insight and then collectively shape the innovation briefs for social entrepreneurs. Social entrepreneurs will be responding with innovative product and service solutions to the identified challenges.

The programme will then:

Provide a range of dedicated support to the selected social entrepreneurs to develop and scale their ideas, including financial awards of between £1,000 and £50,000 based upon the size, stage and scale of social venture

Drive the adoption of these ideas, supporting successful social entrepreneurs to engage with consumers and commissioners to improve services and drive adoption

Develop a National Knowledge and Learning Network, allowing partners to both inform our approach and share our journey

Create a self-sustaining legacy in the local community and enable locally based supporters to pass on learning and experience to each other through a peer-to-peer support network

Why the south-west?

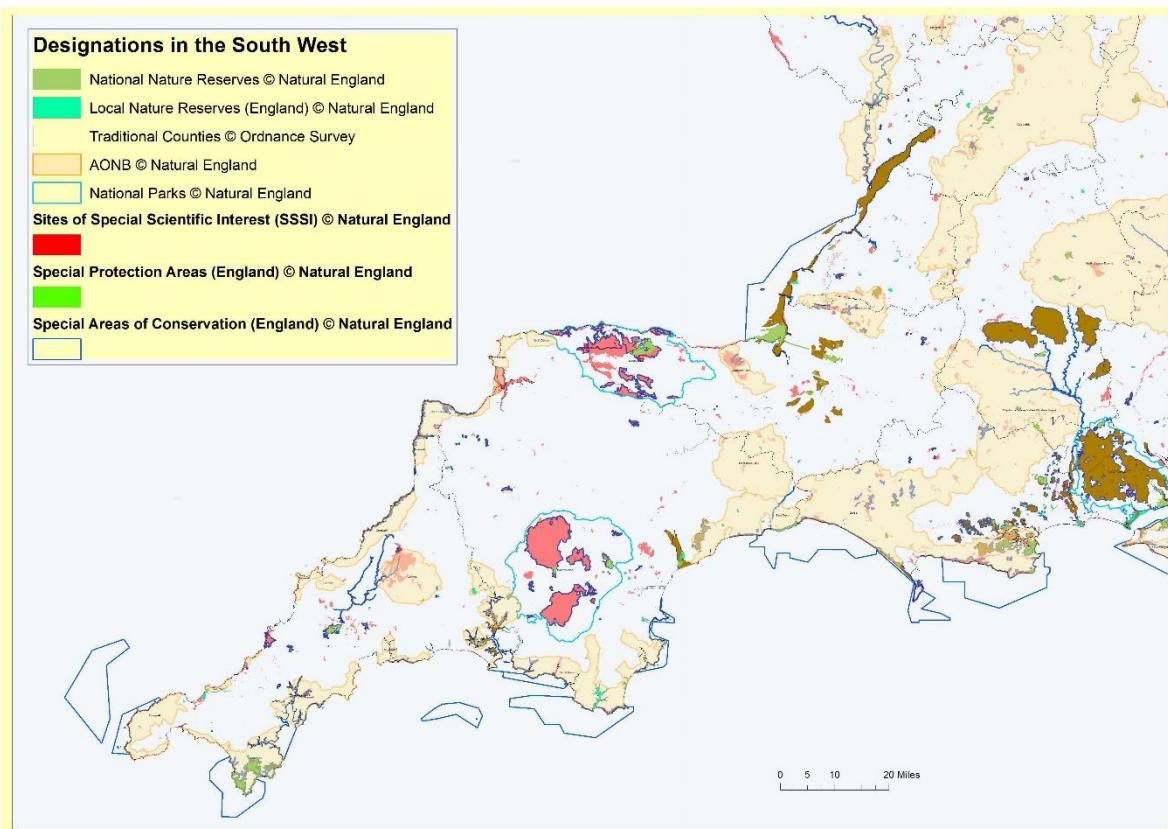
The programme is currently based in Cornwall, Devon and Somerset as this is an area of the country that has a higher proportion of people in later life than many other parts of the UK as well as the challenges faced by very rural areas. The Design Council also found a seedbed of people and organisations that were keen to make a difference and a set of unique skills within the South West Academic Health Science Network to help support social entrepreneurs to produce evidence of impact.

Theme 8: Natural and Cultural Heritage

The SW Natural and Cultural Environment

All four LEP areas are known for their inspiring landscapes and seascapes, rich wildlife habitats and cultural heritage assets that provide the backdrop for both our economy and quality of life. We are blessed with 2 National Parks, 10 Areas of Outstanding Natural Beauty, and the 630 mile spectacular South West Coast path, as well as 5 Marine Conservation Zones an abundance of SSSI's, pre-historic monuments, stately homes and gardens, festivals, world heritage sites and more.

Figure 27: Map showing key Environmental Designations in SW



Key Finding

Whilst the four LEP areas have very different environmental landscape qualities and features, all four are blessed with a bounty of natural and cultural heritage

The relationship with the economy

Contributors from across all areas and many interest groups recognised the relationship between the natural and cultural heritage and the economy, highlighting the role that this heritage plays in attracting visitors, inward investment and staff/labour to the region.

"Exeter has consistently, and for a long period, marketed the area for inward investment by presenting a lifestyle package of city, sea and countryside. Presently, a lifestyle package that provides a USP...The world class environment is a powerful attractor for CEO's and directors. We found that when we were seeking to convince the Met Office to locate to Exeter, taking directors and staff to Dartmoor and the rural villages sold the benefits of living in this part of the world. Our countryside is the jewel in the crown and provides a powerful overall package to compliment the city business offer." Karime Hassan, quoted in [16]

"It is the special landscape character and local environments that attract people to live, work and play in this AONB. Sustaining the quality environment is essential to the success of many of its key economic sectors". [56]

"These significant landscape and heritage designations reflect the wonderful quality of the area, act as an attractor for people wishing to live in our communities, but can also act as an obstacle to development" [99]

In 2015/16 historic houses received 11.2m visits in the SW accounting for £180m gross expenditure. Historic houses spent a total of £42.3m in local supply chains [69]

Others highlighted the role that our natural and cultural heritage plays in 'directly' supporting economic activity through environmental goods and services:

- Dorset County Council, alongside the Dorset AONB and Jurassic Coast World Heritage Site, commissioned Ash Futures [168] to value Dorset's Environmental Economy. This study found that Dorset's environmental economy is worth between £0.9bn and £2.5bn per annum; and supports between 17,000 and 6,000 jobs in the economy. Dorset's Environmental Economy is thus worth between 5% and 15% of Dorset's overall economy each year, depending on the methodology used. However, it should be noted, that this report is considered to be an under-estimate as intangible, but important aspects have not been valued, such as the value of to a business of attracting and retaining good staff and the number of companies that stay in the county because they like the natural brand of the county [169].
- In Cornwall, the value of cultural tourism has been estimated at £180m. On average Cultural tourists spend twice as much on food and drink and shopping than a mainstream visitor does [170].
- Research by the Arts Council England [171] found that the cultural industry nationally is responsible for £15.8bn GVA and 259,000 FTE jobs (direct, indirect and induced). But these do not include spillover impacts such as:
 - **Through tourism** – The arts and culture can create additional spending by tourists in two ways. Some visit the UK primarily to visit arts and cultural attractions, while others take part in arts and cultural activities during trips that are made for other purposes, potentially extending trips and generating additional spending as a result. We estimated total spending by visitors to the UK that was directly motivated by the arts and culture amounted to at least £856 million in 2011. –
 - **Developing skills, nurturing innovation and fostering growth in the commercial creative industries** – The arts and culture industry supports commercial creative industries, consuming many of the outputs from creative businesses. Therefore, the arts and culture industry indirectly contributes to employment in these creative industries. Many arts and cultural organisations also

provide support to the creative businesses they interact with in their day-to-day activities. –

- **Improving national productivity** – The arts and culture industry also supports productivity in the commercial creative workforce as a whole. Engagement with the arts and culture helps to develop people's critical thinking, to cultivate creative solutions to problems and to encourage effective personal communication and expression. For both adults and children, these skills improve intellectual ability and wellbeing, enabling greater success in day-to-day endeavours. When these individual-level benefits are taken in aggregate, they represent improvements to the effectiveness and flexibility of the nation's workforce, with positive impacts on productivity.
- **As a catalyst for economic regeneration** – Investment in the arts and culture can drive improvements in the quality of the local environment and the standard of life enjoyed by local communities.

Key Findings:

- The high quality natural and cultural heritage in each LEP area acts as a magnet for tourists, investors and residents.
- In Dorset, the environmental economy was found to be worth between 5% and 15% of Dorset's overall economy. Whilst similar studies have not been shared with the commission from the other LEP areas, it is likely that the environmental economy is of a similar magnitude in these other areas.
- Cultural heritage has wider spillover impacts.

The role of Eco-system Services and Natural Capital

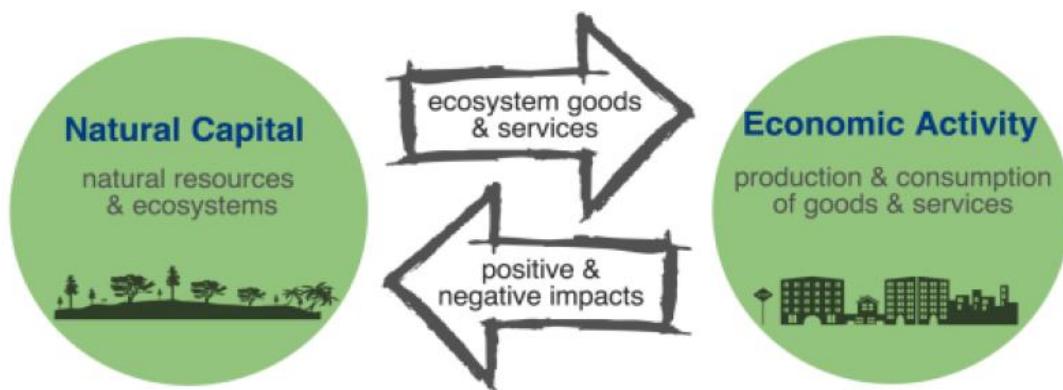
Several stakeholders highlighted the role of eco-system services and maintaining natural capital in their response to the commission:

"We wish to utilise our natural capital to bring benefits across many sectors of industry – not just tourism. We see natural capital assets as essential to our long term productivity and believe we have the potential to be a world leader in the use of natural capital... [118]"

"Our National Parks are regional and national assets, with an iconic (international) brand. They are special places, designated to conserve their stunning landscapes, abundant wildlife and cultural heritage, whilst offering exceptional recreational opportunities for all. However special does not mean that they cannot thrive as economic as well as social and environmental assets. A thriving and sustainable economy based on the natural and cultural capital of the National Parks helps underpin the conservation and enjoyment of these areas". [16]

Eco-system services provide a range of underpinning services that support our economy and society. Natural Capital is the 'stock' of natural resources which supplies these ecosystem goods and services. Figure 27 overleaf illustrates the relationship between natural capital, ecosystem services and economic activity. Figure 28 illustrates the range of type of eco-system services.

Figure 28: Relationship between Natural Capital, Ecosystem Services and Economic Activity



Source: [172]

Figure 29: Eco-System Services



Source: [168]

A pilot study undertaken by AECOM, attempted to put a monetary value on several Dorset AONB habitats [173]. Using experimental techniques the study found that Dorset AONB's:

- 11,171 hectares of woodland provide an estimated £26.7m worth of benefits every year to society (£3,391/ha);
- 83,138 hectares of enclosed farmland and 10,135 ha of semi-natural grassland provide an estimate £16.1m worth of benefits every year to society;
- 2,624 hectares of coastal margin ecosystems provide an estimated £14.5m worth of benefits every year to society (£11,061/ha)

However, the need for experimental approaches to valuing these ecosystem services highlights the fundamental challenge in protecting our eco-system services and natural capital; the fact that the costs and benefits to society are 'external' to conventional market systems. For instance, whilst a farmer maintaining a beautiful landscape creates an attractive environment for tourists to visit an area, unless the farmer has diversified into tourist activities (such as self-catering cottages), the farmer cannot capture any value from the public good they are providing. Likewise, damage caused to the environment downstream.

Key Findings:

- The economy benefits from a range of eco-system services.
- Ecosystem services and healthy natural capital underpin a healthy economy and society.
- Costs and benefits associated with ecosystem services are often external to conventional market systems.

Opportunities to Drive Growth

Several contributors argue that for the SW to achieve long term, sustainable growth, it's economic assets must be protected and enhanced, rather than degraded.

"Development without incorporating natural as well as financial capital will result, at best, in growth that is short term and unsustainable" [169]

Several mechanisms are proposed to address this:

- Developing Natural Capital market approaches;
- Use of planning and regulatory controls;
- Reforming environmental support programmes post Brexit; and
- Developing markets for 'green' products.

Developing Natural Capital Market Approaches

Contributors to the commission are recognising the opportunity to develop natural capital markets:

"Nascent natural capital markets have huge potential to re-invigorate rural businesses, but they require initial up front investments to identify their values, demonstrate the beneficiaries and reveal the impacts of under-investment and neglect". [55]

" We wish to utilise our natural capital to bring benefits across many sector of industry – not just tourism" [118]

Contributors suggested that the SW has the potential to grow the following nascent/emerging natural capital markets:

- Health – The Local Nature Partnerships are working closely with health organisations to develop 'social/green prescription' models, which secure payment for the delivery of nature based activities to address problems such as inactivity, weight loss and mental health, saving the NHS money;
- Flood risk/resilience and insurance -Working with insurance companies to prevent flooding or mitigate the impact of other natural disasters to reduce the impact and save money on insurance pay-outs; and
- Coastal/marine – capturing value from the SW's considerable coastline.

SWW's 'Upstream Thinking' model (<http://www.upstreamthinking.org/>), where by landowners are paid to manage their land to improve water quality downstream was identified as good practice by several contributors [38]. The Devon Wildlife Trust [55] went further, to suggest

that the model could be used as an exemplar to encourage the development of nascent markets such as insurance and infrastructure resilience. SWW suggested that partnership working, allowing resources to be pooled is one way to take forward this work [38]. Similarly, several stakeholders highlighted the opportunity to build on the expertise of the **South West Partnership for Environment & Economic Prosperity (SWEEP)**, which is funded to allow academic experts and businesses to work together to solve some of the challenges caused by natural hazards.

Key Findings:

- There is scope to develop approaches to nascent natural capital markets, but investment is required to explore models.
- The SW has expertise and experience in developing innovative market approaches to solving environmental challenges.

Planning and Regulatory approaches

Two contributors advocated a need for planning and regulatory approaches to improving natural capital, the Dorset LNP and Taunton Deane District Council.

"Taunton Deane needs to build its natural capital assets by creating an effective statutory planning system that is able to protect the natural environment whilst enabling business investment. A slicker system, but with more teeth" [123]

Dorset LNP's Natural Capital Investment Strategy describes two approaches that utilise the planning system to secure improvements to Natural Capital:

- **Planning Gain for Infrastructure Type Projects** – This is a process where infrastructure projects ensure that there is a *net gain in Natural Capital* based on the quality of the affected environment and the ecosystem services that would have been lost or displaced. This process aligns with the concept of planning gain outlined in the National Planning Policy Framework, but extends the concept further to ensure there is a net gain through compensation funding or compensatory actions by the developer or the developers contractors. An example is the Weymouth relief road below.

Case Study – Weymouth Relief Road

Whilst the final agreed route did destroy a small area of ancient woodland that was irreplaceable, and cut through the Dorset AONB, overall, seven times as much high value conservation land was produced as a result of the road than was lost. This facilitated the Lorton Valley Nature Park that is a landscape-scale mosaic of interconnected habitats and owning organisations. The nature park has made Weymouth a far better place to live and do business in, in addition to any direct tourism benefits.



Source: [169]

- **Development Planning Proposals** – The Dorset Biodiversity Appraisal Process has been developed to focus attention on ensuring mitigation and compensation is targeted on the work that will result in no net loss and in most cases a net gain for the

environment. It encourages early engagement with the conservation agencies and local authority to find acceptable ways to achieve the development, rather than an expectation to stop it. The focus is explicitly on increasing Natural Capital, either directly or indirectly, not merely compensation paid.

Case Study - Bournemouth Spur Road – Biodiversity Appraisal Process

The refurbishment of the Bournemouth Spur Road provided an interesting challenge as both verges are routinely occupied by sand lizard and smooth snake.



A 'standard' approach to this problem would have been to install reptile fences along both sides of the road in the hope of catching and moving any animals away from the work area. As an alternative, the developer negotiated to permanently extend and enhance the habitat just beyond the road (so that reptiles had somewhere attractive to go) then destroyed the road side habitat while the reptiles were hibernating, so that when they woke up they went to the newly created areas. While the method required a little more planning and forethought, it probably saved about 90% of the budget that would have been spent on reptile fences and provided a long term gain in respect of the new and improved habitat.

- **Environmental Enterprise Zones** – The Ash Futures study [168], highlights the concept of an Environmental Enterprise Zone, which could benefit from business rate relief and enhanced capital allowances for companies located within them, as well wider support (e.g. to help key sectors build their capital base, marketing and supply chains etc.)

Key Findings

- There are tried and tested approaches to using the planning system to achieve a net gain in Natural Capital, without being a burden on development
- These approaches are designed to facilitate the best outcome, not stop development altogether.

Reform of Agricultural Subsidies Post Brexit

Several contributors [70], [124], [49] have indicated that the opportunity to reform the agricultural subsidy as a result of Brexit provides an opportunity for a reformed system to focus on public goods, such as access and environmental benefits and these are discussed in more depth under theme 4.

Developing markets for 'green' products

A number of contributors highlighted opportunities for developing products from the natural environment, such as renewable energy, timber, fibres, medication etc. An essential element of developing such products was building on the local brands associated with the areas. For instance, in horticulture, diversified products such as scented oils, gins and perfumes have been developed building on the local brands associated with Cornwall and the Isles of Scilly [135].

Theme 9: Geography, Hubs and Spheres of Influence

In this theme, we explore the relationship between rural areas and towns and cities to understand if cities can be an 'engine for growth' for their rural hinterlands and indeed, the extent to which cities depend on their rural hinterlands to continue to grow. We also explore the changing role of market and coastal towns within rural areas.

The Role of City Regions

As documented elsewhere in this report, economic policy in the UK has perceived cities and core cities in particular as the 'engines of growth' for the UK economy. In this section of the report, we explore the extent to which cities can be drivers of growth in rural areas.

SQW and Cambridge Econometrics [174] were commissioned by DEFRA in 2006 to examine the economic performance of rural areas inside and outside of city regions. The research found:

- Levels of productivity in rural areas within city-regions are about 8% higher than those in rural areas outside city regions;
- Part of this differential is explicable in terms of a) contrasting skills levels and occupational structures and b) regional influences, but not all: a 5% differential is explicable in terms of location in relation to city regions after these factors have been taken into account;
- The earnings of residents in rural areas within city regions are about 18% higher than those outside; about half of the differential is explained in terms of occupational structure and skills levels;
- Rural areas within two or more city regions generally perform better than those in one; and
- Rates of output growth are projected to be higher in rural areas within city regions than in rural areas outside of city regions.

The report concludes that links with a city region change the structure of economies in rural areas, however, issues relating to low wages and low skills typically remain, even if they are overlain by high wage activity – potentially masking a growing *duality in the economies of some rural areas*.

The map on page 14 of the report shows that the influence of the cities in the four LEP area does not extend to all parts of each LEP. Plymouth reaches into the former district of Caradon in Cornwall as well as South and West Devon, but it does not reach beyond the former district of Caradon in Cornwall or as far north as Torridge in the Heart of the SW. Exeter reaches into East Devon, Teignbridge and Mid Devon, but not as far as North Devon, Torridge or West Somerset. In Dorset, Bournemouth reaches into the districts of Purbeck, North Dorset and East Dorset, but does not extend to West Dorset. In Wiltshire, the former districts of Kennet and North Wiltshire benefit from the influence of Swindon, but former districts of Salisbury and West Wiltshire lie outside. **Therefore, large swathes of the four LEP area fall outside the influence of a city region (as defined in the SQW/Cambridge Econometrics study).**

This is supported by more recent research by the Industrial Communities Alliance [175], which explored commuting times into core cities from industrial towns in the UK. It found that

commuting times into core cities from industrial towns could often be lengthy, limiting the extent to which jobs growth in core cities could be expected to pull up the rest of their regions. This finding is very applicable to the SW context, with travel times to Bristol meaning that its sphere of influence is limited to parts of Somerset and Wiltshire.

Curry and Webber [176] also explored the relationship between business productivity in rural areas and city regions. It found that the 59 districts (urban and rural) that fall outside of city regions are in aggregate less productive than those within city regions. When comparing rural and urban districts outside of city regions, the study found that rural districts were no less productive than urban ones, suggesting that *remoteness, rather than rurality* per se is the more significant influence over productivity. Contributors to this commission reinforced these findings, suggesting that:

"[In relation to North Devon] The cities of Exeter and Plymouth have very limited impact on the economy, with most of the area's employment accounted for locally" [17]

For rural areas outside of city regions, a rural or non-metropolitan "in" policy framework needs to be designed from the bottom up as this is much more likely to address the economic needs of these areas" [54]

The research above suggest that the principle means by which cities benefit the economy of rural area is through commuting patterns. However, it is suggested by some that, whilst this brings a boost in term of wages, it also removes key 'inputs' to the economy of rural areas. Others have suggested that the cities could play a stronger role in supporting growth in their rural hinterlands and this could be proactively managed to the benefit of both urban and rural areas.

"An urban centric growth strategy which seeks to leverage wider impacts needs to employ specific interventions to facilitate linked growth and productivity gains e.g. through local/regional procurement policies and support for rural businesses to access tender opportunities" [17]

The Carnegie UK Trust argues that there is an opportunity to take a more holistic approach that recognises the interdependency of cities, towns and rural areas their roles in improving well-being [177].

Recent RSA research into the role of market towns within the northern powerhouse [92] suggests that current city led growth which relies on the traditional business model that workers must physically travel to a place of work overlooks the unprecedented shifts in the way we live and work, with dramatic increases in non-employed businesses, self-employment, commuting, migration from urban to rural and an ageing population. It also highlights research by 2e2 in 2011 which revealed that commuting and traditional 9-5 working hours cost UK businesses £2.24bn in lost productivity. It suggests that rural communities in the Northern powerhouse need to focus on smarter ways of combining resources (particularly human) with technological changes and new business models to increase productivity. The way we live and work has changed dramatically in the last decade and we need to find a new way of doing things.

Key Findings

- Rural areas within city regions perform better than those outside of city regions, however, within these better performing areas, higher 'city wages' may be masking a growing duality in the economy.
- 'Remoteness' rather than 'rurality' may be the main factor.
- The four LEP areas have significant areas that fall outside the influence of a city region and nearly all of the area falls outside the sphere of influence of any core cities.
- There is a need to better understand the inter-dependences and opportunities for mutual growth between cities and their rural hinterlands.
- Unprecedented shifts in the way we live and work provide an opportunity to develop new (dispersed) models of growth to increase productivity.

The changing role of market and coastal towns

Several contributors highlighted that market and coastal towns have traditionally provided a 'hub' for their rural hinterlands [84], [114], [60], resulting in a co-dependent relationship between rural areas and their market towns. However, several contributors reported that the role of market and coastal towns is changing and becoming more challenging. In Dorset, larger towns were thought to act as a draw for rural residents in terms of shopping and entertainment, which in turn has a negative impact on villages and smaller town centres, accelerating their decline as they suffer competition for income and falling profit [77]. Similarly, 'click and collect' and home delivery services are also thought to be a threat [114], [77]. In Teignbridge, produce markets still provide an important opportunity for local businesses to bring their products to market in an affordable way. However, it is also argued that with increasing competition towns must embrace changes in order to continue to prosper – for instance with the growth of the coffee shop culture and social element of shopping, towns such as Newton Abbot have seen the rise of festival style events to celebrate local suppliers to as the Taste of the Teign and Summer nights, the new street food festival [117].

These findings were echoed by research by the Carnegie UK Trust in Scotland which also found that lifestyles and needs are changing and that this is impacting on small towns. They found that there is a risk of a growing gap between highly connected, relatively affluent, online and mobile residents and digitally excluded, less affluent residents with restricted mobility who remain reliant on services in the nearest small towns – for which there is dwindling demand and for which public sector funding is likely to be reduced. Suggesting that the 'demise of small towns' is likely to impact more on people from disadvantaged backgrounds. They also suggest that there is little research to understand the role of towns and their hinterlands and there is a need for improved understanding of the nature and scale of interactions [177].

Coastal towns do not appear to have the same inter-dependent relationship with surrounding rural areas as market towns [77] [99]. However, coastal towns face a different set of problems in particular the seasonal nature of tourism, creating winter ghost towns and seasonality of unemployment [77]. The Carnegie UK Trust also suggests that whilst small towns are facing challenges, there are also success stories in Scotland where small towns have carved out a new identity based on a theme Wigtown Book town, Castle Douglas Food town and Kirkcudbright Artists Town.

Key findings

- There is an inter-dependent relationship between towns and their rural hinterlands.
- Market and coastal towns are facing considerable challenges.
- Small towns have an opportunity to re-invent themselves.

Theme 10: Science, Technology, Energy and Innovation

The commission has heard a wide range of evidence around the themes of Science, Technology, Energy and Innovation. The findings are summarised below:

Science

The South West's natural assets are the subject of considerable scientific research, covering a diverse range of subjects from the region's biodiversity, agriculture, fish stocks, forestry and energy and many more.

Evidence from the fishing industry [178] suggests that there is substantial export value associated with expertise in research and innovation from environmental research on sustainability through to the development of methods and equipment exported globally. For example the vessel based devices widely used by Indonesian fishermen with associated software and even insurance products derived and delivered via the same kit – all UK products. Parallels with the wave and tidal energy sector in Orkney where energy generation is minimal but 200 jobs are sustained through supporting and exporting research and innovation nationally and globally. These amount to a substantial tranche of high value, high education level jobs in an island population of only 20,000.

The Isles of Scilly has taken an innovative approach to the challenges of living in Island communities, setting up the island as a 'live laboratory' to test new ways of doing things. The Smart Island concept is tackling the challenges associated with energy, waste, transport etc. As a closed system, it offers a unique opportunity to secure investment from the private sector to test new approaches [151]. This new approach has changed the relationship with government from dependent island community to one of co-investor. It has also established the Isles of Scilly has a centre for science and research activity, as evidenced by the SW and Wales Innovation Audit. Other contributors pointed to more established placed based innovation platforms such as the Brainport model in Eindhoven, Netherlands, as potential models of development [117]. See case studies overleaf.

Case Study - Smart Islands

The Smart Islands programme is intended to sustainably and affordably tackle some of the Isles of Scilly's main infrastructure and utilities issues, whilst providing a model for how other communities can profit from a rapid transition from being carbon intensive to having a low carbon footprint. The current challenges are considerable. Providing affordable and reliable electricity, drinking water, sewage treatment and waste disposal for Scilly's remote island population is expensive and presents considerable practical challenges.

The Smart Islands programme is taking a fundamentally different approach to waste, water and energy with the introduction of a Smart Grid, generating energy from waste, sewerage and a mix of renewable energy sources. This will unlock value and savings for Scilly's residents and businesses through a locally owned Community Energy Services Company. The programme is being delivered through a partnership made up of the following organisations: The Duchy of Cornwall, Tresco Estate, The Council of the Isles of Scilly, Hitachi Europe Ltd. and the Islands' Partnership.

A £10.8 million project, co-financed by the European Regional Development Fund, will lay the foundations for the Smart Islands Programme by creating an ambitious smart energy system that will provide a model to support the transition to low carbon sustainable communities. It will be innovative in its scale and range of technologies, linking for example; rooftop solar panels, solar gardens, batteries, domestic heat pumps and electric vehicles through an Internet of things (IoT).

Hitachi Europe Ltd. will lead the project and develop the IoT platform to manage electricity throughout the islands. It will balance supply, storage and demand, allowing the islands to scale up renewable generation and increase their energy independence. Two UK smart energy companies will help to deliver this.

[Moixa](#), the UK's leading home battery company, has experience managing domestic batteries to help support local energy systems, and will supply the home battery management system to integrate with Hitachi Europe's platform. Smart home batteries will allow homes with solar panels to save money by using more of the power they generate. They will also be able to import or export energy to balance local energy needs. Moixa will build on this expertise to develop the Electric Vehicle Management System, which will control and optimise how the batteries included in electric vehicles can be utilised by the IoT platform.

[PassivSystems](#), the leading home energy services company, will supply the home energy management systems for domestic buildings and building energy monitoring systems for commercial properties allowing them to be integrated into the IoT platform. Rooftop solar photovoltaic (PV) systems will be installed on 100 homes, a tenth of the island's housing stock, and two 50kW solar gardens will be built. They will deliver at least 448kW of renewable energy and reduce the islands' carbon footprint. Energy management systems will be installed in the 100 solar homes and in 190 of the islands businesses. Ten of these will be smart homes piloting a variety of additional smart energy technologies including Moixa smart batteries and air source heat pumps. These technologies have the potential to significantly increase savings from solar PV.

This smart energy system will be a key enabler for the Isles of Scilly to connect further renewable power towards the Smart Islands target of 40% renewable generation, and it will support their ambition to reduce energy bills for local people and see 40% of vehicles being electric or low-carbon by 2025.

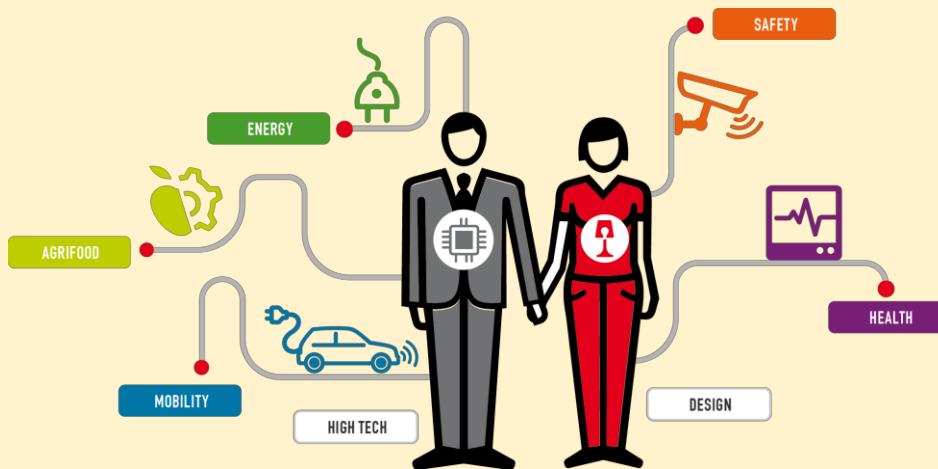
Case Study – Brainport, Eindhoven, Netherlands

Brainport is one of Europe's leading technology regions, regarded worldwide as a centre for innovation and high-tech. Centred in the city of Eindhoven in the Southeast Netherlands, Brainport creates solutions for the challenges facing society both today and tomorrow.

Facing the loss of 36,000 jobs in the early 1990s, local Government leaders decided to start a new style of co-operation, where they initiated a 'triple helix' collaboration between government, industry, research and education institutions. Together, they attracted investment and brought organisations like TNO research to Eindhoven. This collaboration gave rise to the Brainport Foundation in 2005, a public-private partnership with its own ambition and strategy, and earned the city of Eindhoven the International Eurocities award In 2010. Over the past 20 years the Brainport region has made an impressive transition, from a region of shrinking industry and high unemployment to an international high-tech hotspot in a global network. Eindhoven has become one of Europe's leading high-tech centres, with highly developed specializations in fields like mechatronics, robotics and advanced materials.

Brainport makes a major contribution to national exports and dominates the top of Dutch R&D companies. This creates many new jobs in the region and beyond. Brainport also registers the major share of Dutch patents (44%), double that of European top regions such as Stockholm and Munich. In addition, according to the Financial Times, Eindhoven has Europe's best investment climate after London and Helsinki.

A key feature of the Brainport model is tackling the big issues that society faces today in the areas of health, mobility, energy, food and safety. These are tackled with a combination of technology, design and social innovation to stimulate companies and knowledge centres to come up with creative, new solutions. This offers many companies a new window of opportunity to search for connections with other sectors and thus tap into global markets previously out of reach. In this way, Brainport not only makes economic opportunities from the challenges of tomorrow but contributes to a more sustainable, healthy and safe society. The process of finding these solutions stimulates the industrial and knowledge base to be both creative and innovative. The region is the first to profit from this innovative capacity, both economically and socially. By putting users, customers and residents centrally, they achieve faster implementation and an accelerating rate of innovation. Strong consortiums of innovative companies, knowledge institutions and social partners give shape to breakthrough projects and 'living labs', stimulated by Brainport.



Technology

The digital revolution, robotics and artificial intelligence are expected to transform our lives in the next few years. Whilst there is evidence of some innovative companies deploying these technologies now to drive productivity improvements (e.g. South West Water) [38], we have not heard many examples of this. In some sectors, labour shortages are expected to drive take-up of robotics and technology [45]. We expect technology and smart solutions to play an increasing role in the delivery of rural services and we have heard some examples .

Technology was also identified as an important driver of productivity improvements in the agricultural sector.

The commission is aware of significant investment in 'agri-tech' both nationally and via the region's LEPs. In Cornwall, A £10m initiative is using ERDF funding to support ambitious Cornish SMEs to develop innovations to improve efficiency, profitability and resilience in the agricultural sector. The project aims to develop innovative technologies to empower farms and their immediate supply chains and is led by Duchy College Rural Business School, in partnership with leading research institutions – the Universities of Exeter and Plymouth and Rothamsted Research, as well as the Cornwall Development Company. The project provides grant funding towards the cost of research, feasibility studies or consultancy costs as well as a graduate placement programme [179]. However, ERDF funding rules mean that the project cannot providing funding to SMEs operating in the agricultural sector or beyond Cornwall and the Isles of Scilly.

Energy

The South West is at the forefront of renewables in England, with the highest onshore installed capacity of any one region [180]. However, after years of accelerating renewables growth, cuts and uncertainty around the subsidy regime, changes to national planning policy and grid constraints have led to reduced growth rates in the SW in 2015/16 [180].

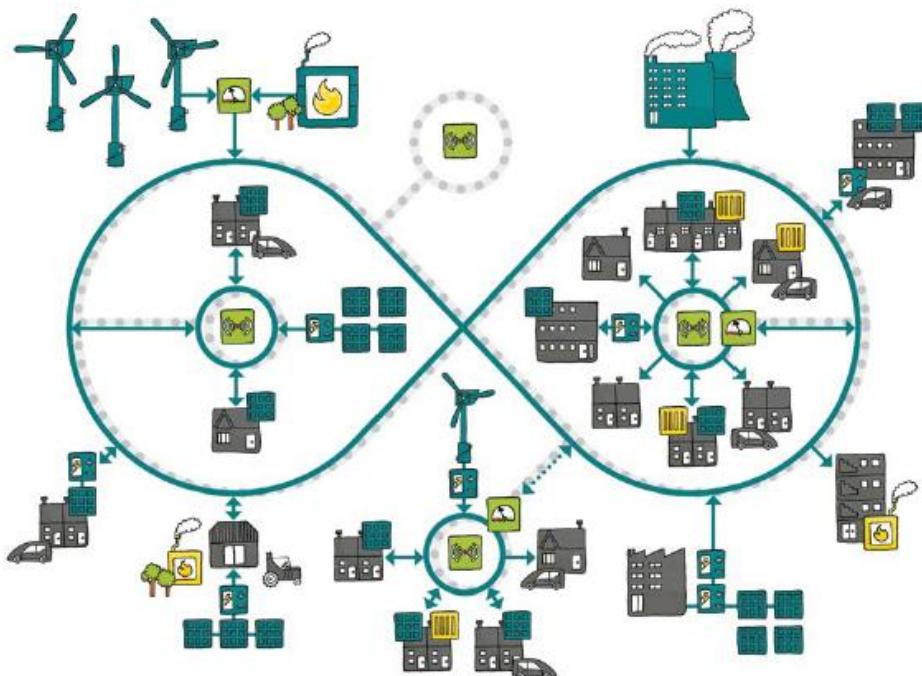
RegenSW anticipates that continued growth is likely to be in smaller solar projects where power can be used on site (see case study below) and that a critical shift is required towards a smart decentralised system, with local consumption of renewable energy generation, network and own use storage, and integrated smart grids, meters and appliances to overcome the issues of grid capacity (see figure 30 overleaf).

Case Study – Bodmin Sewage Treatment Works

South West Water (SWW) is working with RegenSW on a programme to develop renewable energy projects sized to provide power to SWW infrastructure, and keep bills and CO2 emissions low. As a result, the 100kW Nanstallon solar array was financed and developed by Wadebridge Renewable Energy Network (WREN) to provide power to SWW's Bodmin Sewage Treatment works. A direct wire and 20 year power purchase agreement is in place between WREN and SWW. With ongoing grid capacity constraints in the Wadebridge area, this private wire agreement was a positive way for the community to develop a project with local economic benefit, despite policy and subsidy changes.

Source: [180]

Figure 30: Illustration of a Smart Decentralised System



Source: [180]

The commission also heard evidence from Abundance Energy who worked with Swindon Borough Council to develop the UK's first ISA linked to a community solar farm (see case study below).

Case Study - Swindon Common Farm Solar CIC

Working in Partnership with Abundance Investment, Swindon Borough Council used a crowdfunding model in the form of a 'solar bond' to fund two solar farms. The first a 4.8MW solar farm is now generating clean energy for residents and a return for the Council and investors.

Swindon Borough Council has a Vision to develop a low carbon economy by 2030 and this project is helping them achieve that. In spring 2016 investors, including many Swindon residents, co-funded a 4.8MW solar farm, investing £1,783,000 alongside the Council's £3,000,000.

The solar farm is generating electricity which earns revenues from the Feed-in Tariff and Export Tariff, creating a long term income for the Council, investors and defined community initiatives. The site itself is a biodiversity hotspot, a place for plants and insects to thrive with sheep also grazing part of the year. Abundance Investments informed the commission that they were actively exploring how this model could be applied to other community infrastructure project such as broadband and other renewable energy projects, allowing communities to be co-investors in projects and retain wealth in local economies.

The issue of Grid Capacity was raised by a number of contributors to the commission, both in terms of:

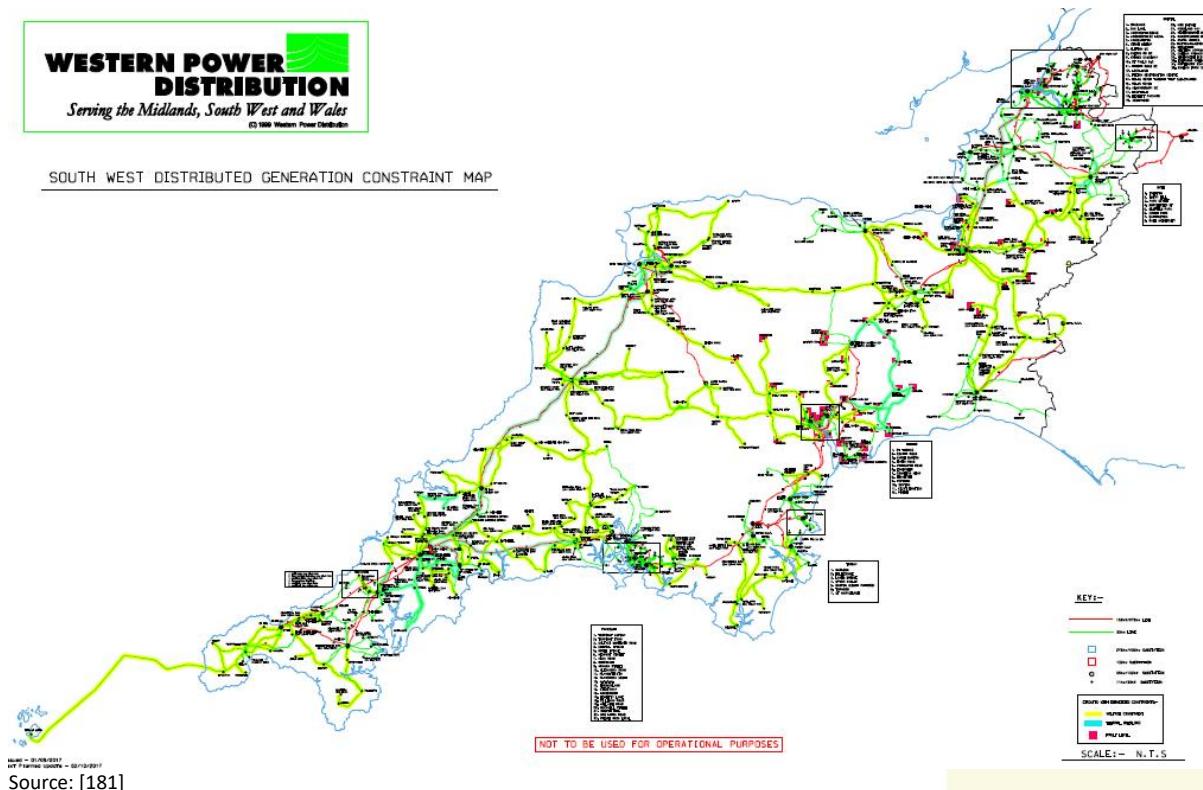
- Connecting renewable energy generation projects to the national grid, in order to export energy [112]; and
- Connecting businesses and commercial developments to the national grid, in order to receive power on site [106] [42] [117]

A report by Regen SW confirms that the SW is particularly affected by grid constraints arising from the rapid growth of distributed renewable energy generation projects [181]. As a result, Western Power Distribution has long delays for anyone looking to connect energy generation projects to the network in the SW, which articulates the challenge:

There are two National Grid lines and one Western Power Distribution (WPD) line that carry power into (and increasingly out of) the south west. The 132 kV WPD line that runs from Bridgwater Grid Supply Point (GSP) to Seabank GSP (in the Bristol docks area), known as the 'F' route, has reached capacity. As a consequence a delay of 3-6 years is included in new connection offers for all generation projects seeking to connect to the grid requiring works at High Voltage (HV) level i.e. above 6.6kV or 11kV. This restriction applies to the entire WPD south west region below Bristol and Bath.

The work National Grid is undertaking to connect the Hinkley C nuclear power plant offers a potential solution, as it would involve the WPD 'F' Route being replaced by a National Grid line with a higher capacity. However, this work remains subject to considerable uncertainty. The 'F' route constraint is, however, not the only issue for the distribution network in the south west. A map of other constrained areas is shown in figure 31 below.

Figure 31: South West Grid Constraints



Source: [181]

Innovation

The ability of firms to innovate successfully plays an important role in their ability to sustain growth and competitiveness. For local areas, this means that the more innovative local companies are, the stronger the prospects for growth. The Enterprise Research Centre produced LEP level analysis of data from the 14,000 firms that responded to the UK Innovation survey 2015. The results for our four LEP areas are shown in figure 32 below. This shows that firm level innovation performance varies significantly across the four LEP areas. This analysis suggests that for many innovation indicators Cornwall and the Isles of Scilly is in quartile 1 and 2, whereas performance in the Dorset, HOTSW and SWLEP tends to be in the lower quartiles.

Figure 32: LEP area benchmarks – % of firms (Quartile in brackets)

Benchmark	C&IOS	Dorset	HOTSW	SWLEP
Introducing new business practices	28% (Q3)	28% (Q3)	27% (Q3)	26% (Q3)
Introducing new methods of work organisation	28% (Q1)	17% (Q4)	15% (Q4)	17% (Q4)
Introducing marketing innovations	22% (Q1)	16% (Q3)	17% (Q3)	11% (Q4)
Undertaking R&D	22% (Q2)	19% (Q3)	15% (Q4)	16% (Q4)
Undertaking design investment for innovation	12% (Q3)	14% (Q2)	9% (Q4)	11% (Q3)
Collaboration for innovation	36% (Q1)	20% (Q4)	18% (Q4)	17% (Q4)
Undertaking product or service innovation	29% (Q1)	17% (Q4)	16% (Q4)	23% (Q2)
Sales of innovative products and services	30% (Q3)	26% (Q4)	22% (Q4)	30% (Q3)
Process innovation	16% (Q2)	10% (Q4)	14% (Q3)	16% (Q2)

Source: [182]

National research [183] has found a strong and robust correlation between employment of STEM graduates and Highly Innovative Firms, suggesting that STEM graduates are vital to driving innovation in an area. However, other studies have highlighted that whilst STEM subjects are important, it is the multi-disciplinary mix of STEM and the Arts (STEAM) that generates imaginative ideas and problem solving skills to meet the challenges of a fast changing, fragmented digital world [184]. However, whilst graduate talent has been proven to be beneficial to SMEs, other research points to a mutual lack of understanding about the benefits to both sides, with small firms tending to undervalue the contribution of graduates to the business, based on concern about their experience and the need for supervision. Equally, graduates can also have negative perceptions about the level of pay, career progression and working conditions [185]. Initiatives such as the Grads for Growth Project, are an example of how these barriers can be broken down.

CASE STUDY - the Grads for Growth (G4G) Project

G4G provided a recruitment service and dedicated support for SMEs in the South West Competitiveness area to access graduate skills and knowledge, supplemented by expert academic supervisory input, to undertake either a six or nine month project in order to help stimulate the level of innovation within the participating business. It was led by the Cornwall College Group in conjunction with Universities South West, Business West and Gradsouthwest and with support from local Knowledge Base Partners who provided academic mentoring. It was intended to bridge the gap between smaller business solution products such as Innovation Vouchers or Grants for R&D and more substantial ones like classic Knowledge Transfer Partnerships (KTPs).

An evaluation of the project found compelling evidence that the graduate placements added value to both the business and the graduate. Many businesses reported increases in turnover as a result of their engagement in the project and the graduates reported the development of

new skills and confidence. G4G was also thought to help retain graduate talent within the region. Over three quarters of the graduates in the sample were retained by the company after their project and 64% of businesses stated that they would be likely to employ another graduate soon.

Under theme 3 we highlight the challenge facing the SW in terms of attracting and retaining graduates and young people. Recent research by the Centre for Cities, exploring the 'Brain Drain' found that graduate migration is primarily influenced by the availability of graduate opportunities and future career potential and therefore if cities want to attract and retain more graduates, they should focus policies on creating more highly skilled knowledge jobs [186].

Wider Rural Policy Issues

Contributors to the commission also provided evidence and views in relation to wider rural policy and how this could be improved to drive greater rural productivity. These have been broken down into a number of issues. Spanning all these issues is a sense that recent Government economic policy has been focused on the role of core cities to the exclusion of other types of area. This is articulated by the County Council Network which highlights that:

"There continues to be a focus on city economies and the role of city region devolution, without an equally compelling role and vision for counties in the nation's growth" [187],

Likewise the Industrial Communities Alliance states that:

"In England in particular, 'asymmetrical devolution', prioritising the big cities over other areas, runs the risk of creating disparities in prosperity" [174].

Similarly, the Rural Coalition argues for a fair deal for rural communities:

"Policies and funding must deliver a fair deal for rural communities. Many rural communities are feeling left behind. Those communities (and tax payers) deserve an equitable share of service provision and its funding. It is vital that services are accessible to rural communities and businesses. Focusing delivery in larger settlements may be an easy option, but it is not a fair option" [188]

However, the recent focus on place based approaches identified in the Industrial Strategy Green paper , provides some optimism that this approach may be beginning to change. Contributors from the SW have also expressed a concern about an overly urban focused approach to growth:

Many Whitehall initiatives are city centric. A clear rural policy would have an immediate knock-on effect which would generate business growth [99].

There is often an implicit assumption that investment in the south of the county will benefit wider rural areas through a 'rippling effect', but we have seen no evidence of this. An urban centric growth strategy which seeks to leverage wider impacts needs to employ specific interventions to facilitate linked growth and productivity gains e.g. through local/regional procurement policies and support for rural businesses to access tender opportunities. [17]

These findings chime with the findings of the RSA's Inclusive Growth Commission which found that the current model of '*Grow now, redistribute later*' is not working and needs to be replaced with an inclusive approach which tackles placed based and social inequalities [189].

Measuring Productivity

The Inclusive Growth Commission has argued that traditional metrics of economic performance, such as GDP or at regional level GVA, are a poor guide to social and economic welfare. They do not tell us how the opportunities and benefits of growth are distributed across different spatial areas or social groups. Nor do they do a good job of tracking structural economic change, the sustainability of growth or the human impact of shifts in the labour market. It goes further, arguing that reliance on traditional measures can also distort how policy and investment decisions are made and evaluated. For instance, HM Treasury's capital accounting methodology privileges physical capital assets, meaning that large infrastructure projects are treated as long term investments, while social infrastructure investment (such as

education and skills) is regarded as short term spend and has to be accounted for up-front, despite its value appreciating over time [189].

This commission has also heard evidence in relation to:

- How projects and programmes are measured; and
- How investments are made.

In relation to the former, a recurring theme is that the current European Funding rounds have failed to consider productivity at all and that the emphasis on securing 'jobs created' outcomes, could have a perverse and negative impact on productivity [54], [113]. It has also been suggested that 'If productivity is the problem, one should make it the single focus' [54].

However, other contributors have expressed a concern that a focus on productivity alone, could also have perverse incentives leading to poorer social outcomes:

'It's better for more people to gain the self-esteem of being in a job, than to force productivity rate'
[74]

Similarly, some contributors have suggested that failure to consider environmental considerations and impact on natural capital when making investment decisions, is taking a risky, short term approach to development that is misleading as it does not include all the parameters that will affect the viability and performance of an investment [168]. The National Parks articulated a vision for 'sustainable growth' that incorporates all three elements of sustainability: Economic, Environmental and Social [157].

Rural Proofing

Rural proofing is not a new concept – it was introduced by the Government in the Rural White Paper (2000) and since its introduction, successive administrations have sought to apply rural proofing practices and principles within the policy making process. Both the Countryside Agency and the Commission for Rural Communities had responsibility for advising departments on rural proofing, but in 2011, the decision was taken to bring rural proofing responsibilities inside DEFRA [190].

National level rural proofing guidance was published in September 2013 and updated in March 2017 [191]. In Lord Cameron of Dillington's review of rural proofing across government he found that:

- Around half (51%) showed no consideration of rural proofing or rural issues, even though the policy would impact rural areas;
- Just over a third (38%) described rural issues but did not analyse the policy impact; and
- Only 11% provided robust evidence on rural proofing and indicated how the evidence had been used to inform policy design.

He also found that despite the challenges of rural proofing, there was a commitment and enthusiasm to strengthen approaches to rural proofing across Government.

Commission Findings

Our commission heard from a number of witnesses who were of the view that rural proofing was not being done systematically or thoroughly enough within Government and that policies

were negatively impacting on rural areas [73], [97], [192]. One tourism business was of the view that the changes to rules relating to taking children out of school during term time, had not been rural proofed [73], directly impacting on her business.

However, the commission also received an example of good practice in Cornwall Council.

Case Study – Rural Proofing Local Policies [193]

Cornwall Council undertakes a comprehensive Impact assessment for every strategy, policy or project development. These now have a section in rurality, which whilst not as comprehensive as a full rural proofing, at least ensures that what they do is properly assessed on its deliverability to all parts of Cornwall.

Latest Rural Proofing guidance sets out a four stage process which should ensure that rural areas will receive “fair and equitable policy outcomes”. It is not over-zealous or overly burdensome, so it should be the case that new policies should have gone through the process.

But it was also felt that there needed to be a mechanism to hold Government to account regarding rural proofing [193].

Devolution and localism

The Cities and Local Government Devolution Act 2016, provides a legal framework for the implementation of devolution deals with combined authorities and other areas [194].

In England, devolution is the transfer of power and funding from national to local government. It allows decisions to be made closer to the local people, communities and businesses they affect and provide greater freedoms and flexibilities at a local level, meaning councils can work more effectively to improve public services for their area [194].

In order to receive these greater powers locally, councils in an area must join together to form a combined authority, led by a new elected mayor, who will work with local council leaders to make decisions on key local services, like transport, economy, health, skills. However, whilst the Government has pushed for areas to have mayors, the Cities and Local Government Act does not make elected mayors a condition for devolution [194].

In the four LEP areas, only Cornwall and the Isles of Scilly has secured a devolution deal. Progress in the other three areas is as follows [195]:

- Dorset is currently consulting on proposals for a combined authority and has submitted a ‘Statement of Intent’ to Government declaring an interest in the potential Devolution Deal;
- The Heart of the SW has submitted a ‘prospectus for productivity’ to Government and partners are considering a ‘combined authority’; and
- Wiltshire has submitted a devolution bid.

Key Findings

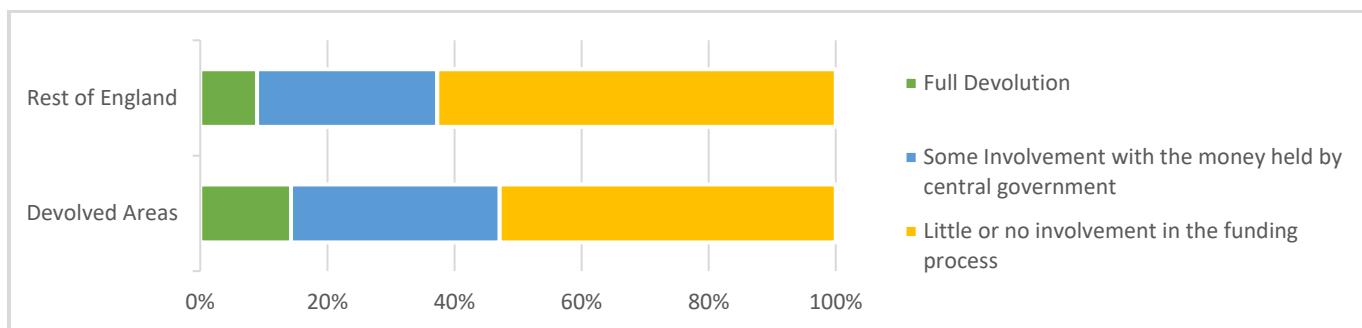
- Devolution offers an opportunity for local areas to have greater influence over national funding streams.

- To date, only Cornwall and the Isles of Scilly has secured a devolution deal among our four LEPs. It is one of 8 areas in England.

LGA commissioned research found that in England in 2016/17, £23.5bn of planned government growth-related expenditure is spread across 70 funding streams, which are managed by 11 delivery agencies and 11 Government Departments. Figure 33 below shows that within England in areas without devolution deals, there is very little or no local influence over half of these funding streams (55%). In areas with devolution deals, the figure is only slightly better at 48%. Illustrating the extent to which core local government funding is still subject to tight policy, investment and expenditure controls from Whitehall.

Whilst devolution deals are bespoke, the Shared Intelligence report [196] suggest that there is an emerging pattern and that areas with devolution deals are able to influence some control over skills, transport and the new Work and Health Programme, including through the process of 'co-design'.

Figure 33: Funding Streams and degree of local influence



Source: [196]

In the South West, some contributors recognised that LEPs and Local Authorities did not necessarily have the freedom necessary to think creatively:

"Little funding to LEPs has come without strings attached in terms of pre-conceived intentions from the funder as to how the funds are to be used, albeit customised to a local context. This has meant that to date the LEP and associated bodies appear not to have had the opportunity to think as creatively as they might wish, support projects that are truly innovative or that play to Dorset's particular strengths". [168]

In relation to the EAFRD element of the ESIF programme, the CLA highlighted how in practice, LEPs had been given little power or influence in how the programme should be delivered [197]. In Cornwall, one contributor highlighted significant savings could be achieved if budgets for adult health, social care and policing etc. could be integrated [163]. Likewise it was suggested that both business rate retention and VAT retention could provide local funding for local economic development needs [192]. There was also a perception from contributors and the wider literature that the devolution agenda has been too focused on cities:

"The new government may well opt to re-invigorate the devolution agenda, which under the previous Government was very much focused on cities. Assuming this bias is likely to be continued we need to develop a rural devolution deal, identifying what could be achieved through the devolution of appropriate powers, decision making responsibilities and resources. This could be very rural focussed, and or be allied to a citer-region proposal" [77].

There is a danger that devolution deals with cities and their regions will focus on infrastructure investment on urban areas and ignore the rural hinterlands which support them [42].

Key Finding

- Growth related expenditure is mainly controlled nationally.
- Devolution deals offer a little more control and influence, including 'co-design'.
- LEPs and local authorities have limited flexibility to respond to local needs.

The Desire for Localism

Contributors to the commission expressed a strong desire to see locally designed/directed rural interventions. The LEADER model appears to have a lot of support and contributors believe it is an effective approach to engaging with businesses in rural areas and delivering activity that meets the unique needs of an area. Also coming through strongly was the desire to recognise the importance of 'place' and natural assets within a place [121].

"Opportunity to develop area based plans, drawing on new funding streams for investment in productive infrastructure and exploitation of natural and built capital. Using funds wider in terms of being based on place based productivity initiatives not generic initiatives" [127].

"The Leader concept has great potential and there are numerous examples across both Moors of appropriate interventions supported and enabled through this approach. The local delivery and accountability of such schemes is a good model, but the current round has been much more of a challenge with tighter national criteria and more onerous processes applied to local groups with far less room for local variance in accordance with needs" [121].

Proposal – the Dartmoor and Exmoor Rural Productivity Network [121]

The Dartmoor and Exmoor Rural Productivity Network will deliver a new approach to rural growth and productivity; that will use natural and cultural capital of the areas; build on existing initiatives and work with businesses and communities to develop local solutions. At its heart is the concept of 'place-based, facilitated innovation' helping local businesses to help themselves by supporting growth and productivity.

However, it was also recognised that effective community-led schemes are often constrained by the capacity of communities to plan and deliver activity [15].

Rural Funding and Support Mechanisms

Contributors to the commission expressed a view that economic development activity had become increasingly focused on urban areas in recent years. They suggested that these approaches relied on the theory of 'trickle down', which in their view, did not work – especially for those parts of the area that are further away from cities and major urban centres [17], [54].

Funding for Infrastructure

The urban focus was highlighted as a particular challenge associated with 'growth deal' funding, which LEPs have competed for on a national basis.

"In relation to Growth Deal, northern Devon has notably missed out in getting funding for strategic projects. Emphasis seems to be on the 'big' projects within the HOTSW urban corridor, whether there is market failure or not. Projects in rural areas will always find it harder to compete on value for money so urban areas are always likely to be favoured as they have larger populations and therefore more beneficiaries. Additionally, Growth Deal funded initiatives have not sought to (and perhaps have not been required to) ripple benefits more widely from urban to rural areas. This will not happen automatically, particularly into peripheral areas. Specific interventions are required to do this" [17].

"Government and LEP priorities for Growth Deal investment has been driven by larger urban areas providing greater critical mass and volume impacts from specific projects. Rural schemes will inevitably have a smaller scale impact, albeit important within the local context. Match funding is also difficult to identify among smaller rural districts having less capacity in capital programmes whilst also facing increasing challenges of delivering rural services alongside operational revenue cuts" [60].

Key Finding

- Growth Deal funding for infrastructure has been secured by LEPs on a competitive basis.
- The competitive nature of the funding and focus on VFM makes it harder for rural areas to compete.

Business Support

In relation to support for businesses directly, the commission heard how the current arrangements to support rural growth were complex, fragmented and confusing.

"We need one programme that knits it all together, it is a piecemeal approach at the minute" [122]

We need a single programme, delivered by experts [113]

European funding currently plays an important role, but rules regarding eligibility of all funding streams have created a postcode and sector lottery:

- ERDF/ESF schemes are open to businesses in urban and rural areas, however eligibility rules do not allow schemes to provide support to primary producers and tourism businesses;
- ERDF/ESF schemes are 'siloed' by investment priorities (innovation, digital etc,) leading to a fragmented set of schemes in each area for both urban and rural businesses, as it is not possible to mix money from different priorities to provide holistic solutions [198];
- LEADER Schemes are only open to businesses in areas covered by a Local Action group and in the current scheme activity is limited to grants for capital equipment only; and
- Multiple contributors highlighted that all schemes were considered to be too bureaucratic.

A tension was also highlighted between the desire by LEPs to influence funding schemes in their area and the resources and capacity they currently have to be able to do this effectively [198].

We also heard how few schemes have an explicit focus on productivity, with outputs focusing on job creation, rather than productivity [113], [199]. Whilst it is possible to see job creation and improved productivity, this does not always occur.

Similarly we heard that whilst LEADER schemes were an effective tool for distributing grants to local businesses, the lack of flexibility within the rules, prevented the funding being used to support revenue based projects (for instance, the ability to pay for a person to co-ordinate networks or supply chain activities) [157]. It was also suggested that in this current round, the programmes are less likely to take any risks, with the evidence for this seen in lower success rates compared to previous rounds [198].

Support for Primary Producers

In relation to primary production, there also exists a set of grants/schemes to help farmers improve productivity, environmental performance etc. Again, these were described as fragmented in nature and failing to provide farmers with 'holistic support', with schemes providing contradictory advice from time to time [54]. We have repeatedly heard the view that agri-environment schemes should be developed at the landscape scale and provide primary producers with holistic advice [125] [127].

Organisations involved in the management and delivery of business support schemes indicated that the administration and rules surrounding the delivery of all types of scheme in the 2014-2020 funding round had surpassed previous schemes on their level of bureaucracy, making delivery of support increasingly challenging [113], [199], [73] [198].

The commission heard conflicting messages about the need for localised delivery – with many people advocating for 'local programmes, designed and delivered by local organisations' and others highlighting the 'postcode lottery' challenge with this approach.

Rural Voice

In recent years, cities have wielded an increasingly powerful voice, influencing Government policy with collective action. This was led by authorities in Manchester, who were the first to take advantage of the 2009 Local Democracy, Economic Development and Construction Act, which made provision for groups of local authorities to join together voluntarily to create a Combined Authority. This allowed for pooling of responsibility and some delegation of functions from central Government to deliver transport and economic policy more effectively over a wider area. This was followed by the formation of LEPs under the Coalition Government, which also invited cities to develop 'City Deals' and later devolution deals.

Lobbying by cities however, started much earlier than this, with the formation of the 'core cities group' in 1995 which has advocated on behalf of its 8 and later ten core members. They have effectively lobbied Government through the use of:

- High quality research and policy thinking;
- Events in parliament and at party conferences; and
- Meeting (collectively) with representatives from Government to explain the position of cities and help ensure national policy solutions work at the local level in our cities

More recently, in 2005, the Centre for Cities was established as a registered charity, whose main goal is to understand how and why economic growth and change takes place in Britain's cities.

The commission has seen a wealth of evidence from a wide-ranging and sometimes disparate group of rural areas. Nationally, we see council's grouping under the banner of 'non-metropolitan areas', county council networks, as well as 'industrial communities'.

We have recently seen papers from 'the Rural Coalition' which includes the following organisations:

- Action with Communities in Rural England;
- Arthur Rank Centre;
- Campaign to Protect Rural England;
- Country Land and Business Association;
- National Association of Local Councils;
- National Farmers Union;
- National Housing Federation;
- Plunkett Foundation;
- Royal Institution of Chartered Surveyors;
- Royal Town Planning Institute;
- Rural Services Network; and
- Town and Country Planning Association.

But notably no LEPS or local authorities.

Appendix 1: Individuals and organisations that submitted evidence

Business Information Point	Mendip District Council
Clinton Devon Estates	Natural England
Cllr Long	Neil Robertson
Confor	NFU – Dorset
Cornwall Chamber	NFU-HOTSW
Cornwall Council	North Devon Council and Torridge DC
Cornwall School for Social Entrepreneurs	Plain Action and Vale Action LAG
Cornwall Voluntary Sector Forum	Quickes Cheese
Country Land and Business Association	Re-imagining the Levels
Cranbourne Chase AONB	Richard Eley
Creative Industries Federation	Sedgemoor District Council
Dartmoor and Exmoor National Parks	Shropshire County Council
David Rodda	Somerset FSB
Derek Phillips	South West Tourism Alliance
Devon and Cornwall Business Council	South West Water
Devon Communities Together	Spider's eye
Devon County Council	Steve Trowbridge
Devon County Show	Stress Concern International and Centre for Knowledge at Work
Devon Wildlife Trust	SW Manufacturing Advisory Service
Dorset and East Devon FLAG	SWLEP
Dorset AONB	Taylorson Malmesbury Syrups
Dorset Councils partnership and Dorset CC	Teignbridge District Council
Dorset Local Nature Partnership	Torbay Development Agency
DR Company	Visit Wiltshire
Duchy College	West Somerset Council
Foot Antsey	Wiltshire FSB
Forestry Commission (with reports on all four areas)	Wiltshire Ramblers
Gordon Morris (Dorset)	Woodland Trust (SW)
Hastoe Housing	Yeo Valley
Holly Farm	
Jane Pine	
Lucy Parsons	

Appendix 2: Witnesses that attended each panel session

Somerset	Devon	Cornwall	Wiltshire	Dorset
Shearwell Data	DR company	East Cornwall LAG	The Glove Factory	Dorset and East
SW Manufacturing	FSB - Devon	Cornwall	FSB – Wiltshire	Devon FLAG
Advisory Service	Devon Communities	Development	CLA	Southern IFCA
Somerset Business Agency	Together	Company	Abundance	National Trust
Dartmoor and Exmoor National Parks	NFU plus farmers	Cornwall Agricultural council	Generation	Natural England
South West Water	Devon and Cornwall Business Council	Council of the Isles of Scilly	Wiltshire College	Dorset AONB
Onion collective	Natwest Bank	Visit Cornwall	Taylerson	Goldhill Organics
Re-imagining the levels	Foot Antstey	Cornwall Voluntary Sector Forum	Malmesbury syrups	Dorset County Council
Bath and West Showground	Duchy Rural Business School	Cornwall School for Social Entrepreneurs	Cranborne Chase	Dorset Council's Partnership
Confor West	Devon County Council	Cornwall Council	AONB	
Somerset/Taunton Deane councils	Torbay Development Agency & Cllr Richard Haddock	Andrew May (Farm business owner)	Plain Action and Vale Action LAGS	
Mendip DC including Cllr Tom Killen		FSB – Cornwall	Wiltshire CC	
		Cornwall chamber of commerce	Visit Wiltshire	

Bibliography

- [1] DEFRA, "Statistical Digest of Rural England," Government Statistical Service, 2017.
- [2] DEFRA, "Rural Statistic local level data sets," 28 July 2017. [Online]. Available: <https://www.gov.uk/government/statistical-data-sets/rural-statistics-local-level-data-sets>.
- [3] ONS, "Census 2011".
- [4] ONS, "Mid-year Population Estimates," 2016.
- [5] ONS, "Annual, Population Survey - April 2016-March 2017," 2017.
- [6] West Somerset Council, "Submission to the Heart of the SW LEP Productivity Plan consultation," 2017.
- [7] ONS, "Annual Population Survey," Jan 2016-Dec 2016.
- [8] Action with Rural Communities in rural England, "Combined results from the Rural Economy in the Heart of the SW LEP, the Rural Economy in Dorset LEP, the rural economy in Swindon and Wiltshire LEP and the rural economy in Cornwall and Isles of Scilly LEP," 2013.
- [9] HM Government, "Building our Industrial Strategy, Green Paper," 2017.
- [10] ONS, "Sub-Regional Productivity," 2016.
- [11] Analysis by DEFRA Rural Statistics on behalf of the SW Rural Productivity Commission, 2017.
- [12] Frontier Economics, "Drivers of rural business employment, growth, decline and stability," DEFRA, 2014.
- [13] Centre for Rural Economy and Newcastle University Business School, "Small Rural Firms in English Regions: Analysis and key findings from UK Longitudinal Small Business Survey, 2015," 2017.
- [14] The DR Company, "Response to the SW Rural Productivity Commission," 2017.
- [15] West Somerset Council, "The Economic Potential of Coastal Communities and the Visitor Economy," 2016.
- [16] Dartmoor and Exmoor National Park Authorities, "Response to SW Rural Productivity Commission," 2017.
- [17] North Devon and Torridge District Council, "Written evidence to the SW Rural Productivity Commission," 2017.
- [18] Oxford Economics, "Understanding County Economies: Analysis to inform the Industrial Strategy and the Devolution Debate," 2017.
- [19] DEFRA, "Agricultural Facts - SW," 2015.
- [20] Development Economics, "Contributions of UK Agriculture," 2017.
- [21] NFU , "Response to the SW Rural Productivity Commission - Cornwall and Isles of Scilly LEP area," 2017.

- [22] DEFRA, *Structure of the UK Agricultural Industry*, 2013.
- [23] Marine Management Organisation, *UK Sea Fisheries Statistics 2015*, 2017.
- [24] Seafish, *Quay Issues - 2016 Economics of the UK Fishing Fleet*, 2017.
- [25] Dorset and East Devon Flag, *LNP Report on Fisheries and Aquaculture in Dorset and East Devon*, Undated.
- [26] D. a. E. D. F. Rhiannon Jones, Interviewee, *SW Rural Productivity Commission, Dorset Panel Hearing*. [Interview]. 18 July 2017.
- [27] ekosgen, *South West England Woodland and Forestry - Strategic Economic Study*, 2009.
- [28] C. Caroline Harrison, Interviewee, *SW Rural Productivity Commission, Somerest Panel Hearing*. [Interview]. 9 June 2017.
- [29] Joint Commissioning Group, “Feeding the Future, Innovation Requirements for Primary Food Production in the UK to 2030,” 2012.
- [30] HM Government, “A UK Strategy for Agricultural Technologies,” 2013.
- [31] NFU, “Feeding the Future, Four Years On: A Review of Innovation Needs for British Farming,” 2017.
- [32] NFU, *Response to SW Rural Productivity Commission, Swindon and Wiltshire*.
- [33] NFU, *SW Rural Productivity Commission - Dorset LEP Area Response*, 2017.
- [34] NFU, “Response to SW Rural Productivity Commission - Heart of the SW LEP area,” 2017.
- [35] R. Tucker, Interviewee, *SW Rural Productivity Commission, Devon Panel Hearing*. [Interview]. 20 June 2017.
- [36] B. a. W. S. Rupert Cox, Interviewee, *SW Rural Productivity Commission - Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [37] Foot Anstey, *Response to SW Rural Productivity Commission*, 2017.
- [38] South West Water, *Response to SW Rural Productivity Commission*, 2017.
- [39] Lucy Parsons, “Newlyn Development Plans,” 2017.
- [40] R. B. S. Dr Richard Soffe, Interviewee, *SW Rural Productivity Commission, Devon Panel Hearing*. [Interview]. 20 June 2017.
- [41] H. C. a. M. Lobley, “The Impact of the Family business Growth Programme,” Centre for Rural policy Research, University of Exeter, 2014.
- [42] Country Land and Business Association, “Response to the SW Rural Productivity Commission,” 2017.
- [43] CLA, “Rural Business 2030: Unlocking Investment, Unlocking Potential,” 2016.

- [44] N. B. Steve James, Interviewee, *SW Rural Productivity Commission, Devon Panel Hearing*. [Interview]. 20 June 2017.
- [45] J. Taylerson, Interviewee, *SW Rural Productivity Commission - Wiltshire Panel*. [Interview]. 6 July 2017.
- [46] Torbay Development Agency, "Response to SW Rural Productivity Commission," 2017.
- [47] T. Cllr Richard Haddock, Interviewee, *SW Rural Productivity Commission, Devon Panel Hearing*. [Interview]. 20 June 2017.
- [48] D. a. C. B. C. Tim Jones, Interviewee, *Heart of the SW Rural Productivity Commission, Devon Panel session*. [Interview]. 20 June 2017.
- [49] N. E. Matthew Heard, Interviewee, *Heart of the SW Rural Productivity Commission, Dorset Panel session*. [Interview]. 20 June 2017.
- [50] Confor, "Forestry: 7,000 jobs and Low Carbon Growth".
- [51] S. I. Rob Clarke, Interviewee, *South West Rural Productivity Commission - Dorset Panel Hearing*. [Interview]. 18 July 2017.
- [52] C. L. Ian Revill, Interviewee, *SW Rural Productivity Commission, Wiltshire Panel session*. [Interview]. 6 July 2017.
- [53] f. Cathy Case, Interviewee, *SW Rural Productivity Commission, Devon Panel Hearing*. [Interview]. 20 June 2017.
- [54] D. Rodda, "Individual response to SW Rural Productivity Commission," 2017.
- [55] Devon Wildlife Trust, *Response to SW Rural Productivity Commission*, 2017.
- [56] Cranborne Chase AONB, *Response to SW Rural Productivity Commission*, 2017.
- [57] C. C. A. David Blake, Interviewee, *SW Rural Productivity Commission, Wiltshire Panel Hearing*. [Interview]. 6 July 2017.
- [58] Y. V. Karl Tucker, "Response to the SW Rural Productivity Commission," 2017.
- [59] M. H. a. A. Morley, "Earning a Crust? A Review of Labour Trends in UK Food Manufacturing," 2017.
- [60] Mendip District Council, "Written Response to the SW Rural Productivity Commission," 2017.
- [61] Q. C. Mary Quicke, "Response to the SW Rural Productivity Commission," 2017.
- [62] D. A. Ian Rees, Interviewee, *SW Rural Productivity Commission, Dorset Panel hearing*. [Interview]. 18 July 2017.
- [63] Visit Britain, *Great Britain Tourism Survey*, 2016.
- [64] ONS, *International Passenger Survey*, 2016.

- [65] Visit England, *Visitor Economy Growth: The Emerging Role of Local Enterprise Partnerships*.
- [66] Visit Wiltshire, *Response to Environment, Food and Rural Affairs Committee Inquiry on Rural Tourism*, 2016.
- [67] South West Research Company Ltd, *South West Coast Path Monitoring and Evaluation Framework*, 2015, 2016.
- [68] South West Tourism Alliance, *Response to the Environment, Food and Rural Affairs, Rural Tourism Inquiry*, 2016.
- [69] Historic Houses Association, "Response to SW Rural Productivity Commission," 2017.
- [70] Wiltshire Ramblers, "Response to SW Rural Productivity Commission".
- [71] N. T. Sarah O'Brien, Interviewee, *SW Rural Productivity Commission, Dorset Panel Hearing*. [Interview]. 18 July 2017.
- [72] V. C. Malcolm Bell, Interviewee, *SW Rural Productivity Commission, Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [73] E. C. L. A. G. Kim Spencer, Interviewee, *SW Rural Productivity Commission, Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [74] Cornwall Chamber of Commerce, "Response to the SW Rural Productivity Commission," 2017.
- [75] South West Tourism Alliance, "Response to SW Rural Productivity Commission," 2017.
- [76] The South West Tourism Alliance, "The Impact of Business Rates rises inteh Self-catering sector," 2017.
- [77] Dorset Council's Partnership, "Resposne to SW Rural Productivity Commission," 2017.
- [78] V. W. Peter Wragg, Interviewee, *SW Rural Productivity Commission - Wiltshire Panel Hearing*. [Interview]. 6 July 2017.
- [79] Centre for Cities, "Small Business Outlook 2015," 2015.
- [80] N. L. a. S. Clarke, "A Rising Tide Lifts All Boats?," Resolution Foundation, 2017.
- [81] tbr, "The Creative Economy in Cornwall and the Isles of Scilly," 2017.
- [82] Dartmoor and Exmoor National Park, "Economic Prospectus".
- [83] F. Ann Vandermuelen, Interviewee, *SW Rural Productivity Comission: Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [84] Devon Communities Together, "Response to the SW Rural Productivity Commission," 2017.
- [85] C. C. A. David Blake, Interviewee, *SW Rural Productivity Commission, Wiltshire Panel Hearing*. [Interview]. 6 July 2017.

- [86] Cornwall Council, "Rural services and communities themes linked to Government Direction on rural policy," 2012.
- [87] F. S. Gavin Eddy, Interviewee, *SW Rural Productivity Commission, Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [88] Mark Ellerby Architects, "Response to SW Rural Productivity Commission," 2017.
- [89] C. D. C. Mike King, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [90] HM Government, "United Kingdom Partnership Agreement, Draft," 2014.
- [91] B. D. a. H. Reed, "Boosting the living standards of teh self-employed," March 2015.
- [92] R. H. a. K. Dodgson, "The Northern Powerhouse - where do market towns fit in?," RSA, 2016.
- [93] B. D. a. F. Wallace-Stephens, "The Self-Organising Self-Employed," FSB, 2017.
- [94] FSB, "Small Business, Big Ambition: FSB General Election Manifesto 2017," 2017.
- [95] FSB, "Women in Enterprise: the Untapped Potential".
- [96] Annual Population Survey, *Jan 2016-Dec 2016*, 2017.
- [97] N. Griffiths, Interviewee, *Director, Onion Collective*. [Interview]. 9 June 2017.
- [98] D. C. T. Elaine Cook, Interviewee, *SW Rural Productivity Commission - Devon Panel Hearing*. [Interview]. 20 June 2017.
- [99] Devon and Cornwall Business Council, "Response to the SW Rural Productivity Commission," 2017.
- [100] L. Abell, Interviewee, *Director of The DR Company*. [Interview]. June 2017.
- [101] D. C. David Walsh, Interviewee, *SW Rural Productivity Commission - Dorset Panel Hearing*. [Interview]. 18 June 2017.
- [102] S. Coutu, "The Scale-Up Report," 2014.
- [103] Enterprise Research Centre, "UK Local Growth Dashboard," 2017.
- [104] Cornwall Council, "Response to SW Rural Productivity Commission," 2017.
- [105] D. Rodda, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [106] Plain Action and Vale Action LAG, "Response to SW Rural Productivity Commission," 2017.
- [107] The Scale Up Institute, "The ScaleUp review on Economic Growth 2016," 2016.

- [108] Commission for Rural communities, "Barriers to education, employment and training for young people in rural areas," 2012.
- [109] UK Commission for Employment and Skills, "Secondary Analysis of Employment Surveys: Urban and Rural Differences in Jobs, Training and skills," 2013.
- [110] FSB - Somerset, "Response to SW Rural Productivity Commission," 2017.
- [111] F. S. a. W. Nicola Bailey, Interviewee, *SW Rural Productivity Commission*. [Interview]. 6 July 2017.
- [112] Devon County Council, "Response to SW Rural Productivity Commission," 2017.
- [113] S. M. A. S. Simon Howes, Interviewee, *SW Rural Productivity Commission, Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [114] Business Information Point, "Response to SW Rural Productivity Commission," 2017.
- [115] W. S. a. T. D. C. Ian Timms, Interviewee, *SW Rural Productivity Commission - Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [116] Swindon and Wiltshire LEP, "Industrial Strategy Green Paper, Consultation Response," 2017.
- [117] Teignbridge District Council, "Response to SW Rural Productivity Commission," 2017.
- [118] Devon County Council, "Building our Industrial Strategy: Green Paper, DCC response," 2017.
- [119] C. T. Killen, Interviewee, *SW Rural Productivity Commission - Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [120] R. Webber, Interviewee, *SW Rural Productivity Commission - Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [121] Dartmoor and Exmoor National Parks, "Rural Productivity Networks for Dartmoor and Exmoor," 2016.
- [122] S. B. A. Patricia Marks, Interviewee, *SW Rural Productivity Commission - Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [123] Taunton Deane District Council, "Response to SW Rural Productivity Commission," 2017.
- [124] English National Parks, *Farming in the English National Parks, Policy Paper*, 2017.
- [125] Re-Imagining the Levels, "Response to SW Rural Productivity Commission," 2017.
- [126] D. Hirst, "Brexit: What next for UK fisheries?," House of Commons Library.
- [127] C. D. E. John Varley, "Response to SW Rural Productivity Commission," 2017.
- [128] Sedgemoor District Council, "Response to SW Rural Productivity Commission," 2017.
- [129] Devon County Agricultural Association, "Response to SW Rural Productivity Commission," 2017.

- [130] FSB, "Going the Extra Mile," 2016.
- [131] F. Greg Page Turner, Interviewee, *SW Rural Productivity Commission - Devon Panel Hearing*. [Interview]. 20 June 2017.
- [132] CBI, "Unlocking Regional Growth," 2017.
- [133] ADEPT - SW Board, "Regional Transport Investment Priorities," 2017.
- [134] Peninsula Rail Task Force, "Closing the Gap," 2016.
- [135] A. May, Interviewee, *SW Rural Productivity Commission, Cornwall and Isles of Scilly Panel*. [Interview]. 28 June 2017.
- [136] D. A. A. Richard Mauder, "Response to SW Rural Productivity Commission," 2017.
- [137] Department for Transport, "Transport Investment Strategy," 2017.
- [138] Swindon and Wiltshire LEP, "Response to EFRA Committee Rural Tourism in England Inquiry," 2016.
- [139] SW Coast Path, "South West Coast Path," 24 May 2017. [Online]. Available: <https://www.southwestcoastpath.org.uk/newsapp/article/275/>. [Accessed 30 July 2017].
- [140] Ofcom, "Connected nations," 2016.
- [141] Ofcom, "Economic Geography: An Analysis of the determinants of 3G and 4G coverage in the UK," 2015.
- [142] NFU, "Spotlight on Farm Broadband and Mobile Networks".
- [143] L. Hembrow, "Response to SW Rural Productivity Commission," 2017.
- [144] J. Woolf, Interviewee, *SW Rural Productivity Commission - Devon Panel Session*. [Interview]. 20 June 2017.
- [145] DCMS, "Community-led broadband schemes," 21 Oct 2016. [Online]. Available: <https://www.gov.uk/government/publications/community-led-broadband-schemes>. [Accessed 30 July 2017].
- [146] A. G. Louise Wilson, Interviewee, *SW Rural Productivity Commission - Wiltshire Panel Hearing*. [Interview]. 6 July 2017.
- [147] DCLG, "National Planning Policy Framework," 2012.
- [148] Department for Communities and Local Government, "Planning Applications in England - Jan - March 2017," 2017.
- [149] CLA, "Strong Foundations, Meeting Rural Housing Needs," 2017.
- [150] Hastoe Housing, "Response to SW Rural Productivity Commission," 2017.
- [151] T. Leijser, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.

- [152] ONS, "Ratio of house price to workplace earnings," 2016.
- [153] South Southwell, "Response to SW Rural Productivity Commission," 2017.
- [154] J. Barnett, "Research into 2nd home ownership in North Devon," 2011.
- [155] M. Parkes, "Response to SW Rural Productivity Commission," 2017.
- [156] DCLG, "gov.uk," 25 May 2017. [Online]. Available: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>. [Accessed July 2017].
- [157] D. J. & K. B. (N. P. a. E. N. Park), Interviewee, *SW Rural Productivity Commission: Somerset Panel Hearing*. [Interview]. 9 June 2017.
- [158] M. Taylor, "Living Working Countryside - the Taylor Review of Rural Economy and Affordable Housing," 2008.
- [159] SPRE, "SPRE," 16 Jan 2017. [Online]. Available: http://www.cpre.org.uk/media-centre/sound-bites/item/4485-fewer-homes-built-on-rural-exception-sites-cpre-s-reaction?gclid=CjwKEAjwh_bLBRDehaSMyJSCj1gSJAB-GWBDbKvgiQH6ojnGzLeb4ZVIndlwNgXvWdUCZ87mgkBgtBoCkJbw_wcB. [Accessed 30 July 17].
- [160] J. Pipe, "Response to SW Rural Productivity Commission," 2017.
- [161] Rural England, "State of Rural Services, 2016," 2017.
- [162] FSB, "The Impact of Branch Closures on Small Businesses," 2016.
- [163] C. V. S. F. Ian Smith, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [164] S. Heard, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [165] Transform Research and Consultancy Ltd, "Research into the Voluntary, Community and Social Enterprise Sector in Cornwall and the Isles of Scilly," 2013.
- [166] L. Young, "Social Value Act Review," Cabinet Office, 2015.
- [167] Natural England, "Bespoke Mapping," 2017.
- [168] Ash Futures, "Dorset's Environmental Economy, A report for Dorset County Council, Dorset AONB and the Jurassic Coast World Heritage Site," 2015.
- [169] Dr Simon Cripps, "The National Place for Business, a Natural Capital Investment Strategy for Dorset".
- [170] Cornwall Council, "Culture team," 5th September 2017. [Online]. Available: <http://www.cornwall.gov.uk/leisure-and-culture/culture-team/>. [Accessed 20 September 2017].

- [171] Centre for Economics and Business Research, "Contribution of the arts and culture industry to the national economy," Report for Arts Council England, 2015.
- [172] Devon Local Nature Partnership, "Presentation to the ADEPT Group SW, 14th July 2016," 2016.
- [173] AECOM, "Developing Ecosystem accounts for protected areas in England and Scotland: Dorset AONB Summary Report," 2015.
- [174] SQW and Cambridge Economics, "Economic performance of rural areas inside and outside of city-regions," SQW, 2006.
- [175] Industrial Communities Alliance, "Growth Beyond the Big Cities," 2015.
- [176] N. C. a. D. J. Webber, "Economic Performance in Rural England".
- [177] J. B. a. J. Atterton, "Beyond Boundaries: 'Lifeline' towns and rural exclusion: Summary of workshop discussion," CarnegieUK Trust, 2014.
- [178] L. Parsons, "Newlyn Development Plans," 2017.
- [179] "Agritech Cornwall," 26 September 2017. [Online]. Available: www.agritechcornwall.co.uk.
- [180] RegenSW, "Renewable Energy - A local progress report for England," 2016.
- [181] RegenSW, "Grid Constraints in the South West: Options for Connection," 2016.
- [182] W. P. Distribution, "South West Distributed Generation Constraint Map," [Online]. Available: <https://www.westernpower.co.uk/docs/connections/Generation/Generation-capacity-map/Distributed-Generation-EHV-Constraint-Maps/South-West-Thermal-Map.aspx>. [Accessed September 2017].
- [183] Enterprise Research Centre, "Benchmarking Local Innovation - the innovation geography of England," 2017.
- [184] Exeter Business School, Brighton Business School, SPRU - Science and Technology Policy Research, "UK Innovation Survey: Innovative Firms and Growth," 2014.
- [185] PWC, "Imagi-Nation, the Business of Creativity," 2015.
- [186] BIS, "Growing your Business, A Report by Lord Young," 2013.
- [187] Centre for Cities, "The Great British Brain Drain," 2016.
- [188] Oxford Economics, "Understanding County Economies: Analysis to inform the Industrial Strategy and Devolution Debate," 2017.
- [189] The Rural Coalition, "Statement," 2017.
- [190] RSA, "Inclusive Growth Commission, Making our Economy Work for Everyone," 2017.
- [191] L. C. o. Dillington, "Independent Rural Proofing, Implementation Review," DEFRA, 2015.

- [192] DEFRA, "Rural Proofing: Practical Guidance to Assess Impacts of Policies on rural areas," 2017.
- [193] C. C. Stephen Horscroft, Interviewee, *SW Rural Productivity Commission - Cornwall Panel Hearing*. [Interview]. 28 June 2017.
- [194] N. Robertson, "Response to SW Rural Productivity Commission," 2017.
- [195] Local Government Association, "Local Government Association," 5 April 2017. [Online]. Available: <https://www.local.gov.uk/topics/devolution>. [Accessed 31 July 2017].
- [196] CLA, "CLA," 2016 Feb 2016. [Online]. Available: <https://www.cla.org.uk/your-area/south-west/regional-news/devolution-south-west>. [Accessed 31 July 2017].
- [197] Shared Intelligence, "Is the grass Greener...? Fragmented Funding for Growth 2016/17," LGA, 2016.
- [198] C. Charles Trotman, Interviewee, *SW Rural Productivity Commission, Wiltshire Panel Session*. [Interview]. 6 July 2017.
- [199] W. C. Julian Head, Interviewee, *SW Rural Productivity Commission: Wiltshire Panel Hearing*. [Interview]. 6 July 2017.
- [200] S. B. A. Patricia Marks, Interviewee, *SW Rural Productivity Commission, Somerset Panel Session*. [Interview]. 9 June 2017.



THE SW RURAL PRODUCTIVITY COMMISSION Evidence Report 2017