

# A Strategy for Growth 2013 - 2020

May 2013









# 1. Introduction

Devon County Council's (DCC) Strategic Plan sets out how the county can ensure that Devon is strong, healthy and prosperous, and is the place we all want it to be. It highlights the role that enterprise can play in helping us achieve that goal and our vision of improving quality of life for all who live, work and visit the county.

Our challenge is to promote strong and sustainable growth in Devon – a task made harder given the current challenges faced by the UK and world economy. But it is essential that we deliver, and the County Council has a strong role to play as an employer, a purchaser of goods and services, and through the implementation of strategies to guide the future development of Devon.

Our role is changing as the Coalition Government seeks to rebalance the economy, but this means it is even more important for us to recognise the role that all our various services play in supporting growth, and ensure that they are fully aligned with the imperatives set out in this document.

This document is based on sound evidence to show the economic context for **why** we need to change and do things differently, **what** we will do and **who** will deliver actions to support growth.

We will use this Strategy and the vision it contains to clearly articulate to partners, who are also delivering economic growth, the approach we are taking, with a view to working better together to get the most of every penny we spend. The Strategy will also help shape our conversations with central Government and provide a clear direction for the growth agenda when we are commissioning services.

The Strategy is a clear statement of what we are doing to not only support the county through the current tough economic times, but also our long term vision of what needs to be done to realise our vision of promoting a better quality of life for all.





## 2. The evidence – the scale of the challenge

### Economic Context

The national economic context for this Strategy for Growth is challenging. In the recently-published Autumn Statement, the Office for Budget Responsibility's central forecast for Gross Domestic Product growth in 2012 was revised downwards – from +0.8% to -0.1%. Looking ahead, OBR's central forecast suggests that nationally, GDP will grow by 1.2% in 2013; 2.0% in 2014; and 2.3% in 2015.

The factors which underpin these estimates are important and are likely to shape economic performance for some years to come. One component relates to the on-going financial crisis and the perceived reluctance of banks to lend to businesses. In terms of economic growth, this creates problems and businesses without access to sufficient equity funding cannot invest or grow without some form of external debt finance to support working capital and capital expenditure requirements. A second key determinant is the on-going Eurozone crisis and the implications of it for both trade and investment; the challenge in this context is that the crisis is far from resolved and its outcome remains very uncertain. A third structural issue surrounds commodity prices which have increased significantly in recent years. On some fronts and particularly energy prices, there is no suggestion that the process of price escalation is about to stop; indeed the Autumn Statement itself observes (para 1.21) that *"energy and fuel prices remain a source of potential risk over coming years"*.

Within this overall context, Devon's economy faces intrinsic challenges. Structurally it is dominated by small and micro enterprises and these tend to rely more on debt than equity finance – hence making them particularly vulnerable to banks' unwillingness to lend. Moreover, the county's extensive geography and its distance from the main centres of population mean that high energy and fuel prices are more problematic in the Devon context than across the UK as a whole. The underlying causes of continuing poor national economic performance are therefore biting particularly hard for businesses and communities in Devon.

### Overview of Devon's economy

Overall, in 2009, the value of Devon's economy (measured in terms of Gross Value Added (GVA) at current basic prices) was just over £12bn<sup>1</sup>. In 2010, the county was home to over 30,000 active enterprises<sup>2</sup>. It accounted for approaching 300,000 employee jobs<sup>3</sup> and almost 60,000 residents were self-employed<sup>4</sup>. Overall, in 2010, the population of Devon was just short of 750,000<sup>5</sup> and the number of residents aged 16-64 (a proxy for the working age population) was slightly over 450,000; of these, some 78% were either in work or actively seeking work, and the employed population (whether employed or self-employed) numbered around 340,000<sup>6</sup>.

1 ONS Regional Accounts (as at 14 December 2011)

2 ONS IDBR (Business Demography 2010)

3 ONS ABI Employee Analysis, 2008

4 ONS Annual Population Survey

5 ONS Census 2011

6 ONS Annual Population Survey

To put these numbers in context, it is useful to compare Devon with similar rural authorities. In terms of headline GVA, the Devon economy is about 50% bigger than that of Somerset, with a GVA of just over £8bn, but smaller than Norfolk (£13bn). Devon has slightly more active enterprises than Norfolk but fewer employee jobs (suggesting a higher incidence of smaller businesses).

However in economic terms, Devon needs to be understood also in terms of its own diversity. Within Devon, there is one city (Exeter) which has a significant impact on the economic character of the Devon economy as a whole. Defined in a way that includes the wider hinterland, Exeter is home to approaching 20% of Devon's resident population. Further north, west and south, Devon is overwhelmingly rural and its economic character is shaped significantly by the presence of two National Parks (Dartmoor and Exmoor) and extensive Areas of Outstanding Natural Beauty (in both the south and north of the county). Whereas Exeter and the towns on the main road/rail corridor (A38) and the route of the Great Western Railway (from Plymouth to Exeter and on to Bristol, Reading and London) are relatively well connected, significant areas of the county are remote from major centres of population and economic activity. Peripherality and access to key economic markets is therefore an important issue for Devon's economy.

The county also needs to be understood in tandem with its adjacent areas. To the south east is Torbay, an urban area facing some important economic issues with a dependency on seasonal tourism. Currently there is net out-commuting from Torbay to neighbouring districts in Devon. Longer term interventions to address these issues are underway, such as the construction of the South Devon Link Road, support for sectors such as the electronics industry and significant investment in the new South Devon College. To the south west is Plymouth which is a sizeable city (and bigger than Exeter in population terms). Long dependent on the Naval Base (which itself has an uncertain future), Plymouth too is seeking to change and to reposition itself as a vibrant waterfront city, and a "city of ideas".

## Critical issues in relation to Devon's economy

When considered in relation to the overall economic context outlined at the start of this chapter, Devon undoubtedly is facing some risks in relation to its future economic well-being. Drawing on the extensive evidence base which was assembled in developing the Local Economic Assessment (LEA), seven of the most important critical issues are summarised briefly in the paragraphs below. Together, these inter-related issues provide the rationale for the **Strategy for Growth**.

### Critical issue 1:

#### Devon's economy is performing poorly in terms of productivity

In work commissioned for the LEA, Cambridge Econometrics (CE) estimated that Devon's productivity, in terms of GVA per job<sup>7</sup>, was £31,100 in 2010, compared to a national average of £36,600. The fact that Devon's performance is some way adrift is not surprising: the national figures are heavily influenced by London and most local economies appear to be performing badly in comparison. However CE's analysis also suggested that since 1990, productivity in Devon had increased by 1.6% pa, some 0.2pp pa behind the UK average. Over this twenty year period, the productivity gap with the UK has widened from 88% of the UK average to 85%. Simply put, over this two decade period, Devon became, relatively, a less productive and, therefore, less competitive place.

7 at constant 2005 prices

The reasons for this deterioration in relative performance are complicated. Analyses suggest that the main reasons are the sectoral structure of Devon's economy (with a high incidence of jobs in low wage sectors), the productivity and earnings of jobs in each sector, the occupations undertaken by workers in the economy and under-performance against key innovation indicators. To improve Devon's economic well-being, the **Strategy for Growth** must tackle these issues.

### Critical issue 2:

#### Devon has a relatively skilled workforce however this masks significant differences at a District level

Skills and qualification levels provide a good proxy for the "quality" of the available labour supply. Across Devon as a whole, they are broadly similar to the national average, at both ends of the labour market. However, there are substantial differences at a district level. Almost 40% of the working age population of South Hams is qualified to degree level or above; this compares to 20% in Torridge. The profile is the mirror image in relation to no/low qualifications.

These differences are significant and there is also a striking correlation with resident-based earnings. In Torridge, there appears to be something of a "low wage, low skills equilibrium": most people find jobs, and they do so locally, but these are not well paid, relative to elsewhere. Businesses therefore appear to be relying on staff with low qualification levels; they are paying them poorly; and productivity performance is poor. These different factors start to create a vicious circle and businesses will ultimately struggle to invest and to compete, creating vulnerabilities.

The global economic downturn has impacted on the Devon economy in the same way that it has affected many rural and urban areas across the UK. Since 2008, unemployment in Devon has risen by 56%<sup>8</sup>, however throughout this period the proportion of the working age population that is out of work has remained below the national average. This indicates that Devon's labour market has remained quite resilient in the face of these adverse global market forces. What is of some concern, however, is the proportion of young people out of work and struggling to engage in the labour market, often for the first time. Since April 2008 the number of people aged 24 and under claiming Job seekers Allowance has risen by 81.4%, compared to the UK average of 56.1%.

### Critical issue 3:

#### Earnings are lower than average in most of Devon and link to housing affordability and relative poverty

Average workplace earnings across Devon at £420pw are much lower than the England average (£507pw), although this figure is distorted by data from London. A much better comparison would be to look at similar rural counties but even here Devon workers do not fare as well. Workplace earnings are higher in Cumbria (£457pw), Norfolk (£452pw) and Somerset (£442pw). There is substantial variation in wage levels within Devon. In Exeter, employers pay the highest wages at £475pw compared to West Devon (£363pw) and Torridge (£336pw) where workers earn the least.

Resident based earnings also differ across the county. In South Hams for example, residents earn significantly more than workers (£503pw compared to £401pw) and this points to

8 Annual Population survey between Oct 2007-Sept 2008 and Oct 2011-Sept 2012



a degree of out commuting. South Hams with its outstanding environment and good connections to Plymouth, Exeter and London experiences higher house prices compared to other parts of Devon. Those that can afford to buy, generally rely on salaries earned outside the district. At the other end of the scale, Exeter residents earn much less than those who come to work in the city (£440pw compared to £475pw). This suggests that Exeter's higher paid jobs are taken by commuters who are living elsewhere.

High house prices and transport costs associated with commuting to access employment act as a squeeze on disposable income for many Devon residents. This also has a knock-on effect on spend in other parts of the local economy.

#### Critical issue 4:

#### Devon has an opportunity to better exploit the assets it has for high value economic growth

Overall 46% of Devon's jobs are in the knowledge economy; this compares to 53% across England as a whole. Within Devon, Exeter has the highest incidence of knowledge economy employee jobs and it is the only district where the proportion is higher than the England average. For Mid Devon and West Devon, the proportion of knowledge economy employee jobs is below 40% of the total, thirteen or more percentage points below the national figure.

Yet within Devon, there are substantial knowledge-based assets. The University of Exeter is currently ranked between 7th and 13th in the principal UK ranking compilations, and it has climbed these ranks over recent years. It has a wide range of internationally significant research specialisms including environment and sustainability; translational medicine; and functional materials. In 2010, the Foresight Horizon Scanning Centre completed – and published – a major piece of work, *Technology and Innovation Futures: UK Opportunities for the 2020s*. It identified 53 technologies (grouped into 28 clusters) which “are likely to be important in the UK in the 2020s, because of the UK's comparative advantage today, its future needs or the size of its market”. There is a clear read-across to the University of Exeter's particular specialisms. In addition, within Devon, there are some major knowledge-based companies – notably the Met Office.

Although headway has been made in providing an infrastructure for the commercialisation of knowledge and the growth of knowledge-based businesses (e.g. an innovation centre and Exeter Science Park), these remain embryonic ventures and their progress has not been helped by the economic down-turn. However they are important for Devon as a whole. In parts of the county, there is a highly skilled workforce and hence opportunity for the development of knowledge-based economic activity. This in turn could potentially do much to increase currently low levels of graduate retention; and, ultimately, to help create more, higher paid, jobs across the county.

#### Critical issue 5:

#### Devon's towns and rural communities in more peripheral areas are falling behind

Devon is a large county and parts of it are quite remote from major urban centres. For instance from Barnstaple, London Paddington is almost 4 hours away by train (whereas from Exeter, the fastest trains reduce the journey time to 2 hours); and for many rural areas in the north of the county, the travel time to London is substantially longer again. There is much evidence that the more peripheral parts in the north and west of Devon are struggling in economic terms and little investment is being made. This is creating areas of poverty and deprivation (e.g. seaside towns like Ilfracombe) but there is, more generally, concern

about economic malaise. Some young people are struggling to find jobs locally which pay a reasonable wage and they cannot afford to live locally, and hence their drift away continues. Long term, this is a major concern in relation to community sustainability and well-being.

### **Critical issue 6:**

#### **Devon's population is ageing rapidly**

More generally, Devon's population is growing and ageing, and by 2026 the population of Devon is predicted to grow to around 860,800 – an increase of 106,000 or 14%. The increase is not expected to be evenly distributed across the county, and in some areas, the working age population is projected to decline. Across Devon, by 2026, there will be nearly 34,000 more people of working age.

Looking ahead, this means that the social make-up of Devon will change and the increasing proportion of elderly people – particularly in the more rural areas – will, in economic terms, present a challenge. Of course, population ageing brings opportunities too and businesses as well as public sector organisations will need to respond to the markets it creates. Overall though, dependency ratios look set to increase, particularly in those parts of the county that are already struggling economically. The implications for the provision of health and social care could be substantial but more generally, this changing demography will have substantial implications in relation to the character of local economies and the demand for goods and services locally.

### **Critical issue 7:**

#### **Devon's resilience to face environmental changes is being challenged**

Finally, it is important to comment on some of the environmental challenges that Devon is facing. During the second half of 2012, there was serious flooding in many parts of the county and at strategic transport locations outside of Devon which impacted upon the county. Households, businesses, agriculture and infrastructure were all significantly affected, especially transport links. For businesses contemplating investing locally, this has the potential to be a major deterrent. In addition, because of its scale and the county's rurality, Devon is heavily dependent on road-based transportation (for both people and goods); with rising prices associated with energy and fuel, the risks are likely to become more acute.

## **Conclusion**

This assessment of Devon's economy has emphasised some of the challenges that really must be addressed. In shaping Devon's economic future these challenges need to be addressed and creative solutions developed. The surrounding imperative is all the more pressing given the challenging national economic backdrop outlined at the beginning of this chapter. Devon needs, as far as possible, to steer its own economic destiny and to do so in a manner that creates sustainable opportunities, particularly for its talented young people and graduates.



## Summary of critical issues – barriers to growth

- Critical issue 1:** Devon's economy is performing poorly in terms of productivity.
- Critical issue 2:** Devon has a relatively skilled workforce however this masks significant differences at a District level.
- Critical issue 3:** Earnings are lower than average in most of Devon and link to housing affordability and relative poverty.
- Critical issue 4:** Devon has an opportunity to better exploit the assets it has for high value economic growth.
- Critical issue 5:** Devon's towns and rural communities in more peripheral areas are falling behind.
- Critical issue 6:** Devon's population is ageing rapidly.
- Critical issue 7:** Devon's resilience to face environmental changes is being challenged.



# 3. Meeting the Growth Challenge

## Introduction

Against a national backdrop of sluggish economic projections, sustaining growth in Devon will be a challenge over the coming years. This is important in the context of continuing public sector austerity. Over the life time of this strategy, there will be very little public sector resource to invest in both infrastructure or revenue projects, and the challenge will be to “achieve more with less”.

This overarching message was re-affirmed within the Autumn Statement (December 2012). The Autumn Statement did however set out some new spending commitments. In the main, these were focused on some of the core cities and in the key academic centres of the greater south east (including London). Government announced increased support for UK Trade and Investment (UKTI) in a bid to boost exports and to attract inward investment, particularly in high growth sectors. It also committed to developing industry partnerships in sectors such as higher and further education; information technology; life sciences; and aerospace. Spatially, these spending decisions were not neutral: *de facto* they appeared to be focused on those areas that government judges most likely to deliver economic growth at both scale and pace.

For Devon, the Autumn Statement 2012 contained little to signal new public sector investment (other, potentially, than in flood defence schemes linked to the growth of Exeter). However it did set out some “levers” to effect economic growth at a local scale and some opportunities to bid for funding; both channels will need to be used to the full.

In relation to this **Strategy for Growth**, the delivery route will therefore be a “patchwork quilt”. Devon County Council will need to influence and draw on a wide range of processes some based around grant funding, but more based around incentivising the growth process. The principal opportunities are set out below.

### 1: Working with and through Heart of the South West Local Enterprise Partnership

The Autumn Statement included the first part of government’s response to Lord Heseltine’s Report, *No Stone Unturned – in pursuit of economic growth*. Through this route, government announced a greatly increased role for Local Enterprise Partnerships (LEPs) which will be resourced in part through £10m of capacity funding for which individual LEPs will need to bid. Although the details are currently sketchy, the commitment was made to devolve growth related funding to a single funding pot by April 2015; the use of these resources will subsequently be informed by “*new strategic plans for local growth consistent with national priorities*” which the LEPs have been asked to prepare. Additionally in the Autumn Statement, government committed to:

- aligning EU Common Strategic Framework Funds in England with LEPs’ plans and notionally allocating funds to each LEP to support their identified investment priorities;
- affording LEPs a key role in relation to local skills strategies;
- providing a further £350m for the Regional Growth Fund; and
- making available a new concessionary public works loan rate to infrastructure projects nominated by LEPs.

In seeking to deliver its **Strategy for Growth**, Devon County Council will need to work very closely with the Heart of the South West LEP (HoSW LEP). HoSW includes Plymouth, Torbay and Somerset as well as Devon and hence the LEP's priorities are defined on a broader canvass. Devon County Council is represented on the LEP Board, and officers from Devon County Council are part of the Executive Group and associated interest groups which provide resource and capacity to deliver priority initiatives. Over the months and years ahead, the priority for Devon County Council will be to ensure that the priorities contained within the **Strategy for Growth** are appropriately reflected in the LEP's activities.

## **2: Incentivising local economic growth through local taxation and the planning system, and the role of local government**

In addition, principally through its localism agenda, government has set out a range of mechanisms through which local government might incentivise economic growth. In general, these mechanisms involve little or no grant funding; and invariably, they rely on close and collaborative joint working between upper and lower tier authorities. In delivering the **Strategy for Growth**, these mechanisms will need to be used creatively. In many cases, Devon County Council may need to support rather than lead partners, but its role will be crucial nevertheless. Five key elements of this are explained below.

### **Locally funded Enterprise Zones**

In the Autumn Statement, the government set out the scope for locally-funded Enterprise Zones (EZs). There is little further detail, but the presumption must be that these areas might have Local Development Orders (simplifying planning rules) and/or some level of "business rates holiday". Over the last couple of years, two "waves" of EZ schemes have been announced by central government, and in the bidding process, HoSW LEP was unsuccessful. However it is noteworthy in the Autumn Statement that government has prioritised EZs in relation to infrastructure spend. Partly for this reason, and partly because EZs ought to be a catalyst for economic growth, the County Council may wish to explore possibilities with the districts.

There might, for example, be a good case for considering a locally-defined Enterprise Zone linked to the major Exeter and East Devon Growth Point scheme, as well as some potential for schemes in Barnstaple/Bideford, Newton Abbot and Tiverton. These have important assets (not least Exeter Science Park); its development, like many similar schemes elsewhere in England, has been slowed as a result of recession, but its underlying rationale is intrinsically sound. In addition to this, the wider scheme is set to deliver jobs and houses at scale thereby ticking the boxes that central government has defined. From a central government vantage point, a locally-led venture of this type would signal local commitment to rapid economic growth.

Equally, it may be that an EZ model might be appropriate in relation to Barnstaple-Bideford. Here, the scale of growth would be less – but the need for it is more acute.

### **Local government financing and the retention of business rates**

More generally, as part of evolving arrangements for local government financing, local authorities' relationship to business rates is changing. In the future, local authorities will retain a share of any uplift in business rates, thereby creating an incentive to grow them. In practice this means encouraging the development of commercial premises and the new arrangement creates a particular incentive to do so in areas in which rateable values are high. Generally speaking, these areas are the ones that businesses are in any case inclined to favour – albeit they sometimes present challenges in relation to existing planning policy. Across



Devon, district and unitary authorities have agreed to work together to pool business rates. In future, the County Council will need to work creatively with the local planning authorities in this context, highlighting the opportunity to flex planning policies in favour of both economic growth and the growth of council receipts.

### Developer contributions to infrastructure funding

In parallel, the Community Infrastructure Levy (CIL) has the potential to be an important mechanism for funding non-site specific infrastructure through the development process. Whilst CIL is proving complicated, some local planning authorities have already published CIL schedules. In Devon, CIL schedules are in the process of being drafted and are at varying stages of development. In some cases joint boards have been set up with individual authorities and Devon County Council. Where possible, Devon County Council will work closely with its districts to ensure that CIL schedules are properly aligned to the **Strategy for Growth**.

### New Homes Bonus

New sources of funding being directed at a local level are also aimed at incentivising housing growth. The New Homes Bonus will provide local authorities with a new funding source equal to the additional council tax raised for new homes and empty properties brought back into use.

### Collaboration between local authorities, Tax Increment Financing, City/County Deals

Finally, the government has set out a range of mechanisms to effect stronger collaboration between different local authorities, including different tiers of local government. In part this is intended to save money – through shared services, etc. But used creatively, it could effectively create more resources/traction to deliver economic growth, through better investment of central Government resources, alongside local funding.

One aspect of this is, potentially, the scope for a Devon-wide County Deal. Currently, a number of City Deals have been agreed over a number of waves, including Plymouth. In general terms, their purpose is to define shared investment priorities in pursuit of economic growth across functional city economies as the basis, literally, of a “deal” with government in the form of enhanced powers and funding. To date, the most ambitious has been that developed in Manchester. There, the local authorities have proposed an “Earnback model” through which government will invest £1.2 billion up front in infrastructure that will be “paid back” as real economic growth is seen. In essence, this is a tax increment finance-style scheme, and – informed by experience in North America – it is likely to be a key element of future approaches to funding the infrastructure needed to support economic growth.

Informed by the City Deal process, government has intimated that there may be scope for a similar type of arrangement across county geographies. As yet there is no specific mandate for a ‘County Deal’ but the increasing emphasis on devolving powers and flexibilities to drive growth locally is an opportunity for Devon and its partners.

### 3: European funding: ERDF, ESF, Rural funds and the Common Agricultural Policy

Whilst UK central government funding is seriously thin on the ground, there are still important funding opportunities, which Devon County Council should consider. The current programming period ends in 2013 and a new one will begin in 2014, running through to 2020.

In England, the EU funds for 2014-2020 will be brought together into an 'EU Growth Programme'. The funds included are the European Regional Development Fund (ERDF), European Social Fund (ESF) and some of the European Agricultural Fund for Rural Development (EAFRD).

The top priorities for the EU Growth Programme are:

- Innovation (including research & development)
- Support for SMEs
- Skills
- Low carbon
- Employment
- Social inclusion

The new programmes are being shaped by Europe 2020, the EU's growth strategy for the next decade. This strategy is about delivering growth that is smart, sustainable and inclusive with a strong emphasis on job creation and poverty reduction. Europe 2020 is focused on five main goals and targets:

- Employment – 75% of 20-64 year-olds to be employed by 2020
- Innovation – 3% of the EU's GDP to be invested in R&D
- Education – reducing school drop-out rates to below 10% and at least 40% of 30-34 year-olds completing third-level education
- Poverty reduction – at least 20 million fewer people in or at risk of poverty and social exclusion
- Climate/energy – greenhouse gas emissions 20% lower than 1990; 20% of energy from renewables; and 20% increase in energy efficiency

As well as employment and economic growth, Europe 2020 includes a significant emphasis on innovation and science, with climate change, digital developments and smart specialisation featuring prominently on the agenda. The County Council is currently developing a Smart Specialisation Strategy (S3) for Devon which will help to inform a future LEP/national S3, ensuring that investment in innovation and research is aligned with local strengths and specialisms.

The EU budget agreement in February 2013 confirmed the creation of a new funding category, known as 'transition', for regions with GDP per capita between 75% and 90% of EU average. Devon (including Plymouth and Torbay) has GDP per capita of 88% of EU average so will qualify as a transition region. This means that projects in our area could potentially get a higher grant rate (up to 60%) through the EU Growth Programme and possibly more flexibility in how funding is spent eg. on economic infrastructure. This will be particularly important when looking at how the actions contained within this Growth Strategy will be funded and delivered.

There will be a number of other changes in the new EU Growth Programme, as compared with current EU regional funds, including:

- more emphasis on performance and results - “better spending”
- a narrower focus - supporting growth through innovation, SME development and the green economy
- different funding mechanisms - in particular loans and financing in order to secure private investment
- changes in match funding requirements
- simplification - reducing bureaucracy through simpler funding rules
- integration of funds - ensuring that the Structural Funds work more effectively together
- community-led development - continuing and expanding the ‘Leader’ approach to support local action groups

EU Growth Programme funding will be notionally allocated to LEP areas: the allocation for the Heart of the South West LEP area being made up of Devon’s ‘transition’ funding combined with Somerset’s ‘more developed areas’ funding. LEPs are expected to lead the development of an EU Investment Strategy, work which is already underway in the Heart of the South West. The overarching themes in the HOSW funding strategy match those of the Growth Programme, with low carbon and social inclusion as cross-cutting themes.

It will be important that the links are made between the Strategy for Growth and the emerging HOSW LEP EU Investment Strategy and to help this, a DCC EU Funding Prospectus is being drafted.

In addition, sight should not be lost of the on-going renegotiation of the Common Agricultural Policy (CAP). This is proving to be contentious and it is likely that implementation will be delayed by a year, until 2015, to allow time for the new rules to be absorbed. The key effects of the changes include:

- the balance of direct payments to farmers will shift towards eastern Europe
- direct payments will have more conditions (diversification; ‘ecological focus areas’)
- a more uniform payment system across all EU countries (there are currently different systems based on different historical data)
- a cap on the amount of direct support that can be paid to the largest farms

For rural areas, and particularly for land-based businesses, CAP is enormously important. The current negotiations will have a fundamental bearing on these businesses’ future financial performance and well-being. For Devon, the consequences could be profound and therefore the Council will continue to play a full and active part in developing proposals for the future round of EU funding, working closely with the LEP and other partners as appropriate.







#### 4: Role of Devon County Council

Finally, it is important to recognise the responsibilities of, and powers within, Devon County Council in delivering the **Strategy for Growth**.

First, Devon County Council needs to recognise that with a workforce of over 15,000 it employs around 5% of Devon's total workforce. It is therefore one of the largest employers in Devon. It is also a major procurer of goods and services, with an annual value of £430m. From both vantage points, Devon County Council has a significant direct impact on Devon's economy and this needs, as far as possible, to be aligned with the priorities set out in this **Strategy for Growth**.

Second, it is important that all relevant Council's functions are aligned with the direction of travel set out in this document.

Third, it is important to acknowledge that Devon County Council is one player in a complex arena. Its ability to lead and influence a range of public and private sector bodies will be important for the future of Devon's economy. In particular, close working with Devon's District Authorities in support of the Duty to Co-operate around economic planning, development and delivery is critical.

The agenda set out in this **Strategy Growth** is ambitious. To achieve it, the whole of Devon County Council needs to commit to its delivery.

## 4. A Vision for Devon's Economy

The overarching vision for Devon is clearly stated in the Strategic Plan (2011-2015) 'Backing Devon':

*To improve the quality of life for the people who live, work and visit the county.*

The Strategic Plan also has a separate vision to create:

*A flourishing and balanced economy, with strong economic growth and high quality employment*

These are both underpinned by four values, including enterprise, care, community and value. It is recognised that of these, enterprise plays a fundamental and key role in helping us to realise our vision, and lies at the heart of what we do. A strong, resilient and thriving economy can improve the health and well-being of our residents, support the local landscape and environment, and our business community.

## 5. Strategic Outcomes

In order to realise the vision, the evidence base points to 7 critical issues within the economy that need to be tackled. Our aim is to tackle these issues and by doing so, secure the following strategic outcomes:

- **A more productive economy**
- **A higher wage economy**
- **Employment opportunities for all and a workforce with the right skills for the future**
- **A well connected county**
- **A thriving business community**

### **A more productive economy – narrowing the productivity gap**

Through this outcome we are seeking to achieve growth in productivity, so that each worker in Devon produces more for the economy. We recognise that the productivity gap between Devon and the UK average has been widening. Through actions to drive productivity growth in terms of investment, innovation, skills, enterprise and competition we will see a narrowing of this gap bringing productivity growth in the Devon economy in line with the UK average.

This is a long-term ambition for the Devon economy, requiring a shift in its industrial structure and encouraging growth in sectors that achieve higher levels of productivity.

### **A higher wage economy – narrowing our wage disparity with the rest of the UK**

Through this outcome we are seeking to ensure that average wage levels in Devon grow at a faster rate than the UK average so that we can realise a higher waged economy for Devon residents and workers. We will achieve this through actions to upskill staff and encourage businesses to create new higher paid employment opportunities, focusing on growing those sectors capable of delivering higher skilled, higher waged jobs.

## **Employment opportunities for all and a workforce with the right skills for the future – realising everyone's potential**

By creating better paid jobs, we are seeking to support our young people and long term unemployed into work. We want to make sure we have a workforce with the right skills to meet the future needs of business. So we will forge better links between employers and education providers to ensure our school leavers have the skills they need to get on. We also want to make sure we retain the high calibre graduates emerging from Plymouth and Exeter Universities.

## **A well connected county – locally, nationally, globally**

We are seeking to improve road, rail, air and broadband connectivity and help support businesses expand through reaching new markets and developing local supply chains. The focus of activity in support of this outcome will ensure the county builds and maintains connections to secure easy access to the key economic centres both in the UK and abroad.

## **A thriving business community – improving resilience and business performance**

Through this outcome we want to ensure we have a vibrant business community that is both ambitious and resilient. We are seeking to foster the next generation of entrepreneurs, ensuring existing businesses have the right support to grow, innovate and become more competitive. Our actions will focus on ensuring business support is available to those businesses who need it alongside business premises to meet a range of needs.

## **Intelligence, Leadership and Influence**

Actions to realise the 5 strategic outcomes set out in this strategy will only succeed if the Council is able to exert leadership and influence, and to deliver its priority actions based on sound evidence. We want to maintain and develop a wide range of relationships and exploit opportunities to lobby and influence in support of the key issues affecting the Devon economy. Our actions will build on recent successes to maximise funding opportunities for Devon, linked to the priorities set out in the next chapter. We will work with HOSW LEP and with government to ensure Devon has access to the resources and support it needs to grow its economy. All this will be underpinned by continuing activity to develop and maintain a solid economic evidence base to help make the case for Devon.





## 6. Priority Actions

### A - A more productive economy

Over the past decade, economic growth across the UK has largely been driven by growth in employment, most notably within the public sector. Whilst for Devon, employment growth remains important to ensure residents' skills are fully utilised; in the future, accelerated growth will require much higher increases in productivity.

The Local Economic Assessment has identified Devon's sectoral structure as one of the key barriers to accelerated growth in the county. With a high dependency on low productivity and low growth sectors, Devon also has a low proportion of knowledge intensive businesses. Working to shift the industrial structure of Devon's economy will not only improve productivity but also impact positively on the other outcomes identified as a priority for growth.

Increasing the productivity of our economy is fundamental to driving economic growth in Devon. It is recognised that there are 5 key issues which help to drive productivity. These are: investment; innovation; skills; entrepreneurship; and competition. Focussing our priorities for action around these areas will ensure that we are clearly focussed on tackling the right issues which can drive growth in our economy.

Actions related to skills have been included under section E. Actions related to investment, innovation, entrepreneurship and competition are set out below.

#### Investment

Investment in physical capital is an essential component of productivity growth and is undertaken to improve technology, productive efficiency and future capacity. By investing in up to date plant, machinery and processes, businesses will become more productive. However **access to finance** is often cited by business as one of the key barriers to growth and this is an area where public sector bodies can seek to influence in Devon and identify other sources of funding and investment models. Support can include providing information on funding opportunities as well as more direct support for businesses seeking to access schemes such as Growing Places Fund, Regional Growth Fund, Rural Economy Grants and future rounds of European funding.

Devon County Council also has a role itself in investing to secure the right infrastructure for business, including a range of **employment space** to suit the needs of Devon's businesses. **The Devon Work Hub network** was set up by the council to support the development of flexible workspace across the county. This is in recognition that there are 85,000 home based workers in Devon that often require flexible workspace along with the business support and collaborative business network that a work hub can create. To date the council has supported 4 new work hubs in towns across the county with the potential to extend this network to new areas.

Devon County Council has worked in partnership with neighbouring authorities within the Exeter and East Devon Growth Point, to bring forward a range of new employment space such as Exeter Science Park and Skypark. By working in partnership with other key public sector partners, such as district authorities and the Local Enterprise Partnership, Devon can ensure there is a range of employment space to meet the needs of business. In addition,



the Council also owns and manages a number of industrial estates and the on-going joint venture with **Norfolk Property Services** (NPS) represents an opportunity to maximise these assets. Work is underway to develop employment sites at Roundswell in Barnstaple and at Okehampton.

Through management of its own estate, Devon County Council contributes to wider economic outcomes for the county. The **Devon Farms Estate** was acquired during 1908 to 1940 to provide rural employment at a time of mass urbanisation and to help the country recover from food shortage during and after two world wars. It currently comprises of 84 farms totalling 4031 hectares, including six nursery farms, 39 starter farms and 39 progression farms. The farms are mostly let on lifetime, retirement age, and fixed term Farm Business tenancies. They provide significant social economic and environmental value to Devon and an opportunity for entry into the farming sector for Devon's residents.

Flood prevention and the wider community resilience infrastructure presents significant opportunities to businesses in Devon. It is estimated that the new flood defences in Exeter will create 1,000 jobs and protect vulnerable businesses employing a total of 4,700 people. The flood defences will protect land for business development, major rail and sewage infrastructure and over 2,000 homes.

Investment in the development and maintenance of important highways and transport infrastructure such as roads, rail and buses is also critical for the success of the County – and is explored more fully in Section D 'A Well Connected County'. This type of infrastructure development, alongside investment in skills issues has formed the basis of some City Deals and could also form part of any emerging County Deal. Similarly, future EU funding programmes post 2014 will also have a key role to play in supporting appropriate investment in physical infrastructure to support the Devon economy.

## Innovation

Innovation can be defined as any change that an organisation or business makes that adds value, for example through the development of new products, services and processes. Innovation is a fundamental driver of growth, and is a key enabler of the knowledge economy. There is abundant evidence to suggest that innovative economies are more productive, grow faster, enjoy higher standards of living and are generally better at responding to change.

The Local Economic Assessment for Devon has reported that there is a low proportion of activity within the knowledge economy. Increasing the proportion of Devon's businesses within the knowledge economy is crucial to securing future economic growth for the county.

Devon County Council has undertaken work to scope a range of activities that promotes innovation across the county. Projects currently underway include the delivery of **Exeter Science Park** as well as work in partnership with the University of Exeter, to deliver their Innovation Fitness 2 toolkit to businesses in Devon.

The development of a **Smart Specialisation Strategy** represents a new approach to innovation. It will focus efforts around identified strengths and clusters within a region, as the basis for structural fund investments and as part of the future Cohesion Policy's contribution to the Europe 2020 jobs and growth agenda. Devon County Council will work with partners across the Heart of the South West LEP area to lead the development of this strategy.

In addition to this work is planned to implement the **Devon Knowledge Network** which will draw on innovation expertise. Other activities include signposting of **support to businesses, innovation showcasing events**, and delivery of **innovation support** through the Rural Growth Network.

Internally, Innovation@DCC will ensure that the County Council fully embraces the innovation agenda in its internal practices and its dealing with businesses and residents and will develop a formal approach to this across the organisation. Adopting more innovative practices across Devon County Council will help to develop alternative delivery arrangements and support the Council's ability to meet the budget challenges ahead

## Enterprise

Enterprise is defined as the seizing of new business opportunities by both start-ups and existing firms, and is an important source of productivity growth and wealth creation. Supporting and developing the next generation of entrepreneurs will be important in driving productivity growth in the future. The Economic Assessment for Devon cites the high levels of self-employment throughout the county. Whilst a lack of employment opportunity may be a driver for this, it also highlights the entrepreneurial spirit present in the county which should be harnessed. Working in schools to **encourage enterprise** is a key strand of activity. At the same time working with retirees, seeking to invest as **'Angels'**, could provide mentoring opportunities for new business start-ups.

Devon Trading Standards has an important role to play in supporting enterprise in Devon. With its dedicated **Business Support Team**, the service is able to offer tailored advice to businesses, both existing and start-ups, on regulatory issues before problems arise.

The Devon and Somerset Rural Growth Network (RGN) will also deliver a range of business support to encourage enterprise in the rural economy. Promoting growth in rural areas is recognised as a key issue for Devon and the RGN will provide support to businesses to enable them to assess their needs and to access appropriate help. Innovation will be promoted, alongside specialist support to family based businesses and women entrepreneurs.

## Competition

Competition is important for productivity growth. A greater level of competitive intensity encourages new entrants to the market, increases the pressures on incumbent firms to improve product quality and reduce prices, and encourages businesses to develop new and innovative products and production processes. Creating a competitive environment for Devon businesses will therefore be important for driving productivity growth.

Attracting businesses to relocate to the county supports the development of a more competitive economy. Devon County Council has undertaken **inward investment** marketing with some degree of success. Furthermore targeted campaigns to support sectors identified to drive employment and productivity growth will ensure limited resources are used to best effect.





Devon County Council has an important role to play with partners to seek out opportunities to market and showcase the county to its best effect. Support for Devon's bedrock sectors – Tourism and agriculture – will ensure the county maintains and enhances one of its key assets, the quality of its natural environment. To support this, the Council will continue working with the **Devon Tourism Partnership** to promote Devon as a top quality destination. Projects to enhance the natural environment such as the **Devon Local Nature Partnership** will secure economic benefit for a wider area. Opportunities to showcase the county through events such as the **Tour of Britain** provide an additional way of marketing Devon to a national audience.

## B - A higher wage economy

The Economic Assessment for Devon has highlighted that wage levels across the county are significantly below the national average and also below those of comparator counties (Somerset, Norfolk and Cumbria). This affects the area's performance on productivity and also contributes to issues relating to housing affordability and poverty.

Issues relating to low wages, are linked with the county's sectoral structure and its dependency on low productivity, low skilled jobs. Encouraging a higher waged economy across the county will go some way to resolving issues relating to housing affordability and long distance commuting. The effects of increasing average wage levels will also have a positive effect on sectors reliant on discretionary spend, such as retail, hotels and catering and leisure activities thus supporting growth across the economy.

To best explore how a higher wage economy can be promoted, the Council commissioned SERIO, part of Plymouth University, in Oct 2012 to carry out in-depth research into the **sectoral structure of the Devon economy**. The research utilised an Employment Growth Model, using historic empirical data to identify those sectors that have the greatest potential to grow, but also their impact on productivity levels and skills needs.

The research identified 4 sectors with strong potential to drive productivity growth: **Business services** (including computer programming and consultancy, management consultancy, office administration and business support, and scientific research & development (R&D)); **distribution and logistics; construction and property; and creative media**. As an example of the growth which can be achieved by these sectors, the research has shown that if employment in the business services sector increased by 1% over its base projections, an additional 2,100 jobs would be created by 2020. The productivity of the sector, as measured in GVA per FTE also compares very favourably with the Devon average, in some cases being more than twice the average.

Similarly, the construction sector is identified as a key part of a strategy to kick start growth and alongside Business Services is identified as a target sector in the Government's Industrial Strategy. This is especially due to the extent of indirect job creation where 10 jobs in the sector results in a further 7.5 jobs in the wider economy. In its Strategic Planning and Transportation functions, the Council helps support local growth through enabling well planned development in key locations. The economic impact of the **South Devon Link Road** for example, a project led by Devon County Council, has been estimated to create an additional 7,960 jobs and significantly open up access to employment across the South Devon area.

In addition to the four sectors identified through the SERIO research, Devon County Council will support growth in Advanced Manufacturing and Renewable Energy as aspirational sectors that can drive productive growth in the County. By supporting renewable energy and resource efficiency more generally, businesses will also benefit from a reduction in the cost base.

The Council therefore has a key enabling role to play in supporting the identified priority **Sectors for Growth** through its statutory functions and will also work with local business organisations, to ensure that the specific barriers to growth for their sectors are identified and to seize any opportunities to promote well planned growth, developing appropriate action plans.

The SERIO research also identified the importance of adopting a balanced approach to sectoral development. So there is a coherent and evidence based rationale for supporting the targeted priority sectors above, but at the same time there needs to be a recognition of the important role played by the land based industries and tourism in our local economy. The Council will continue to ensure that appropriate support is provided to these sectors, for example, through involvement in the **Devon Tourism Partnership** and its lead role in the **Rural Growth Network** which is designed to support business growth in rural Devon and Somerset.

## C – A workforce with the right skills and employment opportunities for the future

The Local Economic Assessment for Devon identified higher level skills as a particular issue for some parts of the county. The correlation between wages and qualifications is striking and in Torridge it is clear that there is a low skill/low wage equilibrium. In addition to this, issues relating to male economic inactivity present a cause for concern in West Devon, where nearly a quarter of the total number are inactive.

Skills are important for productivity and higher level skills enable individuals to work more effectively within the workplace. They also help facilitate the introduction of new innovative ideas and practices within the production process. Skills are, therefore, a fundamental element in supporting growth. Skills enable *individuals* to secure employment and progress their career; *businesses* to boost productivity and innovation and the *local economy* to compete on a national and international stage. Skills, innovation and enterprise are, therefore, inter-related drivers of productivity, ensuring that our economy can grow.

The skills landscape is complex, both nationally and locally with a wide variety of partners, stakeholders and providers that the Council needs to work with - sometimes in partnership and sometimes as commissioned services in order to support the development of the skills of the local workforce, both now and in the future. Whilst we can work now with the funders to ensure that **investment is channelled in the right ways**, and with the FE colleges and training providers to ensure that the provision is fit for purpose, there is also an important role for education - in its many guises, and across the spectrum from primary through to higher education - to support the development of the future workforce.

The education sector has seen many recent changes with the arrival of academies, University Technical Colleges, Free Schools and Studio Schools all adding to the choice and variety available to young people to enable them to focus their aspirations. **Supporting the development of these choices** in the most appropriate way to Devon, is a role that the Council must adopt to ensure that opportunities are not missed. Ensuring that young people and their parents / guardians are fully aware of the options available to them becomes more important in 2013 with the **Raising of the Participation Age** coming into effect. The Council has already taken steps to communicate what this means and what all of the options are and must continue to work with organisations such as Careers South West and the Devon Education Business Partnership to support the work they undertake with Devon's young people.

**Skills and workforce development within the Social Care Sector** remains a critical issue. The sector itself is a major contributor to Devon's economy, and in 2008 social care enterprises turned over £512m<sup>9</sup>. This figure represents at least 5% of the Devon economy and whilst productivity in the sector is low, by its very magnitude, it is significant. Key issues for the sector include its ability to recruit and in particular attract school and college leavers. There are also issues relating to enhancing the skills of the existing workforce.

Within Foster Care, Devon County Council has embarked on an initiative to recruit and attract a new set of **Career Foster Carers** as part of the redesign of its fostering service. With an ambition to appoint between 50 to 80 new foster carers; this ambitious initiative aims to reposition fostering as a career option, with appropriate remuneration packages and intensive training support to up-skill carers.

Internally, there are a number of services within DCC that have a role in skills; Economy and Enterprise, Education and Learning, Services for Communities (including Adult and Community Learning and Libraries), and Procurement Services. **Devon County Council's Skills Action Plan** has identified the following priorities that all of these services can work towards:

- **Influencing and Leadership** - We will use our knowledge and intelligence to show where needs exist, and be better at sharing our intelligence to enable providers and support agencies to respond. We will also lead through example by employing apprentices and influencing our suppliers through the skills requirements of our contracts and procurement processes, this may be achieved through seeking National Skills Academy status in certain areas and working with Sector Skills Councils to adopt best practice. With the increased role for Local Enterprise Partnerships in shaping the skills provision and funding for their areas, working in partnership with our LEP will be important.
- **Support for businesses** - including our high growth potential sectors - Devon County Council will be supporting the adopted approach in relation to our high growth potential sectors, particularly to increase the high level skills within these sectors to increase productivity and drive up growth. We also recognise that in order to fully support the workforce skills needs of our businesses and to articulate them through our leadership role, we must better understand them.
- **Support for Devon's Young People** – Devon County Council will invest in programmes of support to ensure that young people are better prepared for work - whether that is through the skills they develop to make them work ready, or ensuring that they receive good quality information, advice and guidance to enable them to make informed decisions about their future. Under this strand of work we will support the development of the

apprenticeships programmes in Devon, both from an employer and young person's perspective, ensuring the available funding streams are maximised and appropriate provision is available.

- **Support for the Unemployed** - through working in partnership with JobCentrePlus and other key stakeholders and partners we can identify the actions needed to ensure our population can be as economically active as possible. Welfare Reform will have a far reaching impact on our population and also on our employers who will need to react; there is already activity in place with the Library Service to provide additional support to JobCentrePlus clients during the job search and application process, and the move to the universal credit system.

## D – A well connected county

A number of studies have cited access to markets as a major factor in driving productivity growth. In the South West businesses tend to become less productive the further away (in journey time) they are from London. A study conducted by the University of the West of England and Bath University the study found that for every 100 minutes travel time from London productivity falls by around 6%.

The evidence from the Local Economic Assessment points to the problems associated with poor connectivity both physical and virtual. Whilst those parts of Devon with good access to the M5/A38 corridor tend to perform better economically, the area to the North West of the county remains a 'small firm economy'<sup>10</sup> where businesses survive without necessarily growing. It is suggested that for this area, superfast broadband may present a solution as long as businesses are quick to adopt new technologies and use them to maximum effect.

Devon's transport infrastructure remains the essential artery that supports businesses within the county, ensuring customers can get to products and services, people can access employment, and goods can reach their destination effectively. The Devon and Torbay Local Transport Plan 2011-26 recognises that ensuring good quality, reliable transport connections to key markets in London, the rest of the UK and internationally is critical for economic growth.

Accordingly it is vital that Devon has a well-planned and well maintained road network, with good quality strategic links to key business hubs both within and outside of the County. Whilst the M5 is the main highway corridor into Devon, the **upgrading of the A30/A303** would also provide significant improved access to the County from South East of the region. A high quality public transport system also plays a critical role in enabling people to access services and employment opportunities, particularly for those on lower incomes. This applies to both bus and rail transport. More strategically, the provision of an electrified rail service for the South West, with modern rolling stock will also contribute to supporting a thriving economy for Devon.

Whilst providing new transport links is important, investment in the on-going maintenance of these and existing highways and transport assets is also crucial for the continued efficient movement of people and goods, which in turns encourages access to employment and services.

Delivering the strategy will support new development and economic growth by maintaining the network and investing in developments to reduce the carbon impact of commuting

10 Devon Local Economic Assessment final report, 2012, p31.





and support sustainable transport initiatives. Maintaining and extending the **Devon cycle network** will also benefit the Devon economy in many ways. Cycling Tourism remains an important element of the offer to visitors; a good local network ensures a cost effective means of accessing employment and reduces the need for additional car parking; and cycling can contribute towards a healthier workplace. There is evidence to suggest that for every pound invested in cycling there is an economic benefit of £19.

The rural nature of the Devon economy also present problems for sustainable economic growth and evidence from the economic assessment points to higher than average levels of CO<sub>2</sub> emissions linked to transportation. This is largely explained by the reliance on long distance commuting to access better paid jobs some distance from where residents live. This in turn is influenced by a lack of affordable housing in many parts of the county.

Supporting the growth of key **economic hubs** across the county will create a more competitive economy in these areas. The growth of the Exeter economic area acts as an important hub for businesses and residents in East Devon, Mid Devon and Teignbridge. Similarly the Plymouth city region is an important hub for West Devon and South Hams. Torbay's economy will benefit from the improved connectivity of the **South Devon Link Road** leading to economic benefits for Teignbridge and South Hams. **Support for Tiverton and Newton Abbot** will help these areas meet their growth aspirations. Further north and west there is a lack focus and this can be remedied by **supporting growth for Barnstaple/Bideford** and creating an economic hub for North Devon and Torridge.

Investment in digital connectivity, roads and rail infrastructure is, therefore, necessary to ensure sustained productivity growth. Devon County Council is making great strides in bringing **superfast broadband** to rural communities through the Connecting Devon and Somerset Programme. To ensure that Devon remains competitive, there is a real need to build on this programme, putting the right strategy in place to bring forward investment in future fixed line and mobile broadband solutions. Devon County Council will, therefore work with partners to develop a case for investment in technologies enabling the provision of ultrafast broadband in urban areas and mobile broadband through 4G and 5G.

Measures to support **affordable housing** development across the county will be important to support sustainable economic growth. It is also critical that future housing development is linked to employment opportunity to reduce the need for long distance commuting. Through its Strategic Planning function, Devon County Council has an important role in working with districts and with the Homes and Communities Agency to influence this.

Investment in sustainable energy – in all it's forms including solar, wind and tidal power where appropriate - is one area where Devon can really play to its strengths. The Atlantic Array offshore wind-farm development is proposed in the Bristol Channel, with a planning application likely to Government in 2013 from project proponents RWE. Should this project come to fruition it will be important to ensure that areas in northern Devon can really benefit from this investment and the council will continue to work with partners to maximise the benefits should this development go ahead. Developments within the Exeter and East Devon Growth Point have proved the importance of **District Heating Schemes** as a means of supporting economic growth through the provision of sustainable energy, improved energy security and leadership on environmental stewardship. Supporting further schemes throughout the county and investigating the options for public sector involvement in an Energy Supply Company model will be important in reducing energy costs to businesses and consumers. The benefits of this for companies includes realising a reduction in the cost base, improvements in competitiveness and business performance.

## E – A thriving business community

Devon is predominantly a small firm economy. It is particularly important to note the high levels of self-employment in the county – 67,000 people or 14% compared to 11% and 9% for the South West and UK respectively. There are also over 38,000 home based businesses and many employees who work from home, which collectively equates to approximately 20% of the working age population. Providing appropriate support to enable micro and small businesses to grow and expand, alongside encouraging our broader SME base, including social enterprise, to grow and innovate is a key part of our Strategy for Growth. The Council has actively supported development of the social enterprise sector which is now estimated to account for 29,000 jobs in Devon. Examples of interventions include improving access to enterprise finance, revising procurement procedures in the light of the Social Value Act, piloting measurement of impact on social value and developing relationships between the public, private and social enterprise sectors in conjunction with European partners. Also relevant to such initiatives is the devolution of budgets and powers through pilots such as the Neighbourhood Community Budget in Ilfracombe, the Plymouth City Deal and the strategic influence of the Local Enterprise Partnership on a number of central government funding streams and the future European funding programme.

Central Government also has a role to play in promoting enterprise by removing barriers to business growth and developing a positive enterprise culture. There are also a range of initiatives which the County Council can support to promote a thriving business community, some of which are outlined below

The Connecting Devon and Somerset Programme is investing in a range of **business and community support** to encourage widespread adoption and enable participants to reap the benefits of increased GVA and productivity. The **Devon and Somerset Rural Growth Network** (RGN) is also investing in a range of support for rural businesses including targeted interventions for women led enterprise, family based businesses and encouraging innovation in the rural economy. An important part of the RGN strategy is to ensure that this support is not only available through on-line and phone based support, but is also grounded in local enterprise centres, enabling businesses to receive face to face support. The role which Council buildings can play in providing a base for business facing support activity is an important consideration, and links into the **DCC Estates Strategy** (2012). The Council's Devon Centres are already taking a pioneering approach to the use of premises, with the centres acting as a destination point for residents, businesses and community groups, and in many instances acting as a key driver for footfall in town centres. The scope to develop this model further, where demand and resources allow, and to continue to innovate in the use of the Council's property portfolio to support the growth agenda, is important.

Through its work on a number of business support programmes including Connecting Devon and Somerset, and the Rural Growth Network, work is being undertaken explore the development of an **enterprise gateway** to provide clearer, simpler access to County Council sponsored business support, including business-facing Council services. We will also explore how this gateway can direct businesses towards external advice and support from organisations which are delivering Government sponsored programmes. Good examples of this are services such as the Ready for Retrofit programme, which is part funded by Devon County Council alongside a range of other agencies and is being delivered by the Energy Savings Trust in the South West. This programme, and others like it, have implications for resource efficiency and ultimately link into the **Waste and Resource Management** role of the Council.

The Council was an early pioneer of the **Buy With Confidence** scheme, which supports both consumers and businesses by providing a list of traders who have undergone a series of checks, and who have given their commitment to trading fairly. This successful scheme has spread around the UK, having been developed first in Hampshire and Devon. We will continue to develop our Buy With Confidence scheme, linking it into the provision of business support through initiatives such as the **Rural Growth Network** to encourage its use for business to business transactions.

Alongside **Buy with Confidence**, Devon Trading Standards has set up a specific Business **Support Team** as a dedicated unit to provide advice to businesses on regulatory issues. The support given is tailored to individual business needs and helps businesses tackle issues relating to compliance before problems arise.

We will continue to ensure that our procurement service and associated systems and processes are open and transparent and that we clearly communicate to businesses how they can best receive information on public sector contracts. Devon Procurement Services has developed various **supplier engagement initiatives** for local supply networks with the desired outcome of securing better re-circulation of Devon's £430m external expenditure within the local economy. These initiatives include:

- Targeted sessions are providing an understanding of the Council's tendering and evaluation process to encourage local suppliers to submit quality tenders, thereby giving them a competitive advantage when tendering in open competition to Devon County Council or elsewhere. A recent example of this, working with the Devon and Cornwall Procurement Partnership, has been a 'meet the buyer' event held in Plymouth in October 2012, which was designed to give an insight into the way the public sector purchases goods and services and how business can win these contracts.
- Market sector focussed supplier engagement, to raise market awareness of specific contract opportunities and to develop local markets and encourage suppliers to bid for specific contracts.
- Developing outreach initiatives to provide information on contracting opportunities to rural Devon.

We will seek to build on this work and also explore how we can continue to learn from national best practice to support the local economy.

## Cross cutting theme – Intelligence, Leadership and Influence

The priority actions referenced in this strategy will only succeed if the Council is able to exert leadership and influence, with priority actions delivered with the support of a solid evidence base.

The Heart of the South West LEP (HoSW) is emerging as a key partner for Devon County Council and in order to access the funding it needs to deliver economic growth within the county, the County will need to work closely with the LEP. A key action here will be to ensure HoSW understands the critical issues and priority actions for Devon articulated in this document and reflects them in its own **HoSW strategy and business plan**. In order to effectively target resources from the next round of EU funding, Devon County Council will need to ensure the links are made between the Strategy for Growth and the forthcoming **LEP EU prospectus**.

In order to maximise the potential for the creation of Enterprise Zones in the County, Devon County Council will need to work effectively with its district partners to explore possibilities in Exeter/East Devon; Barnstaple/Bideford, Newton Abbot and Tiverton.

Close working with the district planning authorities across the county will ensure we are able to maximise **retained business rates** by supporting planning actions to increase business growth, and where possible, the new **Community Infrastructure Levy** (CIL) should be aligned to the Strategy for Growth.

## 7. Implementing the Strategy for Growth

### Action plan

Delivering the Strategy for Growth will require a partnership approach, both within the council and with our external partners. A separate action plan has been developed that brings together existing and new projects. The Action Plan is not intended to be an exhaustive list of all activities that are focused on delivering economic growth in Devon. Rather it is a selection of key actions across the council that have the potential to deliver the greatest impact. Other projects and programmes mentioned in the strategy will also deliver economic growth.

It is proposed to review the action plan on an annual basis and to engage with lead services across the council to review delivery. As such the action plan will be dynamic and capable of responding to change.

### Measuring Progress

In order to measure the effectiveness of the Council's Strategy for Growth, it is proposed to use Devon County Council's corporate performance monitoring system Spar.net in order to generate reports to assess the progress of actions in meeting target outputs and outcomes. The sample table below presents a suggested method of reporting on progress.

Alongside the monitoring of actions, a basket of key indicators have been developed, drawn from national datasets, to monitor the progress of the Devon economy in meeting the strategic outcomes set out in this Strategy for Growth. This list of indicators is included at Appendix 1.





## Appendix 1:

### Socio-Economic indicators for monitoring the Strategy for Growth

| Critical Issue  | Strategic Outcomes   | Indicator   | Source               | Date of latest data |
|---|--|---|----------------------|---------------------|
| Overarching economic performance  |  | Total GVA   | ONS                  |                     |
|   |  | GVA per head  | ONS                  |                     |
|   |  | Gap in GVA per head (Index England = 100)   | ONS                  |                     |
| <b>Critical issue 1:</b><br>Devon's economy is performing poorly in terms of productivity   | <b>SO1:</b> A more productive economy – narrowing the productivity gap   | GVA per job (productivity)  | LEFM (or ONS/ NOMIS) | 2010                |
|   |  | Productivity gap compared to the national average (pp gap)                        | LEFM (or ONS/ NOMIS) | 2010                |
| <b>Critical issue 2:</b><br>Devon has a relatively skilled workforce however this masks significant differences at a District level | <b>SO2:</b> A higher wage economy – narrowing our wage disparity with the rest of the UK   | Resident-based earnings (gross weekly pay)  | ASHE                 | 2012                |
|   |  | Resident-based earnings gap compared to the national average (Index England=100)  | ASHE                 | 2012                |
|   |  | Workplace-based earnings (gross weekly pay)                                       | ASHE                 | 2012                |
|   |  | Workplace-based earnings gap compared to the national average (Index England=100) | ASHE                 | 2012                |
|   | <b>SO3:</b> Employment opportunities for all and a workforce with the right skills for the future – realising everyone's potential | Working age population qualified to degree level or above                         | APS                  | Oct 2011-Sept 2012  |
|   |  | Working age population with no qualifications                                     | APS                  | Oct 2011-Sept 2012  |
|   |  | Employment rate - WAP   | APS                  | Oct 2011-Sept 2012  |
|   |  | Employment rate - aged 20-24  | APS                  | Oct 2011-Sept 2012  |

| Critical Issue  | Strategic Outcomes  | Indicator  | Source   | Date of latest data  |
|---|---|--|--|--|
|   |   | Employment rate - working-age women  | APS  | Oct 2011-Sept 2012   |
|   |   | Employment rate - working-age men  | APS  | Oct 2011-Sept 2012   |
|   |   | Claimant count rate (claiming for over 12 months), as a proportion of resident population aged 16-64 | NOMIS  | Jan 2012-Dec 2012  |
|   |   | Graduate retention - destination data by institution   | HESA   |  |
| <b>Critical issue 3:</b><br>Earnings are lower than average in most of Devon and link to housing affordability and relative poverty | Linked to <b>SO2</b> and <b>SO3</b>                                 | Resident and workplace earnings (as above)   | see above  | see above  |
|   |   | Ratio of median house price to median earnings by district   | ONS  | 2011   |
| <b>Critical issue 4:</b><br>Devon has an opportunity to better exploit the assets it has for high value economic growth             | Linked to <b>SO1</b>  | Proportion of jobs in the knowledge economy  | BRES   | 2011   |
|   |   | Commercialisation of knowledge - number of patents granted / IP income                               | Higher Education – Business and Community Interaction Survey | Would have to pay for Institutional level data - so will not be able to source for the purposes of this work |
| <b>Critical issue 5:</b><br>Devon's towns and rural communities in more peripheral areas are falling behind                         | <b>SO4:</b> A well connected county – locally, nationally, globally | Number of young adults (aged 20-29)  | NOMIS Mid-Year Population Estimates                          | 2011   |
|   |   | Employment rate - aged 20-24 (see above)   | see above  | see above  |
|   |   | Job Seekers Allowance claimant rate  | DWP, NOMIS   | Feb-12   |

| Critical Issue   | Strategic Outcomes  | Indicator   | Source                              | Date of latest data |
|--|---|---|-------------------------------------|---------------------|
|  |   | Superfast broadband availability (% of addresses with superfast (over 24Mbit/s) broadband networks) | Ofcom                               | 2012                |
| <b>Critical issue 6:</b><br>Devon's population is ageing rapidly                         |   | Number of working age residents   | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Proportion of the population of working age   | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Number of residents aged 65-79  | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Proportion of the population aged 65-79   | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Number of residents aged 80+  | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Proportion of the population aged 80+   | NOMIS Mid-Year Population Estimates | 2011                |
|  |   | Employment rate of residents aged 65+   | APS                                 | Oct 2011-Sept 2012  |
| <b>Critical issue 7:</b><br>Devon is facing environmental challenges and vulnerabilities |   | Fuel poverty (% of households "fuel poor")  | DECC                                | 2010                |
|  |   | CO2 emissions   | DECC                                | 2010                |
|  | <b>SO5:</b> A thriving business community – improving resilience and business performance | Number of active enterprises  | Business Demography, ONS            | 2011                |
|  |   | Business start-up rate  | Business Demography, ONS            | 2011                |
|  |   | Business survival rate  | Business Demography, ONS            | 2011                |

| Critical Issue | Strategic Outcomes                     | Indicator  | Source | Date of latest data |
|----------------|--|--|--------|---------------------|
|                | Intelligence, Leadership and Influence | Secondary datasets not available - longitudinal stakeholder surveys could provide primary evidence | NA     | NA                  |





# Strategy for Growth Action Plan

May 2013 version



## **Devon County Council Strategy for Growth Action Plan May 2013 version**

This Action Plan supports the Devon County Council Strategy for Growth. It brings together existing and new projects and is not intended to be an exhaustive list of all activities that are focused on delivering economic growth in Devon. Rather it is a selection of key actions across the council that have the potential to deliver the greatest impact. Other projects and programmes mentioned in the strategy will also deliver economic growth.

It is proposed to review the action plan on an annual basis and to engage with lead services across the council to review delivery and develop key milestones. As such the action plan will be dynamic and capable of responding to change.



| Priority                         | Reason   | Programme                                 | Actions  | Location                     | Lead   | Timescale  |
|----------------------------------|--|---|--|------------------------------|--|------------|
| <b>A more productive economy</b> | Increasing productivity will lead to high wage levels and a thriving business environment. | Employment Space – Devon work hub network | Continue to extend the network across Devon including working with libraries as incubator spaces   | Devon wide                   | Economy and Enterprise; Services for Communities | Ongoing    |
|                                  |  | Rural Growth Network                      | Provide business support through the roll out of this DEFRA funded initiative  | Rural Devon                  | Economy and Enterprise                           | March 2015 |
|                                  |  | Smart Specialisation Strategy             | Devon approach to creation of a strategy and action plan, prior to engagement with partners across the Heart of The South West LEP area.   | Devon wide                   | Economy and Enterprise                           | Oct 2013   |
|                                  |  | Inward Investment                         | Targeted marketing campaigns to attract businesses to relocate to Devon.<br><br>Provision of a relocation service to businesses  | Devon wide                   | Economy and Enterprise                           | March 2014 |
|                                  |  | Sectors for Growth                        | Develop a support package for high value growth sectors including specific infrastructure and locational requirements.<br><br>Develop a coordinated approach with planning colleagues across Devon | Devon wide and site specific | Planning and transport                           | March 2014 |
| <b>A higher wage economy</b>     | Working to increase wages across the economy   | Sectors for Growth                        | Understand barriers to growing key sectors and develop programmes to assist businesses   | Devon wide                   | Economy and Enterprise                           | March 2014 |



| Priority   | Reason  | Programme  | Actions   | Location                              | Lead   | Timescale                |
|--|---|--|---|---------------------------------------|--|--------------------------|
| <b>A workforce with the right skills and employment opportunities for the future</b> | A higher skilled workforce will be able to access higher waged employment | Skills Action Plan   | Work to implement the priority actions identified in the skills action plan:<br><ul style="list-style-type: none"><li>• Influence and leadership</li><li>• Support for business</li><li>• Support for Young People</li><li>• Support for the Unemployed</li></ul> | Devon wide                            | Economy and Enterprise;<br>Education and Learning;<br>Services for Communities;<br>Procurement | April 2013 to March 2016 |
|  |   | Career Foster Carers   | Implement the Career Foster Carers initiative as part of the Fostering Service redesign   | Devon wide                            | Social Care  | March 2014               |
|  |   | Skills and workforce development within the social care sector | Work to identify skills needs within the sector and promote social care as a career option to young people  | Devon wide                            | Social Care;<br>Economy and Enterprise   | March 2014               |
|  |   | Further education strategy                                     | Work with districts and providers to identify the nature and scope of additional University Technical College (UTC) provision within Devon.<br><br>Develop partnership arrangements with Exeter University, Plymouth University etc to establish a Strategy       | Teignbridge;<br>Torridge; North Devon | Planning and Transport;<br>Economy and Enterprise  | March 2014               |
|  |   | Digital inclusion  | Support for job seekers and ensuring people have the skills to access services via the internet   | Devon wide                            | Economy and Enterprise;<br>Adult Community Learning  | March 2017               |



| Priority                       | Reason  | Programme               | Actions   | Location    | Lead  | Timescale     |
|--------------------------------|---|-------------------------|---|-------------|---|---------------|
| <b>A well connected County</b> | Access to markets is a major factor in driving productivity | Transportation networks | Ensure Infrastructure Delivery Plans (IDPs) are in place for all districts and develop capital programmes (CIL and other) for immediate scheme investment   | Devon wide  | Planning and Transport                            | March 2014    |
|                                |   |                         | Bid for strategic funding focused on unlocking economic development and guided by the Strategy for Growth   | Devon wide  | Planning and Transport                            | Ongoing       |
|                                |   |                         | Continue planning and lobbying activities to achieve a second strategic route along the A30/A303 with dualling and improvements from Ilminster to Honiton   | East Devon  | Planning and Transport;<br>Economy and Enterprise | Ongoing       |
|                                |   | Devon Cycle Network     | Continue to maintain and extend the Devon Cycle Network   | Devon wide  | Planning and Transport                            | Ongoing       |
|                                |   | South Devon Link Road   | Oversee contract to build the South Devon Link Road   | Teignbridge | WEATS   | December 2015 |
|                                |   |                         | Work to secure the economic benefits of the South Devon Link Road   | Teignbridge | Economy and Enterprise;<br>Planning and Transport | December 2015 |
|                                |   | Renewable Energy        | Develop a Devon wide approach to wind and solar energy.<br><br>Identify opportunities arising from wave power.<br><br>Assess Devon's resource potential; develop a coordinated approach and common strategy (through the Duty to Cooperate) | Devon wide  | Planning and Transport;<br>Economy and Enterprise | Ongoing       |

| Priority                             | Reason   | Programme   | Actions   | Location                        | Lead  | Timescale  |
|--------------------------------------|--|---|---|---------------------------------|---|------------|
|                                      |  | District Heating Schemes                            | Using the model developed within the Exeter and East Devon Growth Point, investigate options for supporting further schemes and a public sector EScO model        | Devon wide                      | WEATS; Economy and Enterprise                         | Ongoing    |
|                                      |  | Connecting Devon and Somerset – Superfast Broadband | Work with partners to ensure a smooth roll out of fibre optic broadband across Devon  | Devon wide                      | Economy and Enterprise                                | March 2017 |
|                                      |  | Supporting Growth for Barnstaple/Bideford           | Work with partners to develop proposals for creating an economic hub around Barnstaple/Bideford   | Torridge/North Devon            | Planning and Transport; Economy and Enterprise        | Ongoing    |
|                                      |  | Supporting Growth in Tiverton and Newton Abbot      | Support growth ambitions in Tiverton by planning for transport improvements   | Mid Devon                       | Planning and Transport                                | Ongoing    |
|                                      |  | Exeter and East Devon Growth Point                  | Work with partners to advance developments in the Exeter and East Devon Growth Point area   | Exeter, East Devon, Teignbridge | Economy and Enterprise; Planning and Transport; WEATS | Ongoing    |
|                                      |  | Exeter Science Park                                 | Continue to work with partners as part of the Exeter Science Park Company to build the Science Park Centre  | East Devon                      | Economy and Enterprise                                | March 2015 |
| <b>A thriving business Community</b> | A thriving business community will deliver better paid jobs and productivity | Devon Minerals Plan                                 | Realise the potential of national and internationally important minerals; Secure the supply of minerals for the local economy; safeguard resources for the future | Devon wide                      | Planning and Transport                                | Ongoing    |

| Priority | Reason | Programme   | Actions   | Location    | Lead                         | Timescale  |
|----------|--------|---|---|-------------|------------------------------|------------|
|          |        | Duty to support the provision of business information to Local Planning Authorities | Work with the LEP to provide business data and insight  | Devon wide  | Planning and Transport       | Ongoing    |
|          |        | Connecting Devon and Somerset – Get Up to Speed programme                           | Work with partners to deliver business support activities to encourage businesses to take up superfast broadband    | Devon wide  | Economy and Enterprise       | March 2017 |
|          |        | Procurement Services: supplier engagement initiatives                               | Deliver a range of initiatives to encourage local businesses to bid for contracts to be let by Devon County Council | Devon wide  | Procurement                  | Ongoing    |
|          |        | Rural Growth Network  | Support for rural businesses including targeted interventions for women led enterprise                              | Rural Devon | Economy and Enterprise       | March 2015 |
|          |        | DCC Estates Strategy  | Further develop the Devon Centres model as a key economic driver in town centres                                    | Devon wide  | Business Transformation Unit | Ongoing    |
|          |        | Retention of Business rates   | Work with planning authorities to maximise business growth  | Devon wide  | Planning and Transport       | Ongoing    |
|          |        | Community Infrastructure Levy   | Work with district authorities to ensure CIL schedules are aligned to the Strategy for Growth where possible        | Devon wide  | Planning and Transport       | Ongoing    |
|          |        | Devon Trading Standards – Business Support Team                                     | Provide regulatory support and assistance to businesses   | Devon wide  | Devon Trading Standards      | Ongoing    |

| Priority                                      | Reason   | Programme                                 | Actions   | Location  | Lead  | Timescale |
|---|--|---|---|---|---|-----------|
|   |  | Supported employment (Market Development) | Develop a provider market within Devon for services aimed at helping people with disabilities gain the skills they need to access employment.   | Devon wide  | Procurement; Integrated Children's Services and Adult Care Management | Ongoing   |
| <b>Intelligence, Leadership and Influence</b> | Actions to realise priorities will only succeed if the Council is able to exert leadership and influence, supported by a solid evidence base | Heart of the South West LEP               | <p>Priorities contained within the Strategy for Growth are reflected in LEP Strategy and Business Plan</p> <p>Ensure links are made between the Strategy for Growth and the LEP EU Prospectus</p> | Devon wide  | Economy and Enterprise; Finance                                       | Ongoing   |
|   |  | Enterprise Zones                          | Explore possibilities with district partners for Enterprise Zones, potentially in Exeter/East Devon and Barnstaple/ Bideford, Newton Abbot and Tiverton   | Exeter, East Devon, Barnstaple, Bideford and Devon wide | Economy and Enterprise  | Ongoing   |
|   |  | City/County Deals                         | Explore the potential for a County Deal within Devon and work with Plymouth City Council in support of their City Deal bid  | Devon wide  | Economy and Enterprise  | Ongoing   |
|   |  | Evidence Base                             | Continue to maintain and update the evidence base. Undertake activities to monitor progress in relation to delivering the Strategy for Growth   | Devon wide  | Economy and Enterprise  | Ongoing   |
|   |  | Funding opportunities                     | Identify funding opportunities both at an EU and national level to support deliver of the Strategy for Growth   | Devon Wide  | Council wide  | Ongoing   |