



Acknowledgements

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

Disclaimer

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

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

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Introduction

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

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

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

Method

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

Through its call for written evidence the commission received:

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

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

Appendix 2 lists the witnesses that attended each panel session.

The Commission



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



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



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



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



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

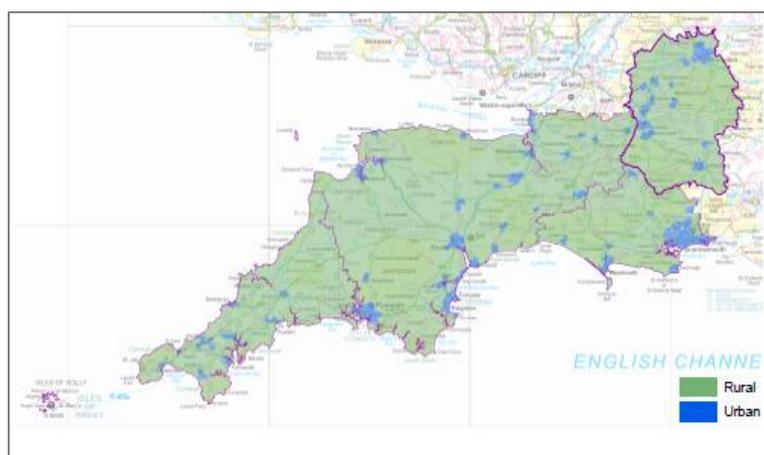
The Geographical Scope

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

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

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

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



Source: DEFRA, based on 2011 census output areas

Defining Rural

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

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

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

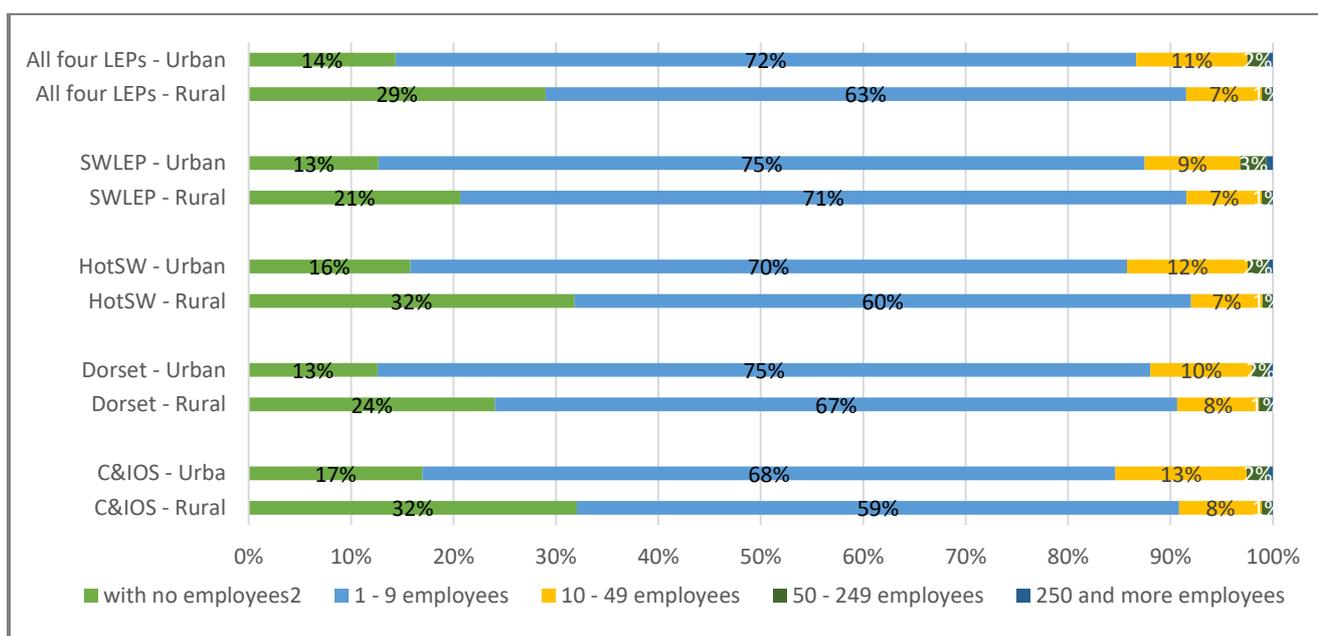
Key Facts & Figures

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

Business Population

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

Figure 2: Size of businesses in rural and urban areas

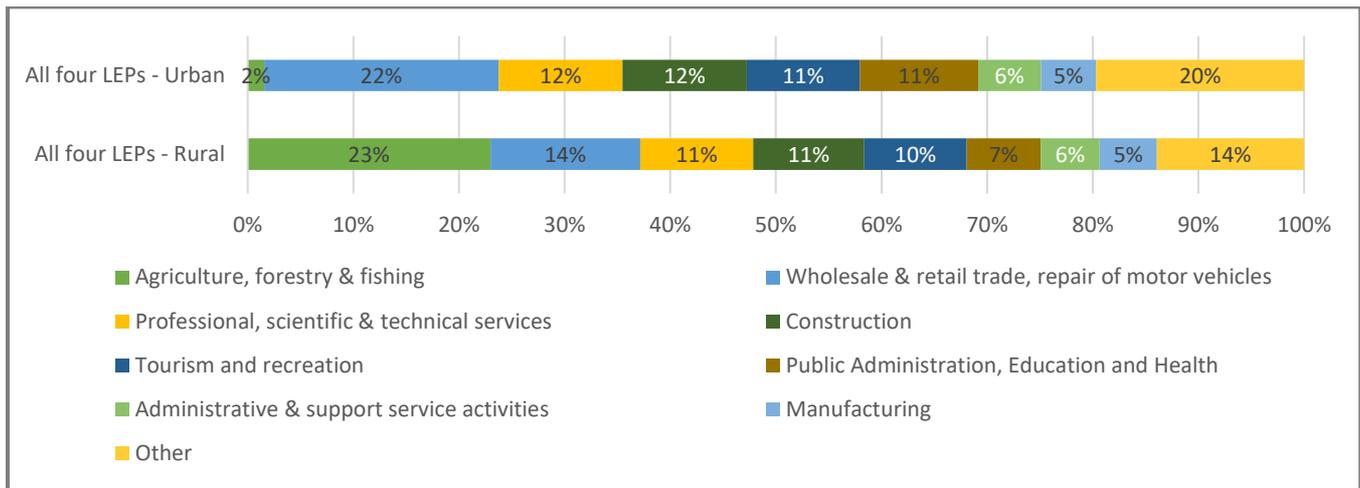


Source: [2]

Business Sectors

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

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

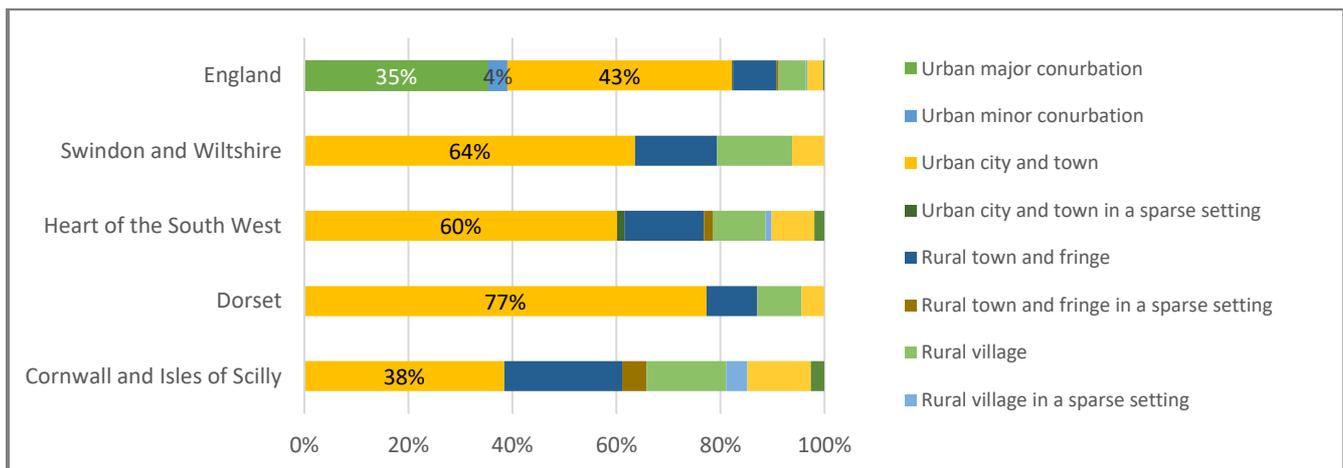


Source: [2]

Population

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

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



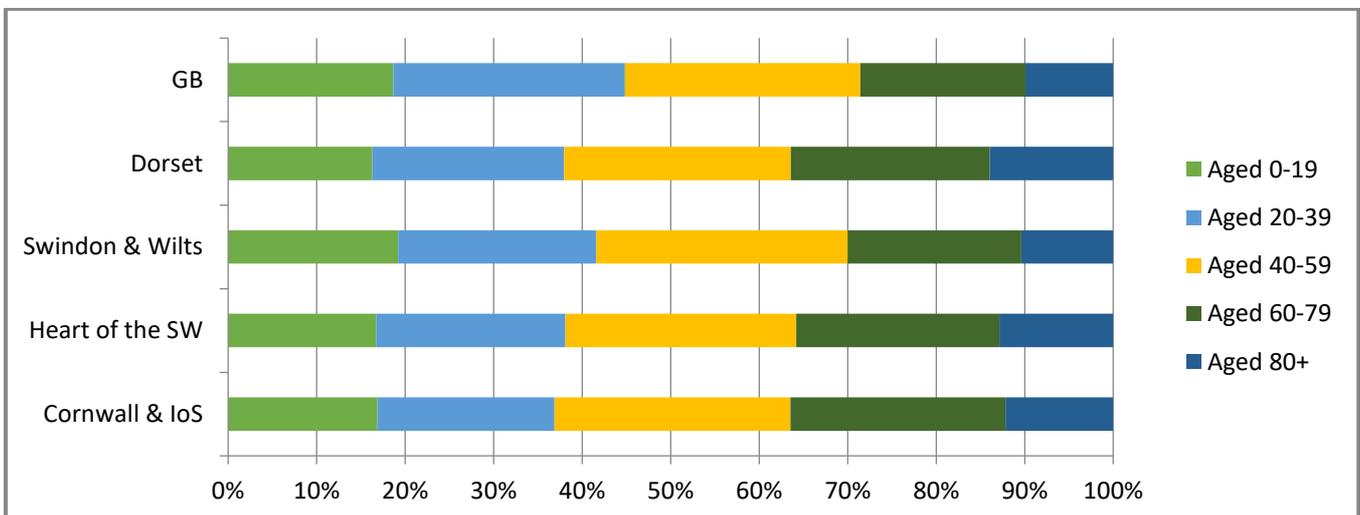
Source: [3]

Population Demographics

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

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

Figure 5: Population breakdown by age group



Source: [4]

Employment

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

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

Figure 6: Key Labour Market Indicators by LEP

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

Source: [5]

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

Skills

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

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

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

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

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

Figure 7: Skills Profile

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

Source: [7]

Figure 8 Profile of Higher Skills by Urban and Rural

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

Source: [8]

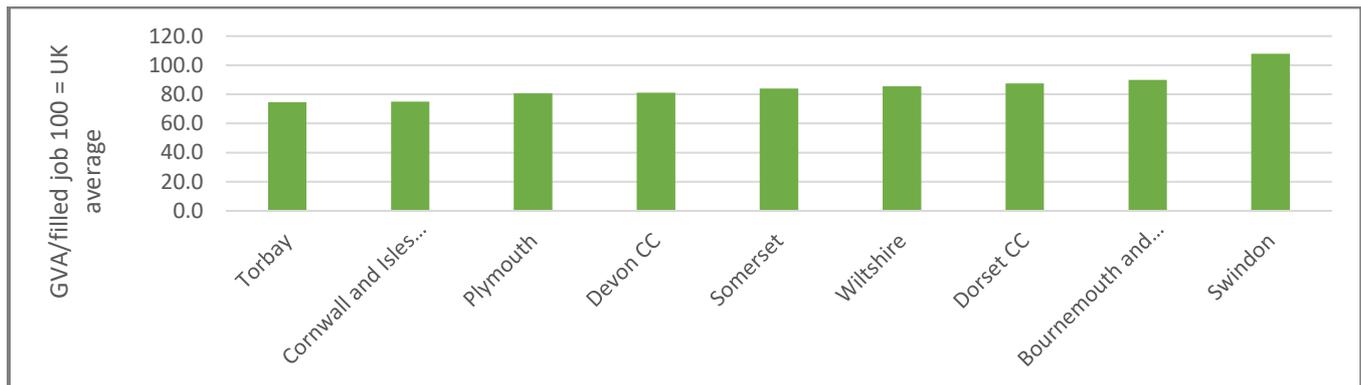
The Rural Productivity Challenge

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

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

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

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



Source: [10]

Bespoke analysis conducted by DEFRA's Rural Statistics team has allowed us to examine productivity in the South West according to the Local Authority Urban/Rural Classification system (see Figure 10 below). This shows that the productivity gap between our predominantly rural districts and our predominantly urban districts is £3,413/ workforce job. **Closing this productivity gap between rural and urban areas would secure an additional £3,924m or a 5% increase in output across the four LEP areas.** However, the analysis also shows that there is a significant gap between the pre-dominantly rural districts in the four LEP area and the predominantly rural districts in England of £4,374, suggesting that the productivity challenge for the four LEP area may be wider than rurality per se.

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

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

Source: [11]

How do Urban and Rural areas differ?

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

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

Figure 11: Employment Growth between 2008 and 2012

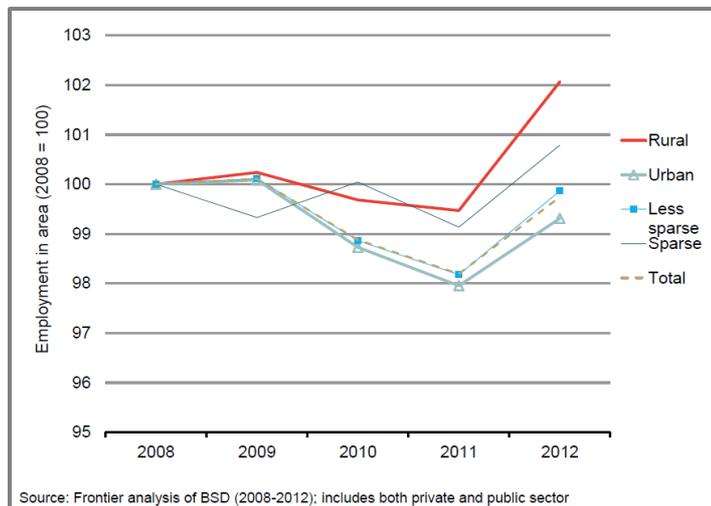
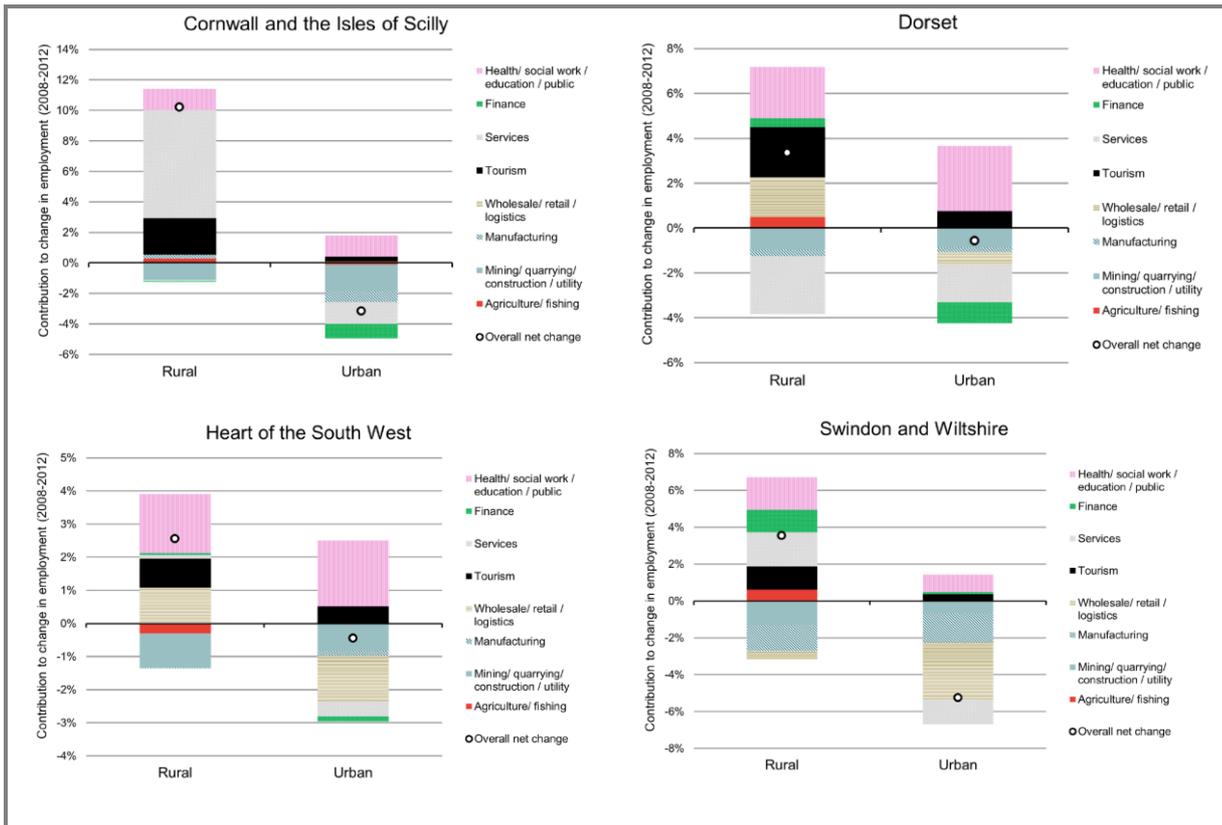


Figure 12 (overleaf) shows the urban/rural performance of the four LEPs in our study, which all show a similar pattern of rural/urban growth and decline.

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



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

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

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

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

Key Findings

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

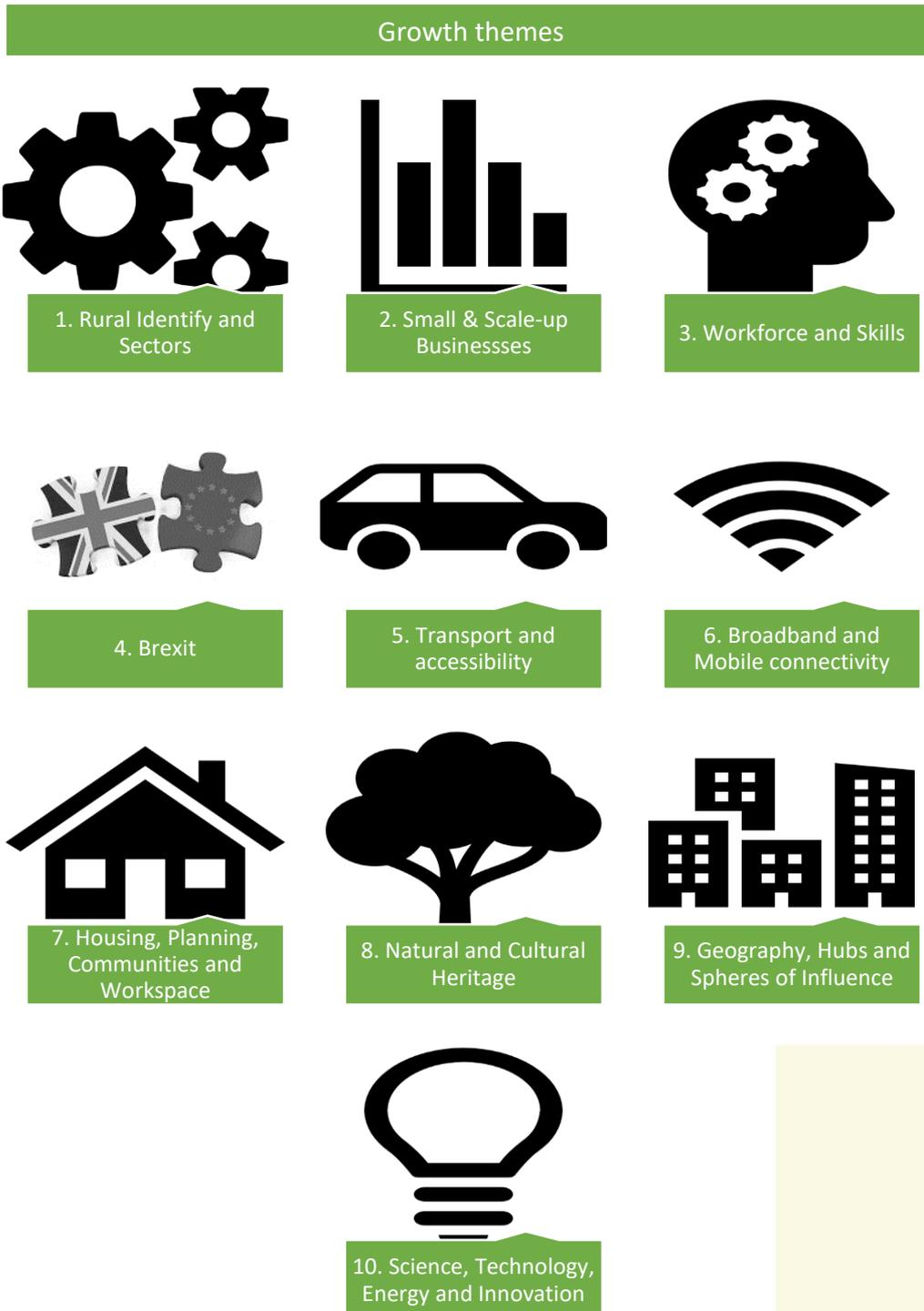
Rural Growth Opportunities

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

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

The 10 Growth Themes

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



Theme 1: Key Rural Sectors

Introduction

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

The Sector Profile

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

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

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

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

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

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

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

Key Findings

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

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

Primary Production

The Economic Importance of Primary Production

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

Agriculture

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

Key Findings

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

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

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

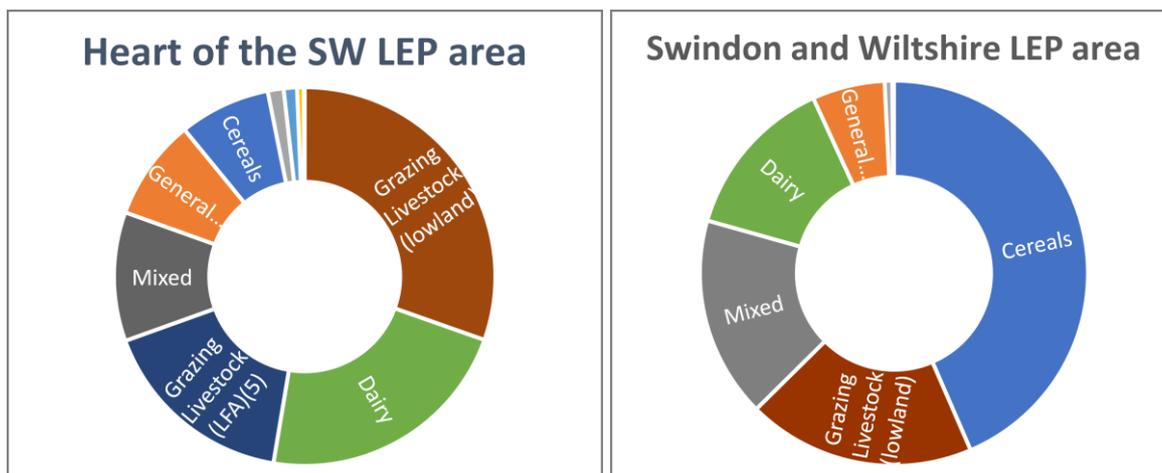
Figure 13: The Structure of Agricultural holdings in the four LEP area

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

Source: [22]

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

Figure 14: Distribution by farmed area (% hectares)



Source: [22]

Key Findings:

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

Fishing

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

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

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

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

Source: [23]

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

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

Forestry

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

Barriers and Opportunities for Growth in Primary Production

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

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

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

Innovation and R&D

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

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

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

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

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

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

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

Key Findings

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

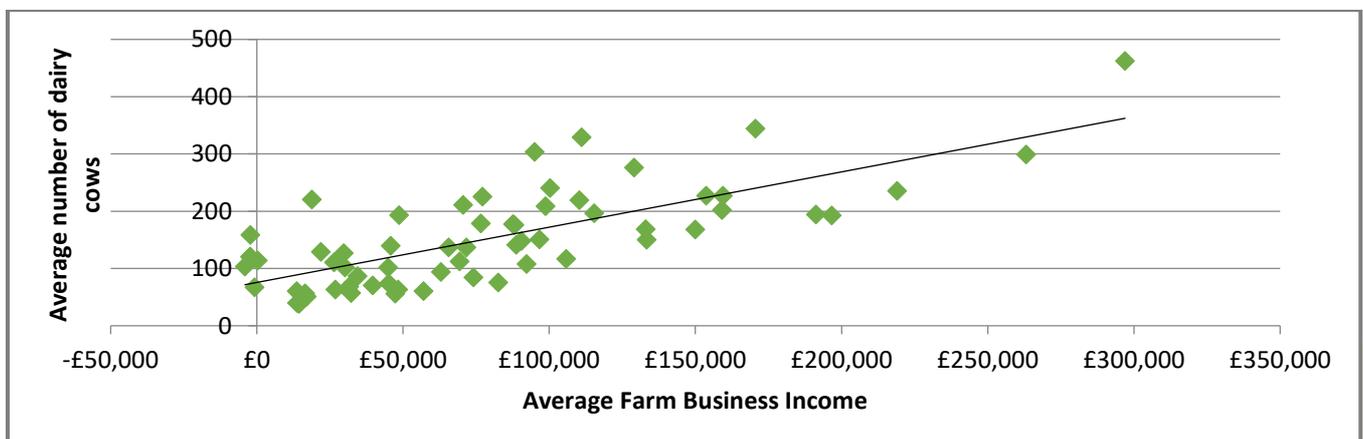
Leadership and Business Management

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

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

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

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



Source: [40]

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

Key Finding

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

Finance and Investment

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

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

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

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

Key findings

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

Expanding market opportunities and diversification

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

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

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

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

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

Case Study – Dartmoor Farmers

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

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

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

Key Findings

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

Skills and labour

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

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

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

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

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

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

Key Findings

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

Advice and Support Mechanisms for Primary Production

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

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

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

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

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

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

Case Study - South Wiltshire Farmland Birds

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

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

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



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

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

Key Findings

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

Food and Drink

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

Key issues and opportunities

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

Availability of labour and skills

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

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

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

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

Production facilities and premises

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

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

VAT

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

Challenges of working with multiple retailers

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

Challenges associated with start-ups

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

Key Opportunities

They also highlighted opportunities to:

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

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

Case Study – Dorset Food and Drink

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



Tourism

Economic Importance of Tourism

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

Figure 17: Volume of tourism in the four LEP areas

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

Source: [63], [64]

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

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

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

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

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

Key Issues and Opportunities

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

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

Sector Co-ordination and Management

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

Marketing

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

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



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

Product Development

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

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

Case Study – the Man Engine

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

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

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



Seasonality

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

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

VAT and Rates

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

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

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

Skills (including leadership and management)

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

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

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

Case Study – Experts Grow

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

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

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

Market Disruptors

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

Key Findings - Tourism

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

Emerging high productivity sectors and clusters

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

Context

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

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

Commission Findings

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

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

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

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

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

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

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

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

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

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

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

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

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

Case Study – The Old Church School - Frome

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

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

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

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

Case Study – The Glove Factory Studio, Holt, Wiltshire

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

As one tenant put it:



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

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

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

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

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

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

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

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

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

Theme 2: Small and Scale-Up Businesses

Small and Micro Businesses

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

Figure 18: Self employment across the four LEP areas

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

Source: [8]

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

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

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

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

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

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

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

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

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

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

Broodfonsen, Holland – A collective sick pay fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Case Study – Dormen – Dorset Business Mentoring

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

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

Case Study – The Family Business Growth Programme

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

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

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

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

Scale-up Businesses

Context

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

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

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

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

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

Figure 19: Enterprise and Scaling indicators

	High Growth Incidence Rate (13/16)	Small High Growth Firms ¹	Existing Businesses – Stepping Up ²
C&IOS	6%	2.4%	4.4%
Dorset	5.8%	1.6%	8.8%
Heart of the SW	5.5%	1.9%	5%
SWLEP	6.4%	1.7%	7.9%
England	6.1% (UK)	1.7% (UK)	6.8%

Source: [103]

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

The Value of Scale-ups

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

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

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

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

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

Identifying Scale-ups

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

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

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

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

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

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

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

Barriers to Scale-up

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

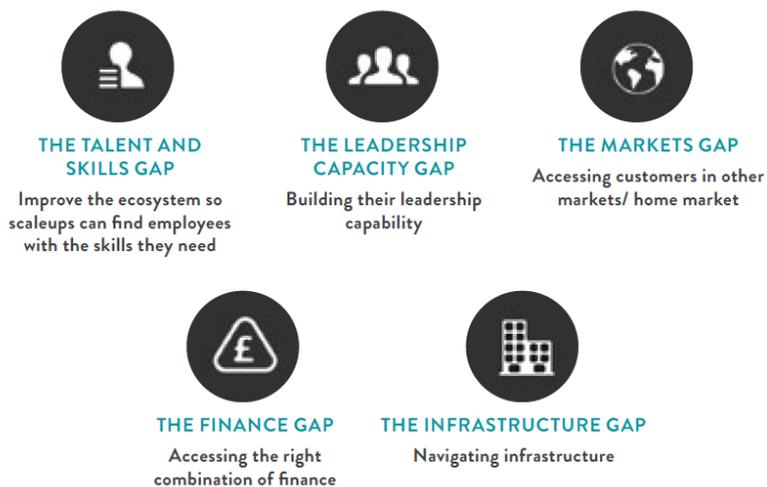
- Limited availability locally of higher skilled talent and skilled workforce;
- Lack of range of business infrastructure for growth; and
- Limited scale, resources, and reach available through rural business support networks such as growth hubs, mentoring, LA services etc. [77]

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

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

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

Figure 20: The Scale-up Gaps



Source: [107]

Supporting Scale-ups

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

Theme 3: Workforce and Skills

Introduction

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

Context

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

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

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

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

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

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

Key Issues

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

Access to education and opportunities

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

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

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

Key Finding

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

Careers Education Information Advice and Guidance

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

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

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

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

CASE STUDY: The Cornwall Apprenticeship Agency Model

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

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

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

Key Findings

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

Labour and Skills Shortages

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

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

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

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

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

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

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

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

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

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

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

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

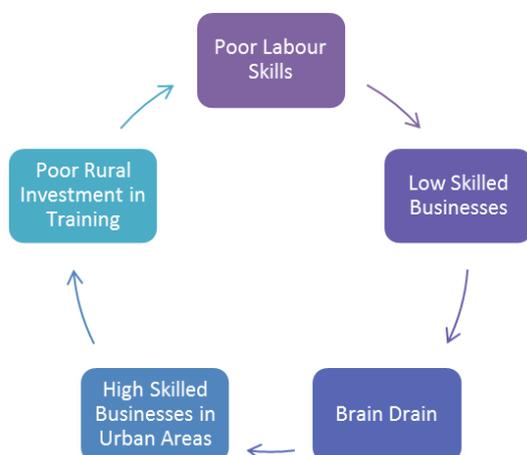
However, it was also suggested by many contributors that the quality of life is an important attractor for people looking to work in the SW, but there is a need to promote the area as a place where there are also challenging and rewarding careers.

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

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

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

Figure 21: Illustration of low skills cycle



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

Source: [112]

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

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

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

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

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

Key Findings

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

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

Supply of Labour

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

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

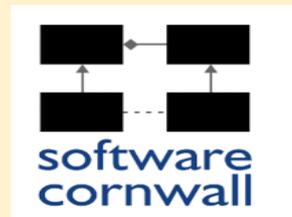
Whilst many highlighted the issues associated with an ageing demographic, others highlighted that 'older people' also represent an opportunity [6] [123].

Case Study – Software Cornwall

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

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

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



Theme 4: Brexit

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

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

The Changing Agricultural Support Regime

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact on Fisheries Policy

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

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

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

Loss of Funding for Economic Development

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

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

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

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

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

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

Loss of workers from the European Economic Area (EEA)

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

Impacts Arising from Changes in Tariffs and Terms of Trade

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

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

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

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

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

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

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

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

Uncertainty acting as a brake on Investment

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

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

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

Legislative

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

Key Findings

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

Theme 5: Transport and Accessibility

Context

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

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

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

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

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

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

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

Source: [1]

Key Findings

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

Key Issues and Opportunities

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

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

Strategic Road and Rail Infrastructure into the region

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

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

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

Figure 23: Travel time to London by car and rail



Source: [132]

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

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

Key Finding

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

Intra-regional transport infrastructure

Several contributors described the links between transport and productivity:

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

In the words of Torbay Development Agency [46]:

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

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

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

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

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

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

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

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

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

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

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

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

Key Findings

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

Transport for People without a Car

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

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

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

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

Key Findings

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

Case Study - Wheels to Work:

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

Rural Cycling, Walking and Tourism Transport

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

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

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

Key Findings

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

Theme 6: Broadband and Mobile Connectivity

Current Digital Infrastructure

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

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

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

Figure 24: Digital infrastructure coverage

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

Source: [140]

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

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

Case Study - Avanti

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

Case Study - Airband

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

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

Case Study – Cranborne Chase AONB – Open FEMTO Mast

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

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

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

Current Digital Infrastructure Challenges

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

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

Specific challenges highlighted were:

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

Specific opportunities to improve coverage were:

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

Theme 7: Housing, Planning, Communities and Workspace

Introduction

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

Planning Context

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

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

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

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

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

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

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

Key Finding

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

Housing

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

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

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

Key Finding

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

Demand for Housing

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

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

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

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

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

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

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

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

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

Key Findings

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

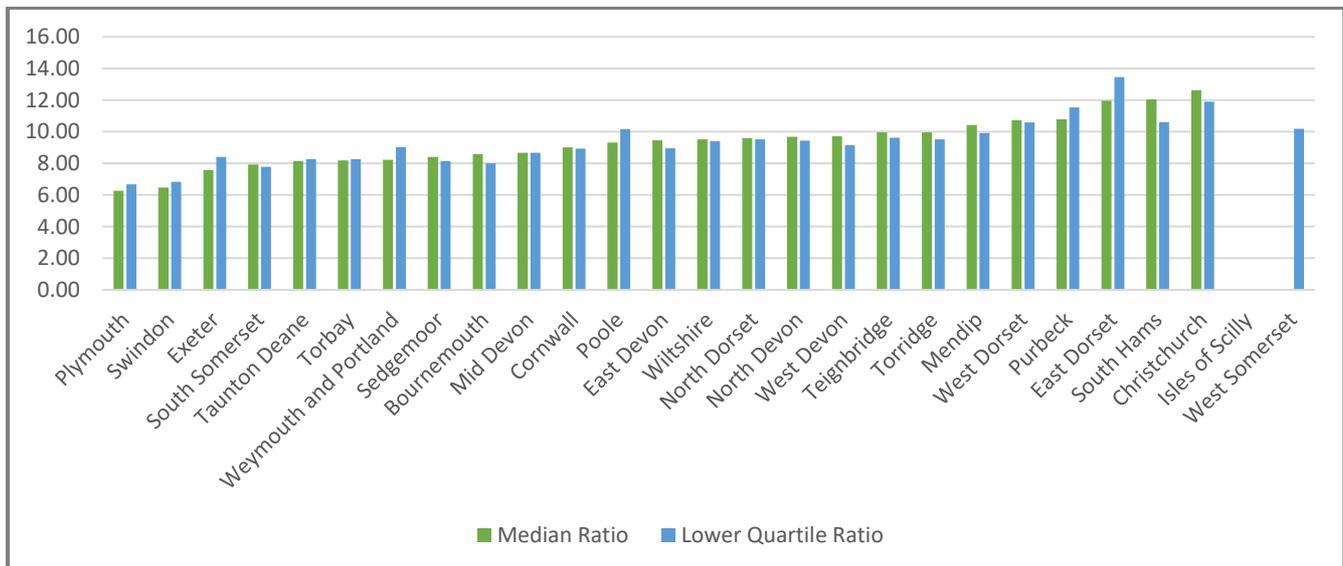
³ People who spend at least half of their work time using their home, either within their grounds or in different places or using it as a base.

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

Housing Affordability

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

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



Source: [152]

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

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

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

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

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

Key Findings

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

Supply of Housing

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

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

Figure 26: House building completion rates by four LEPs

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

Source: [156]

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

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

Key Finding

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

The role of landowners

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

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

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

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

Key Finding

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

Self-Build

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

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

Case Study - Vanguard Self Build

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

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

Regulation and planning

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

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

Key Findings

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

Rural Exception sites

Hastoe Housing indicated that the majority of their schemes are built on 'Rural Exception Sites'⁵ which depend on a landowner's generosity in making land available that would not otherwise achieve planning permission, at agricultural values [150]. CPRE suggest that there has been a 'stark reduction' in the number of homes delivered on rural exception sites over the last year, which may point to unintended consequences of adaptations to the rural exceptions site policy introduced through the NPPF in 2012 [159]. Devon Communities Foundation highlighted that approx. 100 houses per year are built on rural exception sites, but this is not meeting housing need [98].

Key Findings

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

Community Land Trusts

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

Case Study – Devon Rural Housing Partnership

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

Construction Sector

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

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

Case Study – Smart modular homes on the Isles of Scilly

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

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

Commercial Development

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

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

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

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

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

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

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

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

Case Study – Planning in the National Parks

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

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

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

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

Rural Services and Viable Communities

Introduction

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

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

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

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

Rural Services

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

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

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

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

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

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

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

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

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

Key Findings

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

The role of the voluntary, community and social enterprise sector

The State of Rural Services report stated [161]:

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

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

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

Of particular significance is the number of organisations working in the field of social care/welfare (25%), with these organisations providing significant support to help people back into the labour market. Social Enterprises were also highlighted as a business model that is able to deliver a range of community services and solutions to local challenges [164]. However, it was also recognised that public procurement practices remain a barrier to the growth of the social enterprise sector [164] [84], with a failure of public sector organisations to implement the Social Value Act ⁶. A recent review of the Social Value Act by Lord Young [166] found that the Act is having a positive effect where it is taken up, and that it has a clear potential to act as a tool for smarter procurement given the right application. However, there was mixed awareness and take-up of the Act as it currently stands. Locally, one contributor suggested that public sector agencies should be prepared to focus procurement of services on smaller, local providers (e.g. health and social care) which will further help the emergence of community based businesses which are already being seen [84].

Key Findings

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

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

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

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

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

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

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



Case Study – the Transform Ageing programme

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

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

How will it work?

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

The programme will then:

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

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

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

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

Why the south-west?

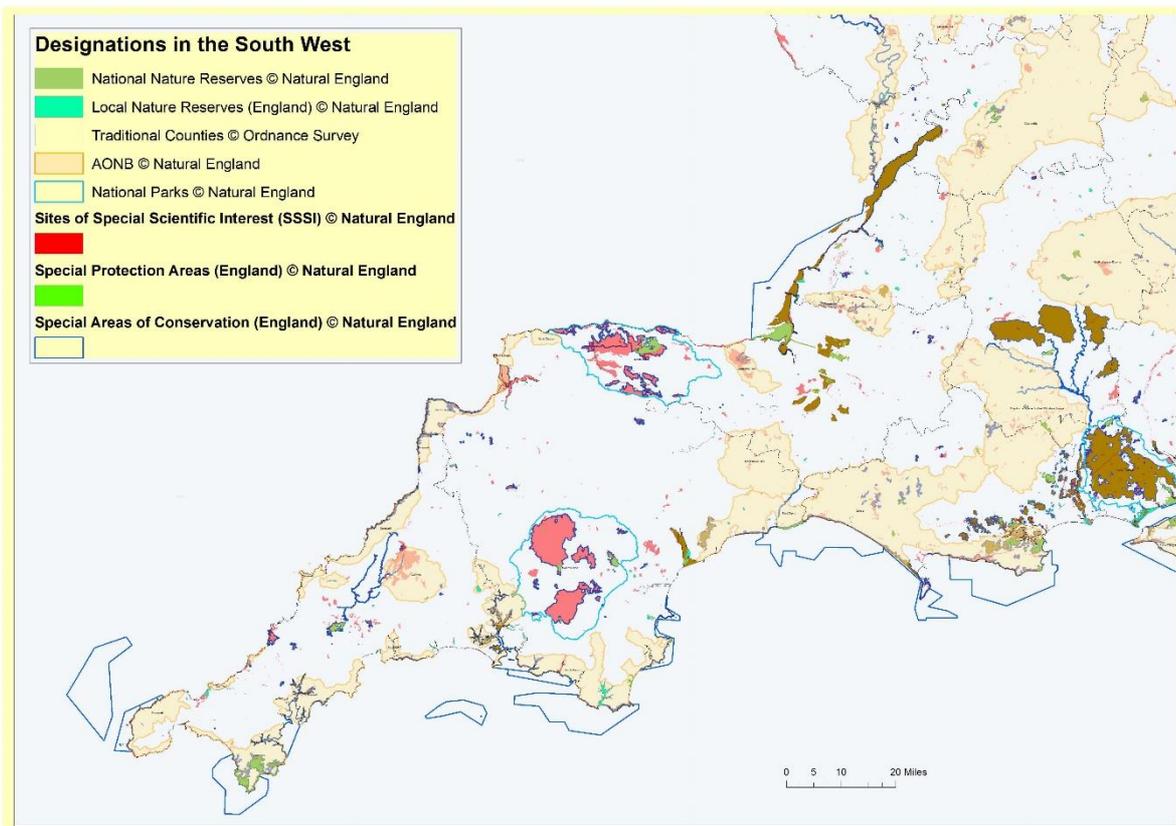
The programme is currently based in Cornwall, Devon and Somerset as this is an area of the country that has a higher proportion of people in later life than many other parts of the UK as well as the challenges faced by very rural areas. The Design Council also found a seedbed of people and organisations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

Theme 8: Natural and Cultural Heritage

The SW Natural and Cultural Environment

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

Figure 27: Map showing key Environmental Designations in SW



Source: [167]

Key Finding

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

The relationship with the economy

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

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

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

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

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

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

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

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

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

Key Findings:

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

The role of Eco-system Services and Natural Capital

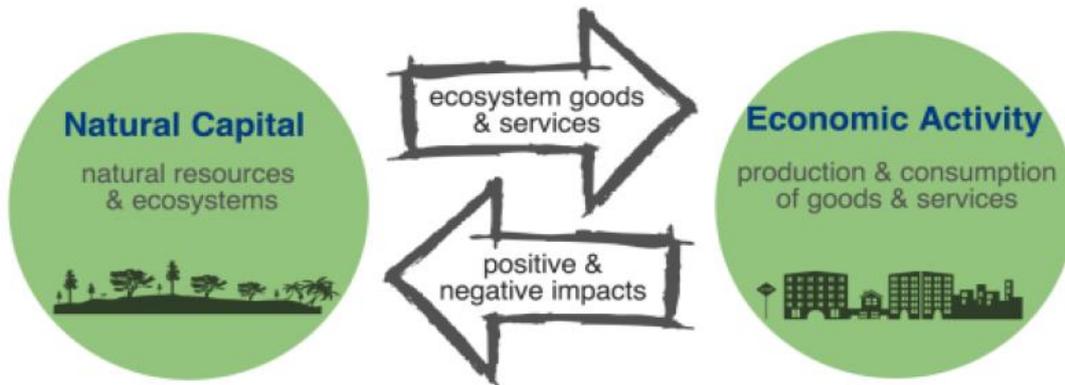
Several stakeholders highlighted the role of eco-system services and maintaining natural capital in their response to the commission:

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

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

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

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



Source: [172]

Figure 29: Eco-System Services



Source: [168]

A pilot study undertaken by AECOM, attempted to put a monetary value on several Dorset AONB habitats [173]. Using experimental techniques the study found that Dorset AONB's:

- 11,171 hectares of woodland provide an estimated £26.7m worth of benefits every year to society (£3,391/ha);
- 83,138 hectares of enclosed farmland and 10,135 ha of semi-natural grassland provide an estimate £16.1m worth of benefits every year to society;
- 2,624 hectares of coastal margin ecosystems provide an estimated £14.5m worth of benefits every year to society (£11,061/ha)

However, the need for experimental approaches to valuing these ecosystem services highlights the fundamental challenge in protecting our eco-system services and natural capital; the fact that the costs and benefits to society are 'external' to conventional market systems. For instance, whilst a farmer maintaining a beautiful landscape creates an attractive environment for tourists to visit an area, unless the farmer has diversified into tourist activities (such as self-catering cottages), the farmer cannot capture any value from the public good they are providing. Likewise, damage caused to the environment downstream.

Key Findings:

- The economy benefits from a range of eco-system services.
- Ecosystem services and healthy natural capital underpin a healthy economy and society.
- Costs and benefits associated with ecosystem services are often external to conventional market systems.

Opportunities to Drive Growth

Several contributors argue that for the SW to achieve long term, sustainable growth, it's economic assets must be protected and enhanced, rather than degraded.

"Development without incorporating natural as well as financial capital will result, at best, in growth that is short term and unsustainable" [169]

Several mechanisms are proposed to address this:

- Developing Natural Capital market approaches;
- Use of planning and regulatory controls;
- Reforming environmental support programmes post Brexit; and
- Developing markets for 'green' products.

Developing Natural Capital Market Approaches

Contributors to the commission are recognising the opportunity to develop natural capital markets:

"Nascent natural capital markets have huge potential to re-invigorate rural businesses, but they require initial up front investments to identify their values, demonstrate the beneficiaries and reveal the impacts of under-investment and neglect". [55]

" We wish to utilise our natural capital to bring benefits across many sector of industry – not just tourism" [118]

Contributors suggested that the SW has the potential to grow the following nascent/emerging natural capital markets:

- Health – The Local Nature Partnerships are working closely with health organisations to develop 'social/green prescription' models, which secure payment for the delivery of nature based activities to address problems such as inactivity, weight loss and mental health, saving the NHS money;
- Flood risk/resilience and insurance -Working with insurance companies to prevent flooding or mitigate the impact of other natural disasters to reduce the impact and save money on insurance pay-outs; and
- Coastal/marine – capturing value from the SW's considerable coastline.

SWW's 'Upstream Thinking' model (<http://www.upstreamthinking.org/>), where by landowners are paid to manage their land to improve water quality downstream was identified as good practice by several contributors [38]. The Devon Wildlife Trust [55] went further, to suggest

that the model could be used as an exemplar to encourage the development of nascent markets such as insurance and infrastructure resilience. SWW suggested that partnership working, allowing resources to be pooled is one way to take forward this work [38]. Similarly, several stakeholders highlighted the opportunity to build on the expertise of the **South West Partnership for Environment & Economic Prosperity (SWEEP)**, which is funded to allow academic experts and businesses to work together to solve some of the challenges caused by natural hazards.

Key Findings:

- There is scope to develop approaches to nascent natural capital markets, but investment is required to explore models.
- The SW has expertise and experience in developing innovative market approaches to solving environmental challenges.

Planning and Regulatory approaches

Two contributors advocated a need for planning and regulatory approaches to improving natural capital, the Dorset LNP and Taunton Deane District Council.

"Taunton Deane needs to build its natural capital assets by creating an effective statutory planning system that is able to protect the natural environment whilst enabling business investment. A slicker system, but with more teeth" [123]

Dorset LNP's Natural Capital Investment Strategy describes two approaches that utilise the planning system to secure improvements to Natural Capital:

- **Planning Gain for Infrastructure Type Projects** – This is a process where infrastructure projects ensure that there is a *net gain in Natural Capital* based on the quality of the affected environment and the ecosystem services that would have been lost or displaced. This process aligns with the concept of planning gain outlined in the National Planning Policy Framework, but extends the concept further to ensure there is a net gain through compensation funding or compensatory actions by the developer or the developers contractors. An example is the Weymouth relief road below.

Case Study – Weymouth Relief Road

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

Source: [169]



- **Development Planning Proposals** – The Dorset Biodiversity Appraisal Process has been developed to focus attention on ensuring mitigation and compensation is targeted on the work that will result in no net loss and in most cases a net gain for the

environment. It encourages early engagement with the conservation agencies and local authority to find acceptable ways to achieve the development, rather than an expectation to stop it. The focus is explicitly on increasing Natural Capital, either directly or indirectly, not merely compensation paid.

Case Study - Bournemouth Spur Road – Biodiversity Appraisal Process

The refurbishment of the Bournemouth Spur Road provided an interesting challenge as both verges are routinely occupied by sand lizard and smooth snake.

A 'standard' approach to this problem would have been to install reptile fences along both sides of the road in the hope of catching and moving any animals away from the work area. As an alternative, the developer

negotiated to permanently extend and enhance the habitat just beyond the road (so that reptiles had somewhere attractive to go) then destroyed the road side habitat while the reptiles were hibernating, so that when they woke up they went to the newly created areas. While the method required a little more planning and forethought, it probably saved about 90% of the budget that would have been spent on reptile fences and provided a long term gain in respect of the new and improved habitat.



- **Environmental Enterprise Zones** – The Ash Futures study [168], highlights the concept of an Environmental Enterprise Zone, which could benefit from business rate relief and enhanced capital allowances for companies located within them, as well wider support (e.g. to help key sectors build their capital base, marketing and supply chains etc.)

Key Findings

- There are tried and tested approaches to using the planning system to achieve a net gain in Natural Capital, without being a burden on development
- These approaches are designed to facilitate the best outcome, not stop development altogether.

Reform of Agricultural Subsidies Post Brexit

Several contributors [70], [124], [49] have indicated that the opportunity to reform the system agricultural subsidy as a result of Brexit provides an opportunity for a reformed system to focus on public goods, such as access and environmental benefits and these are discussed in more depth under theme 4.

Developing markets for 'green' products

A number of contributors highlighted opportunities for developing products from the natural environment, such as renewable energy, timber, fibres, medication etc. An essential element of developing such products was building on the local brands associated with the areas. For instance, in horticulture, diversified products such as scented oils, gins and perfumes have been developed building on the local brands associated with Cornwall and the Isles of Scilly [135].

Theme 9: Geography, Hubs and Spheres of Influence

In this theme, we explore the relationship between rural areas and towns and cities to understand if cities can be an 'engine for growth' for their rural hinterlands and indeed, the extent to which cities depend on their rural hinterlands to continue to grow. We also explore the changing role of market and coastal towns within rural areas.

The Role of City Regions

As documented elsewhere in this report, economic policy in the UK has perceived cities and core cities in particular as the 'engines of growth' for the UK economy. In this section of the report, we explore the extent to which cities can be drivers of growth in rural areas.

SQW and Cambridge Econometrics [174] were commissioned by DEFRA in 2006 to examine the economic performance of rural areas inside and outside of city regions. The research found:

- Levels of productivity in rural areas within city-regions are about 8% higher than those in rural areas outside city regions;
- Part of this differential is explicable in terms of a) contrasting skills levels and occupational structures and b) regional influences, but not all: a 5% differential is explicable in terms of location in relation to city regions after these factors have been taken into account;
- The earnings of residents in rural areas within city regions are about 18% higher than those outside; about half of the differential is explained in terms of occupational structure and skills levels;
- Rural areas within two or more city regions generally perform better than those in one; and
- Rates of output growth are projected to be higher in rural areas within city regions than in rural areas outside of city regions.

The report concludes that links with a city region change the structure of economies in rural areas, however, issues relating to low wages and low skills typically remain, even if they are overlain by high wage activity – potentially masking a growing *duality in the economies of some rural areas*.

The map on page 14 of the report shows that the influence of the cities in the four LEP area does not extend to all parts of each LEP. Plymouth reaches into the former district of Caradon in Cornwall as well as South and West Devon, but it does not reach beyond the former district of Caradon in Cornwall or as far north as Torrridge in the Heart of the SW. Exeter reaches into East Devon, Teignbridge and Mid Devon, but not as far as North Devon, Torrridge or West Somerset. In Dorset, Bournemouth reaches into the districts of Purbeck, North Dorset and East Dorset, but does not extend to West Dorset. In Wiltshire, the former districts of Kennet and North Wiltshire benefit from the influence of Swindon, but former districts of Salisbury and West Wiltshire lie outside. **Therefore, large swathes of the four LEP area fall outside the influence of a city region (as defined in the SQW/Cambridge Econometrics study).**

This is supported by more recent research by the Industrial Communities Alliance [175], which explored commuting times into core cities from industrial towns in the UK. It found that

commuting times into core cities from industrial towns could often be lengthy, limiting the extent to which jobs growth in core cities could be expected to pull up the rest of their regions. This finding is very applicable to the SW context, with travel times to Bristol meaning that its sphere of influence is limited to parts of Somerset and Wiltshire.

Curry and Webber [176] also explored the relationship between business productivity in rural areas and city regions. It found that the 59 districts (urban and rural) that fall outside of city regions are in aggregate less productive than those within city regions. When comparing rural and urban districts outside of city regions, the study found that rural districts were no less productive than urban ones, suggesting that *remoteness, rather than rurality* per se is the more significant influence over productivity. Contributors to this commission reinforced these findings, suggesting that:

" [In relation to North Devon] The cities of Exeter and Plymouth have very limited impact on the economy, with most of the area's employment accounted for locally" [17]

For rural areas outside of city regions, a rural or non-metropolitan "in" policy framework needs to be designed from the bottom up as this is much more likely to address the economic needs of these areas" [54]

The research above suggest that the principle means by which cities benefit the economy of rural area is through commuting patterns. However, it is suggested by some that, whilst this brings a boost in term of wages, it also removes key 'inputs' to the economy of rural areas. Others have suggested that the cities could play a stronger role in supporting growth in their rural hinterlands and this could be proactively managed to the benefit of both urban and rural areas.

"An urban centric growth strategy which seeks to leverage wider impacts needs to employ specific interventions to facilitate linked growth and productivity gains e.g. through local/regional procurement policies and support for rural businesses to access tender opportunities" [17]

The Carnegie UK Trust argues that there is an opportunity to take a more holistic approach that recognises the interdependency of cities, towns and rural areas their roles in improving well-being [177].

Recent RSA research into the role of market towns within the northern powerhouse [92] suggests that current city led growth which relies on the traditional business model that workers must physically travel to a place of work overlooks the unprecedented shifts in the way we live and work, with dramatic increases in non-employing businesses, self-employment, commuting, migration from urban to rural and an ageing population. It also highlights research by 2e2 in 2011 which revealed that commuting and traditional 9-5 working hours cost UK businesses £2.24bn in lost productivity. It suggests that rural communities in the Northern powerhouse need to focus on smarter ways of combining resources (particularly human) with technological changes and new business models to increase productivity. The way we live and work has changed dramatically in the last decade and we need to find a new way of doing things.

Key Findings

- Rural areas within city regions perform better than those outside of city regions, however, within these better performing areas, higher 'city wages' may be masking a growing duality in the economy.
- 'Remoteness' rather than 'rurality' may be the main factor.
- The four LEP areas have significant areas that fall outside the influence of a city region and nearly all of the area falls outside the sphere of influence of any core cities.
- There is a need to better understand the inter-dependences and opportunities for mutual growth between cities and their rural hinterlands.
- Unprecedented shifts in the way we live and work provide an opportunity to develop new (dispersed) models of growth to increase productivity.

The changing role of market and coastal towns

Several contributors highlighted that market and coastal towns have traditionally provided a 'hub' for their rural hinterlands [84] , [114], [60], resulting in a co-dependent relationship between rural areas and their market towns. However, several contributors reported that the role of market and coastal towns is changing and becoming more challenging. In Dorset, larger towns were thought to act as a draw for rural residents in terms of shopping and entertainment, which in turn has a negative impact on villages and smaller town centres, accelerating their decline as they suffer competition for income and falling profit [77]. Similarly, 'click and collect' and home delivery services are also thought to be a threat [114], [77]. In Teignbridge, produce markets still provide an important opportunity for local businesses to bring their products to market in an affordable way. However, it is also argued that with increasing competition towns must embrace changes in order to continue to prosper – for instance with the growth of the coffee shop culture and social element of shopping, towns such as Newton Abbot have seen the rise of festival style events to celebrate local suppliers to as the Taste of the Teign and Summer nights, the new street food festival [117].

These findings were echoed by research by the Carnegie UK Trust in Scotland which also found that lifestyles and needs are changing and that this is impacting on small towns. They found that there is a risk of a growing gap between highly connected, relatively affluent, online and mobile residents and digitally excluded, less affluent residents with restricted mobility who remain reliant on services in the nearest small towns – for which there is dwindling demand and for which public sector funding is likely to be reduced. Suggesting that the 'demise of small towns' is likely to impact more on people from disadvantaged backgrounds. They also suggest that there is little research to understand the role of towns and their hinterlands and there is a need for improved understanding of the nature and scale of interactions [177].

Coastal towns do not appear to have the same inter-dependent relationship with surrounding rural areas as market towns [77] [99]. However, coastal towns face a different set of problems in particular the seasonal nature of tourism, creating winter ghost towns and seasonality of unemployment [77]. The Carnegie UK Trust also suggests that whilst small towns are facing challenges, there are also success stories in Scotland where small towns have carved out a new identity based on a theme Wigtown Book town, Castle Douglas Food town and Kirkcudbright Artists Town.

Key findings

- There is an inter-dependent relationship between towns and their rural hinterlands.
- Market and coastal towns are facing considerable challenges.
- Small towns have an opportunity to re-invent themselves.

Theme 10: Science, Technology, Energy and Innovation

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

Science

The South West's natural assets are the subject of considerable scientific research, covering a diverse range of subjects from the region's biodiversity, agriculture, fish stocks, forestry and energy and many more.

Evidence from the fishing industry [178] suggests that there is substantial export value associated with expertise in research and innovation from environmental research on sustainability through to the development of methods and equipment exported globally. For example the vessel based devices widely used by Indonesian fishermen with associated software and even insurance products derived and delivered via the same kit – all UK products. Parallels with the wave and tidal energy sector in Orkney where energy generation is minimal but 200 jobs are sustained through supporting and exporting research and innovation nationally and globally. These amount to a substantial tranche of high value, high education level jobs in an island population of only 20,000.

The Isles of Scilly has taken an innovative approach to the challenges of living in Island communities, setting up the island as a 'live laboratory' to test new ways of doing things. The Smart Island concept is tackling the challenges associated with energy, waste, transport etc. As a closed system, it offers a unique opportunity to secure investment from the private sector to test new approaches [151]. This new approach has changed the relationship with government from dependent island community to one of co-investor. It has also established the Isles of Scilly has a centre for science and research activity, as evidenced by the SW and Wales Innovation Audit. Other contributors pointed to more established placed based innovation platforms such as the Brainport model in Eindhoven, Netherlands, as potential models of development [117]. See case studies overleaf.

Case Study - Smart Islands

The Smart Islands programme is intended to sustainably and affordably tackle some of the Isles of Scilly's main infrastructure and utilities issues, whilst providing a model for how other communities can profit from a rapid transition from being carbon intensive to having a low carbon footprint. The current challenges are considerable. Providing affordable and reliable electricity, drinking water, sewage treatment and waste disposal for Scilly's remote island population is expensive and presents considerable practical challenges.

The Smart Islands programme is taking a fundamentally different approach to waste, water and energy with the introduction of a Smart Grid, generating energy from waste, sewerage and a mix of renewable energy sources. This will unlock value and savings for Scilly's residents and businesses through a locally owned Community Energy Services Company. The programme is being delivered through a partnership made up of the following organisations: The Duchy of Cornwall, Tresco Estate, The Council of the Isles of Scilly, Hitachi Europe Ltd. and the Islands' Partnership.

A £10.8 million project, co-financed by the European Regional Development Fund, will lay the foundations for the Smart Islands Programme by creating an ambitious smart energy system that will provide a model to support the transition to low carbon sustainable communities. It will be innovative in its scale and range of technologies, linking for example; rooftop solar panels, solar gardens, batteries, domestic heat pumps and electric vehicles through an Internet of things (IoT).

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

[Moixa](#), the UK's leading home battery company, has experience managing domestic batteries to help support local energy systems, and will supply the home battery management system to integrate with Hitachi Europe's platform. Smart home batteries will allow homes with solar panels to save money by using more of the power they generate. They will also be able to import or export energy to balance local energy needs. Moixa will build on this expertise to develop the Electric Vehicle Management System, which will control and optimise how the batteries included in electric vehicles can be utilised by the IoT platform.

[PassivSystems](#), the leading home energy services company, will supply the home energy management systems for domestic buildings and building energy monitoring systems for commercial properties allowing them to be integrated into the IoT platform. Rooftop solar photovoltaic (PV) systems will be installed on 100 homes, a tenth of the island's housing stock, and two 50kW solar gardens will be built. They will deliver at least 448kW of renewable energy and reduce the islands' carbon footprint. Energy management systems will be installed in the 100 solar homes and in 190 of the islands businesses. Ten of these will be smart homes piloting a variety of additional smart energy technologies including Moixa smart batteries and air source heat pumps. These technologies have the potential to significantly increase savings from solar PV.

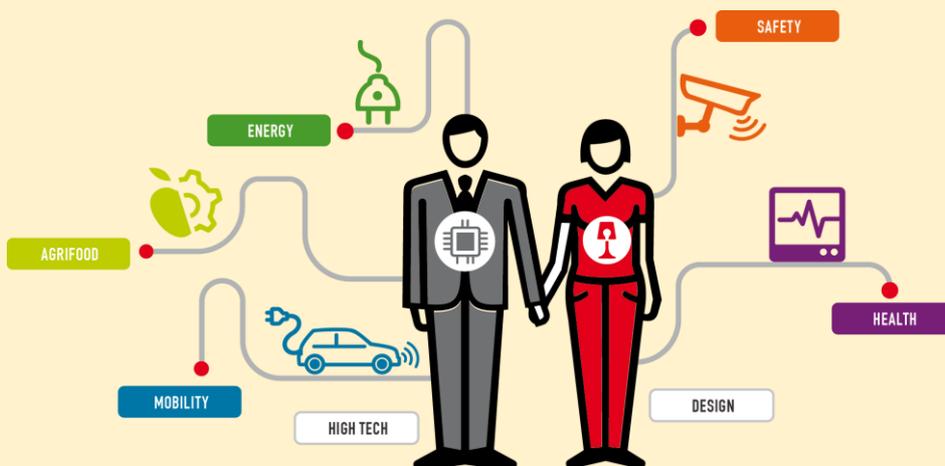
This smart energy system will be a key enabler for the Isles of Scilly to connect further renewable power towards the Smart Islands target of 40% renewable generation, and it will support their ambition to reduce energy bills for local people and see 40% of vehicles being electric or low-carbon by 2025.

Case Study – Brainport, Eindhoven, Netherlands

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

Facing the loss of 36,000 jobs in the early 1990s, local Government leaders decided to start a new style of co-operation, where they initiated a 'triple helix' collaboration between government, industry, research and education institutions. Together, they attracted investment and brought organisations like TNO research to Eindhoven. This collaboration gave rise to the Brainport Foundation in 2005, a public-private partnership with its own ambition and strategy, and earned the city of Eindhoven the International Eurocities award In 2010. Over the past 20 years the Brainport region has made an impressive transition, from a region of shrinking industry and high unemployment to an international high-tech hotspot in a global network. Eindhoven has become one of Europe's leading high-tech centres, with highly developed specializations in fields like mechatronics, robotics and advanced materials. Brainport makes a major contribution to national exports and dominates the top of Dutch R&D companies. This creates many new jobs in the region and beyond. Brainport also registers the major share of Dutch patents (44%), double that of European top regions such as Stockholm and Munich. In addition, according to the Financial Times, Eindhoven has Europe's best investment climate after London and Helsinki.

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



Technology

The digital revolution, robotics and artificial intelligence are expected to transform our lives in the next few years. Whilst there is evidence of some innovative companies deploying these technologies now to drive productivity improvements (e.g. South West Water) [38], we have not heard many examples of this. In some sectors, labour shortages are expected to drive take-up of robotics and technology [45]. We expect technology and smart solutions to play an increasing role in the delivery of rural services and we have heard some examples . Technology was also identified as an important driver of productivity improvements in the agricultural sector.

The commission is aware of significant investment in 'agri-tech' both nationally and via the region's LEPs. In Cornwall, A £10m initiative is using ERDF funding to support ambitious Cornish SMEs to develop innovations to improve efficiency, profitability and resilience in the agricultural sector. The project aims to develop innovative technologies to empower farms and their immediate supply chains and is led by Duchy College Rural Business School, in partnership with leading research institutions – the Universities of Exeter and Plymouth and Rothamsted Research, as well as the Cornwall Development Company. The project provides grant funding towards the cost of research, feasibility studies or consultancy costs as well as a graduate placement programme [179]. However, ERDF funding rules mean that the project cannot providing funding to SMEs operating in the agricultural sector or beyond Cornwall and the Isles of Scilly.

Energy

The South West is at the forefront of renewables in England, with the highest onshore installed capacity of any one region [180]. However, after years of accelerating renewables growth, cuts and uncertainty around the subsidy regime, changes to national planning policy and grid constraints have led to reduced growth rates in the SW in 2015/16 [180].

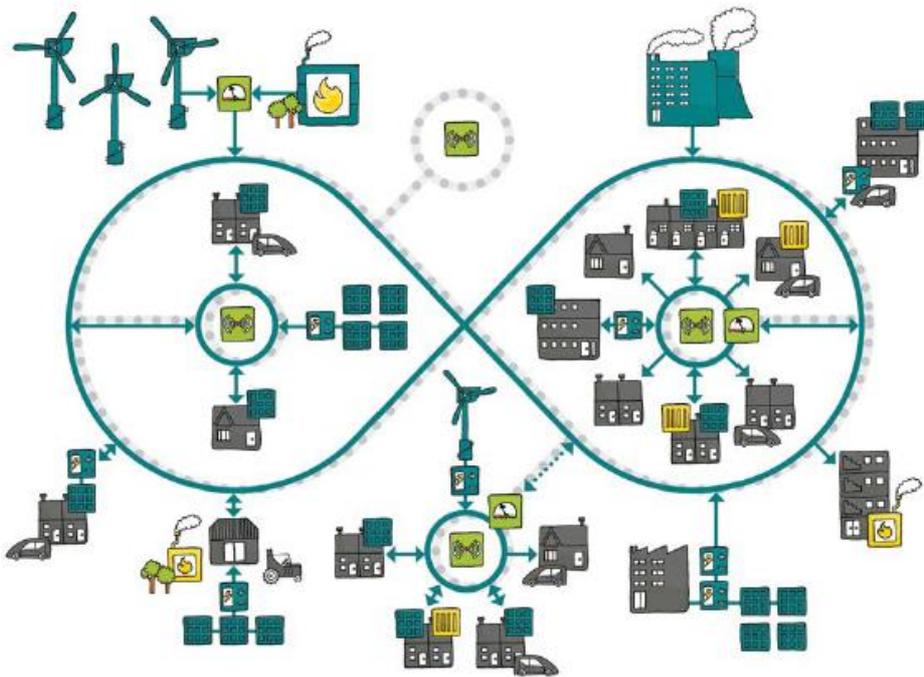
RegenSW anticipates that continued growth is likely to be in smaller solar projects where power can be used on site (see case study below) and that a critical shift is required towards a smart decentralised system, with local consumption of renewable energy generation, network and own use storage, and integrated smart grids, meters and appliances to overcome the issues of grid capacity (see figure 30 overleaf).

Case Study – Bodmin Sewage Treatment Works

South West Water (SWW) is working with RegenSW on a programme to develop renewable energy projects sized to provide power to SWW infrastructure, and keep bills and CO2 emissions low. As a result, the 100kW Nanstallon solar array was financed and developed by Wadebridge Renewable Energy Network (WREN) to provide power to SWW's Bodmin Sewage Treatment works. A direct wire and 20 year power purchase agreement is in place between WREN and SWW. With ongoing grid capacity constraints in the Wadebridge area, this private wire agreement was a positive way for the community to develop a project with local economic benefit, despite policy and subsidy changes.

Source: [180]

Figure 30: Illustration of a Smart Decentralised System



Source: [180]

The commission also heard evidence from Abundance Energy who worked with Swindon Borough Council to develop the UK's first ISA linked to a community solar farm (see case study below).

Case Study - Swindon Common Farm Solar CIC

Working in Partnership with Abundance Investment, Swindon Borough Council used a crowdfunding model in the form of a 'solar bond' to fund two solar farms. The first a 4.8MW solar farm is now generating clean energy for residents and a return for the Council and investors.

Swindon Borough Council has a Vision to develop a low carbon economy by 2030 and this project is helping them achieve that. In spring 2016 investors, including many Swindon residents, co-funded a 4.8MW solar farm, investing £1,783,000 alongside the Council's £3,000,000.

The solar farm is generating electricity which earns revenues from the Feed-in Tariff and Export Tariff, creating a long term income for the Council, investors and defined community initiatives. The site itself is a biodiversity hotspot, a place for plants and insects to thrive with sheep also grazing part of the year. Abundance Investments informed the commission that they were actively exploring how this model could be applied to other community infrastructure project such as broadband and other renewable energy projects, allowing communities to be co-investors in projects and retain wealth in local economies.

The issue of Grid Capacity was raised by a number of contributors to the commission, both in terms of:

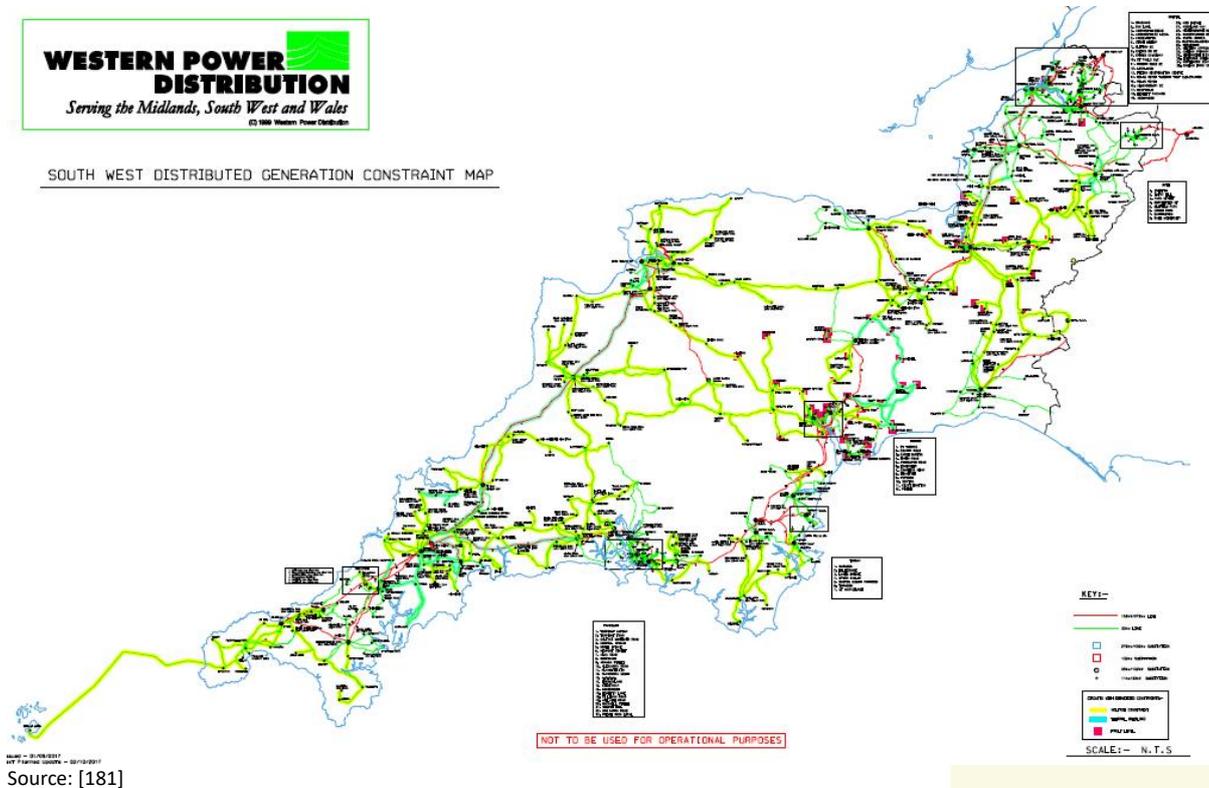
- Connecting renewable energy generation projects to the national grid, in order to export energy [112]; and
- Connecting businesses and commercial developments to the national grid, in order to be receive power on site [106] [42] [117]

A report by Regen SW confirms that the SW is particularly affected by grid constraints arising from the rapid growth of distributed renewable energy generation projects [181]. As a result, Western Power Distribution has long delays for anyone looking to connect energy generation projects to the network in the SW, which articulates the challenge:

There are two National Grid lines and one Western Power Distribution (WPD) line that carry power into (and increasingly out of) the south west. The 132 kV WPD line that runs from Bridgwater Grid Supply Point (GSP) to Seabank GSP (in the Bristol docks area), known as the 'F' route, has reached capacity. As a consequence a delay of 3-6 years is included in new connection offers for all generation projects seeking to connect to the grid requiring works at High Voltage (HV) level i.e. above 6.6kV or 11kV. This restriction applies to the entire WPD south west region below Bristol and Bath.

The work National Grid is undertaking to connect the Hinkley C nuclear power plant offers a potential solution, as it would involve the WPD 'F' Route being replaced by a National Grid line with a higher capacity. However, this work remains subject to considerable uncertainty. The 'F' route constraint is, however, not the only issue for the distribution network in the south west. A map of other constrained areas is shown in figure 31 below.

Figure 31: South West Grid Constraints



Innovation

The ability of firms to innovate successfully plays an important role in their ability to sustain growth and competitiveness. For local areas, this means that the more innovative local companies are, the stronger the prospects for growth. The Enterprise Research Centre produced LEP level analysis of data from the 14,000 firms that responded to the UK Innovation survey 2015. The results for our four LEP areas are shown in figure 32 below. This shows that firm level innovation performance varies significantly across the four LEP areas. This analysis suggests that for many innovation indicators Cornwall and the Isles of Scilly is in quartile 1 and 2, whereas performance in the Dorset, HOTSW and SWLEP tends to be in the lower quartiles.

Figure 32: LEP area benchmarks – % of firms (Quartile in brackets)

Benchmark	C&IOS	Dorset	HOTSW	SWLEP
Introducing new business practices	28% (Q3)	28% (Q3)	27% (Q3)	26% (Q3)
Introducing new methods of work organisation	28% (Q1)	17% (Q4)	15% (Q4)	17% (Q4)
Introducing marketing innovations	22% (Q1)	16% (Q3)	17% (Q3)	11% (Q4)
Undertaking R&D	22% (Q2)	19% (Q3)	15% (Q4)	16% (Q4)
Undertaking design investment for innovation	12% (Q3)	14% (Q2)	9% (Q4)	11% (Q3)
Collaboration for innovation	36% (Q1)	20% (Q4)	18% (Q4)	17% (Q4)
Undertaking product or service innovation	29% (Q1)	17% (Q4)	16% (Q4)	23% (Q2)
Sales of innovative products and services	30% (Q3)	26% (Q4)	22% (Q4)	30% (Q3)
Process innovation	16% (Q2)	10% (Q4)	14% (Q3)	16% (Q2)

Source: [182]

National research [183] has found a strong and robust correlation between employment of STEM graduates and Highly Innovative Firms, suggesting that STEM graduates are vital to driving innovation in an area. However, other studies have highlighted that whilst STEM subjects are important, it is the multi-disciplinary mix of STEM and the Arts (STEAM) that generates imaginative ideas and problem solving skills to meet the challenges of a fast changing, fragmented digital world [184]. However, whilst graduate talent has been proven to be beneficial to SMEs, other research points to a mutual lack of understanding about the benefits to both sides, with small firms tending to undervalue the contribution of graduates to the business, based on concern about their experience and the need for supervision. Equally, graduates can also have negative perceptions about the level of pay, career progression and working conditions [185]. Initiatives such as the Grads for Growth Project, are an example of how these barriers can be broken down.

CASE STUDY - the Grads for Growth (G4G) Project

G4G provided a recruitment service and dedicated support for SMEs in the South West Competitiveness area to access graduate skills and knowledge, supplemented by expert academic supervisory input, to undertake either a six or nine month project in order to help stimulate the level of innovation within the participating business. It was led by the Cornwall College Group in conjunction with Universities South West, Business West and Gradsouthwest and with support from local Knowledge Base Partners who provided academic mentoring. It was intended to bridge the gap between smaller business solution products such as Innovation Vouchers or Grants for R&D and more substantial ones like classic Knowledge Transfer Partnerships (KTPs).

An evaluation of the project found compelling evidence that the graduate placements added value to both the business and the graduate. Many businesses reported increases in turnover as a result of their engagement in the project and the graduates reported the development of

new skills and confidence. G4G was also thought to help retain graduate talent within the region. Over three quarters of the graduates in the sample were retained by the company after their project and 64% of businesses stated that they would be likely to employ another graduate soon.

Under theme 3 we highlight the challenge facing the SW in terms of attracting and retaining graduates and young people. Recent research by the Centre for Cities, exploring the 'Brain Drain' found that graduate migration is primarily influenced by the availability of graduate opportunities and future career potential and therefore if cities want to attract and retain more graduates, they should focus policies on creating more highly skilled knowledge jobs [186].

Wider Rural Policy Issues

Contributors to the commission also provided evidence and views in relation to wider rural policy and how this could be improved to drive greater rural productivity. These have been broken down into a number of issues. Spanning all these issues is a sense that recent Government economic policy has been focused on the role of core cities to the exclusion of other types of area. This is articulated by the County Council Network which highlights that:

"There continues to be a focus on city economies and the role of city region devolution, without an equally compelling role and vision for counties in the nation's growth" [187],

Likewise the Industrial Communities Alliance states that:

"In England in particular, 'asymmetrical devolution', prioritising the big cities over other areas, runs the risk of creating disparities in prosperity" [174].

Similarly, the Rural Coalition argues for a fair deal for rural communities:

"Policies and funding must deliver a fair deal for rural communities. Many rural communities are feeling left behind. Those communities (and tax payers) deserve an equitable share of service provision and its funding. It is vital that services are accessible to rural communities and businesses. Focusing delivery in larger settlements may be an easy option, but it is not a fair option" [188]

However, the recent focus on place based approaches identified in the Industrial Strategy Green paper , provides some optimism that this approach may be beginning to change. Contributors from the SW have also expressed a concern about an overly urban focused approach to growth:

Many Whitehall initiatives are city centric. A clear rural policy would have an immediate knock-on effect which would generate business growth [99].

There is often an implicit assumption that investment in the south of the county will benefit wider rural areas through a 'rippling effect', but we have seen no evidence of this. An urban centric growth strategy which seeks to leverage wider impacts needs to employ specific interventions to facilitate linked growth and productivity gains e.g. through local/regional procurement policies and support for rural businesses to access tender opportunities. [17]

These findings chime with the findings of the RSA's Inclusive Growth Commission which found that the current model of 'Grow now, redistribute later' is not working and needs to be replaced with an inclusive approach which tackles place based and social inequalities [189].

Measuring Productivity

The Inclusive Growth Commission has argued that traditional metrics of economic performance, such as GDP or at regional level GVA, are a poor guide to social and economic welfare. They do not tell us how the opportunities and benefits of growth are distributed across different spatial areas or social groups. Nor do they do a good job of tracking structural economic change, the sustainability of growth or the human impact of shifts in the labour market. It goes further, arguing that reliance on traditional measures can also distort how policy and investment decisions are made and evaluated. For instance, HM Treasury's capital accounting methodology privileges physical capital assets, meaning that large infrastructure projects are treated as long term investments, while social infrastructure investment (such as

education and skills) is regarded as short term spend and has to be accounted for up-front, despite its value appreciating over time [189].

This commission has also heard evidence in relation to:

- How projects and programmes are measured; and
- How investments are made.

In relation to the former, a recurring theme is that the current European Funding rounds have failed to consider productivity at all and that the emphasis on securing 'jobs created' outcomes, could have a perverse and negative impact on productivity [54], [113]. It has also been suggested that 'If productivity is the problem, one should make it the single focus' [54].

However, other contributors have expressed a concern that a focus on productivity alone, could also have perverse incentives leading to poorer social outcomes:

It's better for more people to gain the self-esteem of being in a job, than to force productivity rate'
[74]

Similarly, some contributors have suggested that failure to consider environmental considerations and impact on natural capital when making investment decisions, is taking a risky, short term approach to development that is misleading as it does not include all the parameters that will affect the viability and performance of an investment [168]. The National Parks articulated a vision for 'sustainable growth' that incorporates all three elements of sustainability: Economic, Environmental and Social [157].

Rural Proofing

Rural proofing is not a new concept – it was introduced by the Government in the Rural White Paper (2000) and since its introduction, successive administrations have sought to apply rural proofing practices and principles within the policy making process. Both the Countryside Agency and the Commission for Rural Communities had responsibility for advising departments on rural proofing, but in 2011, the decision was taken to bring rural proofing responsibilities inside DEFRA [190].

National level rural proofing guidance was published in September 2013 and updated in March 2017 [191]. In Lord Cameron of Dillington's review of rural proofing across government he found that:

- Around half (51%) showed no consideration of rural proofing or rural issues, even though the policy would impact rural areas;
- Just over a third (38%) described rural issues but did not analyse the policy impact; and
- Only 11% provided robust evidence on rural proofing and indicated how the evidence had been used to inform policy design.

He also found that despite the challenges of rural proofing, there was a commitment and enthusiasm to strengthen approaches to rural proofing across Government.

Commission Findings

Our commission heard from a number of witnesses who were of the view that rural proofing was not being done systematically or thoroughly enough within Government and that policies

were negatively impacting on rural areas [73], [97], [192]. One tourism business was of the view that the changes to rules relating to taking children out of school during term time, had not been rural proofed [73], directly impacting on her business.

However, the commission also received an example of good practice in Cornwall Council.

Case Study – Rural Proofing Local Policies [193]

Cornwall Council undertakes a comprehensive Impact assessment for every strategy, policy or project development. These now have a section in rurality, which whilst not as comprehensive as a full rural proofing, at least ensures that what they do is properly assessed on its deliverability to all parts of Cornwall.

Latest Rural Proofing guidance sets out a four stage process which should ensure that rural areas will receive “fair and equitable policy outcomes”. It is not over-zealous or overly burdensome, so it should be the case that new policies should have gone through the process.

But it was also felt that there needed to be a mechanism to hold Government to account regarding rural proofing [193].

Devolution and localism

The Cities and Local Government Devolution Act 2016, provides a legal framework for the implementation of devolution deals with combined authorities and other areas [194].

In England, devolution is the transfer of power and funding from national to local government. It allows decisions to be made closer to the local people, communities and businesses they affect and provide greater freedoms and flexibilities at a local level, meaning councils can work more effectively to improve public services for their area [194].

In order to receive these greater powers locally, councils in an area must join together to form a combined authority, led by a new elected mayor, who will work with local council leaders to make decisions on key local services, like transport, economy, health, skills. However, whilst the Government has pushed for areas to have mayors, the Cities and Local Government Act does not make elected mayors a condition for devolution [194].

In the four LEP areas, only Cornwall and the Isles of Scilly has secured a devolution deal. Progress in the other three areas is as follows [195]:

- Dorset is currently consulting on proposals for a combined authority and has submitted a ‘Statement of Intent’ to Government declaring an interest in the potential Devolution Deal;
- The Heart of the SW has submitted a ‘prospectus for productivity’ to Government and partners are considering a ‘combined authority’; and
- Wiltshire has submitted a devolution bid.

Key Findings

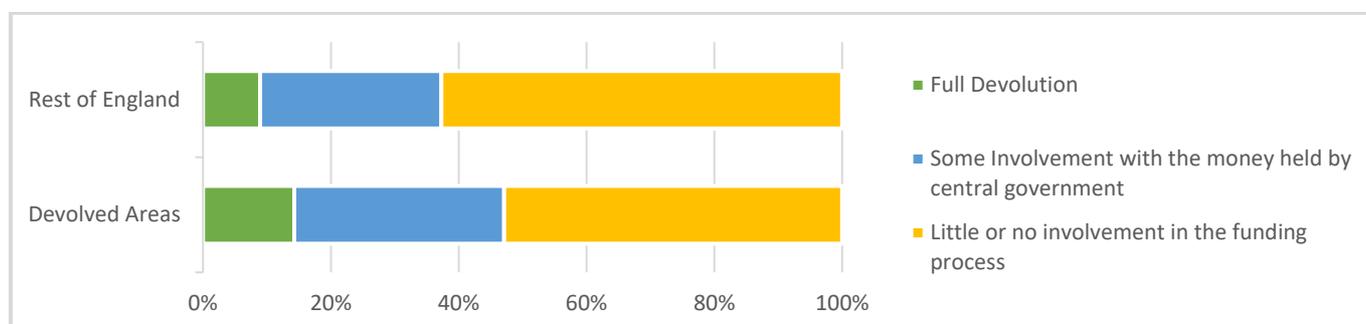
- Devolution offers an opportunity for local areas to have greater influence over national funding streams.

- To date, only Cornwall and the Isles of Scilly has secured a devolution deal among our four LEPs. It is one of 8 areas in England.

LGA commissioned research found that in England in 2016/17, £23.5bn of planned government growth-related expenditure is spread across 70 funding streams, which are managed by 11 delivery agencies and 11 Government Departments. Figure 33 below shows that within England in areas without devolution deals, there is very little or no local influence over half of these funding streams (55%). In areas with devolution deals, the figure is only slightly better at 48%. Illustrating the extent to which core local government funding is still subject to tight policy, investment and expenditure controls from Whitehall.

Whilst devolution deals are bespoke, the Shared Intelligence report [196] suggest that there is an emerging pattern and that areas with devolution deals are able to influence some control over skills, transport and the new Work and Health Programme, including through the process of 'co-design'.

Figure 33: Funding Streams and degree of local influence



Source: [196]

In the South West, some contributors recognised that LEPs and Local Authorities did not necessarily have the freedom necessary to think creatively:

"Little funding to LEPs has come without strings attached in terms of pre-conceived intentions from the funder as to how the funds are to be used, albeit customised to a local context. This has meant that to date the LEP and associated bodies appear not to have had the opportunity to think as creatively as they might wish, support projects that are truly innovative or that play to Dorset's particular strengths". [168]

In relation to the EAFRD element of the ESIF programme, the CLA highlighted how in practice, LEPs had been given little power or influence in how the programme should be delivered [197]. In Cornwall, one contributor highlighted significant savings could be achieved if budgets for adult health, social care and policing etc. could be integrated [163]. Likewise it was suggested that both business rate retention and VAT retention could provide local funding for local economic development needs [192]. There was also a perception from contributors and the wider literature that the devolution agenda has been too focused on cities:

"The new government may well opt to re-invigorate the devolution agenda, which under the previous Government was very much focused on cities. Assuming this bias is likely to be continued we need to develop a rural devolution deal, identifying what could be achieved through the devolution of appropriate powers, decision making responsibilities and resources. This could be very rural focussed, and or be allied to a citer-region proposal" [77].

There is a danger that devolution deals with cities and their regions will focus on infrastructure investment on urban areas and ignore the rural hinterlands which support them [42].

Key Finding

- Growth related expenditure is mainly controlled nationally.
- Devolution deals offer a little more control and influence, including 'co-design'.
- LEPs and local authorities have limited flexibility to respond to local needs.

The Desire for Localism

Contributors to the commission expressed a strong desire to see locally designed/directed rural interventions. The LEADER model appears to have a lot of support and contributors believe it is an effective approach to engaging with businesses in rural areas and delivering activity that meets the unique needs of an area. Also coming through strongly was the desire to recognise the importance of 'place' and natural assets within a place [121].

"Opportunity to develop area based plans, drawing on new funding streams for investment in productive infrastructure and exploitation of natural and built capital. Using funds wider in terms of being based on place based productivity initiatives not generic initiatives" [127].

"The Leader concept has great potential and there are numerous examples across both Moors of appropriate interventions supported and enabled through this approach. The local delivery and accountability of such schemes is a good model, but the current round has been much more of a challenge with tighter national criteria and more onerous processes applied to local groups with far less room for local variance in accordance with needs" [121].

Proposal – the Dartmoor and Exmoor Rural Productivity Network [121]

The Dartmoor and Exmoor Rural Productivity Network will deliver a new approach to rural growth and productivity; that will use natural and cultural capital of the areas; build on existing initiatives and work with businesses and communities to develop local solutions. At its heart is the concept of 'place-based, facilitated innovation' helping local businesses to help themselves by supporting growth and productivity.

However, it was also recognised that effective community-led schemes are often constrained by the capacity of communities to plan and deliver activity [15].

Rural Funding and Support Mechanisms

Contributors to the commission expressed a view that economic development activity had become increasingly focused on urban areas in recent years. They suggested that these approaches relied on the theory of 'trickle down', which in their view, did not work – especially for those parts of the area that are further away from cities and major urban centres [17], [54].

Funding for Infrastructure

The urban focus was highlighted as a particular challenge associated with 'growth deal' funding, which LEPs have competed for on a national basis.

"In relation to Growth Deal, northern Devon has notably missed out in getting funding for strategic projects. Emphasis seems to be on the 'big' projects within the HOTSW urban corridor, whether there is market failure or not. Projects in rural areas will always find it harder to compete on value for money so urban areas are always likely to be favoured as they have larger populations and therefore more beneficiaries. Additionally, Growth Deal funded initiatives have not sought to (and perhaps have not been required to) ripple benefits more widely from urban to rural areas. This will not happen automatically, particularly into peripheral areas. Specific interventions are required to do this" [17].

"Government and LEP priorities for Growth Deal investment has been driven by larger urban areas providing greater critical mass and volume impacts from specific projects. Rural schemes will inevitably have a smaller scale impact, albeit important within the local context. Match funding is also difficult to identify among smaller rural districts having less capacity in capital programmes whilst also facing increasing challenges of delivering rural services alongside operational revenue cuts" [60].

Key Finding

- Growth Deal funding for infrastructure has been secured by LEPs on a competitive basis.
- The competitive nature of the funding and focus on VFM makes it harder for rural areas to compete.

Business Support

In relation to support for businesses directly, the commission heard how the current arrangements to support rural growth were complex, fragmented and confusing.

"We need one programme that knits it all together, it is a piecemeal approach at the minute" [122]

We need a single programme, delivered by experts [113]

European funding currently plays an important role, but rules regarding eligibility of all funding streams have created a postcode and sector lottery:

- ERDF/ESF schemes are open to businesses in urban and rural areas, however eligibility rules do not allow schemes to provide support to primary producers and tourism businesses;
- ERDF/ESF schemes are 'siloes' by investment priorities (innovation, digital etc,) leading to a fragmented set of schemes in each area for both urban and rural businesses, as it is not possible to mix money from different priorities to provide holistic solutions [198];
- LEADER Schemes are only open to businesses in areas covered by a Local Action group and in the current scheme activity is limited to grants for capital equipment only; and
- Multiple contributors highlighted that all schemes were considered to be too bureaucratic.

A tension was also highlighted between the desire by LEPs to influence funding schemes in their area and the resources and capacity they currently have to be able to do this effectively [198].

We also heard how few schemes have an explicit focus on productivity, with outputs focusing on job creation, rather than productivity [113], [199]. Whilst it is possible to see job creation and improved productivity, this does not always occur.

Similarly we heard that whilst LEADER schemes were an effective tool for distributing grants to local businesses, the lack of flexibility within the rules, prevented the funding being used to support revenue based projects (for instance, the ability to pay for a person to co-ordinate networks or supply chain activities) [157]. It was also suggested that in this current round, the programmes are less likely to take any risks, with the evidence for this seen in lower success rates compared to previous rounds [198].

Support for Primary Producers

In relation to primary production, there also exists a set of grants/schemes to help farmers improve productivity, environmental performance etc. Again, these were described as fragmented in nature and failing to provide farmers with 'holistic support', with schemes providing contradictory advice from time to time [54]. We have repeatedly heard the view that agri-environment schemes should be developed at the landscape scale and provide primary producers with holistic advice [125] [127].

Organisations involved in the management and delivery of business support schemes indicated that the administration and rules surrounding the delivery of all types of scheme in the 2014-2020 funding round had surpassed previous schemes on their level of bureaucracy, making delivery of support increasingly challenging [113], [199], [73] [198].

The commission heard conflicting messages about the need for localised delivery – with many people advocating for 'local programmes, designed and delivered by local organisations' and others highlighting the 'postcode lottery' challenge with this approach.

Rural Voice

In recent years, cities have wielded an increasingly powerful voice, influencing Government policy with collective action. This was led by authorities in Manchester, who were the first to take advantage of the 2009 Local Democracy, Economic Development and Construction Act, which made provision for groups of local authorities to join together voluntarily to create a Combined Authority. This allowed for pooling of responsibility and some delegation of functions from central Government to deliver transport and economic policy more effectively over a wider area. This was followed by the formation of LEPs under the Coalition Government, which also invited cities to develop 'City Deals' and later devolution deals.

Lobbying by cities however, started much earlier than this, with the formation of the 'core cities group' in 1995 which has advocated on behalf of its 8 and later ten core members. They have effectively lobbied Government through the use of:

- High quality research and policy thinking;
- Events in parliament and at party conferences; and
- Meeting (collectively) with representatives from Government to explain the position of cities and help ensure national policy solutions work at the local level in our cities

More recently, in 2005, the Centre for Cities was established as a registered charity, whose main goal is to understand how and why economic growth and change takes place in Britain's cities.

The commission has seen a wealth of evidence from a wide-ranging and sometimes disparate group of rural areas. Nationally, we see council's grouping under the banner of 'non-metropolitan areas', county council networks, as well as 'industrial communities'.

We have recently seen papers from 'the Rural Coalition' which includes the following organisations:

- Action with Communities in Rural England;
- Arthur Rank Centre;
- Campaign to Protect Rural England;
- Country Land and Business Association;
- National Association of Local Councils;
- National Farmers Union;
- National Housing Federation;
- Plunkett Foundation;
- Royal Institution of Chartered Surveyors;
- Royal Town Planning Institute;
- Rural Services Network; and
- Town and Country Planning Association.

But notably no LEPS or local authorities.

Appendix 1: Individuals and organisations that submitted evidence

Business Information Point	Mendip District Council
Clinton Devon Estates	Natural England
Cllr Long	Neil Robertson
Confor	NFU – Dorset
Cornwall Chamber	NFU-HOTSW
Cornwall Council	North Devon Council and Torrridge DC
Cornwall School for Social Entrepreneurs	Plain Action and Vale Action LAG
Cornwall Voluntary Sector Forum	Quickes Cheese
Country Land and Business Association	Re-imagining the Levels
Cranbourne Chase AONB	Richard Eley
Creative Industries Federation	Sedgemoor District Council
Dartmoor and Exmoor National Parks	Shropshire County Council
David Rodda	Somerset FSB
Derek Phillips	South West Tourism Alliance
Devon and Cornwall Business Council	South West Water
Devon Communities Together	Spider's eye
Devon County Council	Steve Trowbridge
Devon County Show	Stress Concern International and Centre for
Devon Wildlife Trust	Knowledge at Work
Dorset and East Devon FLAG	SW Manufacturing Advisory Service
Dorset AONB	SWLEP
Dorset Councils partnership and Dorset CC	Taylorson Malmesbury Syrups
Dorset Local Nature Partnership	Teignbridge District Council
DR Company	Torbay Development Agency
Duchy College	Visit Wiltshire
Foot Antsey	West Somerset Council
Forestry Commission (with reports on all four areas)	Wiltshire FSB
Gordon Morris (Dorset)	Wiltshire Ramblers
Hastoe Housing	Woodland Trust (SW)
Holly Farm	Yeo Valley
Jane Pine	
Lucy Parsons	

Appendix 2: Witnesses that attended each panel session

Somerset	Devon	Cornwall	Wiltshire	Dorset
Shearwell Data	DR company	East Cornwall LAG	The Glove Factory	Dorset and East
SW Manufacturing	FSB - Devon	Cornwall	FSB – Wiltshire	Devon FLAG
Advisory Service	Devon Communities	Development	CLA	Southern IFCA
Somerset Business	Together	Company	Abundance	National Trust
Agency	NFU plus farmers	Cornwall Agricultural	Generation	Natural England
Dartmoor and	Devon and Cornwall	council	Wiltshire College	Dorset AONB
Exmoor National	Business Council	Council of the Isles of	Taylerson	Goldhill Organics
Parks	Natwest Bank	Scilly	Malmesbury syrups	Dorset County
South West Water	Foot Antstey	Visit Cornwall	Cranborne Chase	Council
Onion collective	Duchy Rural Business	Cornwall Voluntary	AONB	Dorset Council's
Re-imagining the	School	Sector Forum	Plain Action and Vale	Partnership
levels	Devon County Council	Cornwall School for	Action LAGS	
Bath and West	Torbay Development	Social Entrepreneurs	Wiltshire CC	
Showground	Agency & Cllr Richard	Cornwall Council	Visit Wiltshire	
Confor	Haddock	Andrew May (Farm		
West		business owner)		
Somerset/Taunton		FSB – Cornwall		
Deane councils		Cornwall chamber of		
Mendip DC including		commerce		
Cllr Tom Killen				

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