

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 we asked to 'sense check' different parts of the report; and
- The commissioners themselves who gave up their time for free to hear evidence and contribute to the development of recommendations.



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

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FOREWORD

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

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

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

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



David Fursdon, Chair, South West Rural Productivity Commission

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

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

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

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

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

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

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

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

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

David Fursdon, Chair, South West Rural Productivity Commission

EXECUTIVE SUMMARY

Introduction

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

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

Key Findings

Economic Importance and productivity gap

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

Theme 1: Rural Identity and Sectors

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

Knowledge based businesses are starting to grow

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

Theme 2: Small and Scale-up Businesses

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

Theme 3: Workforce and Skills

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

Theme 4: Brexit

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

²See evidence report for underpinning statistics and calculations.

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

Theme 5: Transport and Accessibility

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

Theme 6: Broadband and Mobile Connectivity

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

Theme 7: Housing, Planning, Communities and Workspace

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

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

Theme 8: Natural and Cultural Heritage

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

Theme 9: Geography, Hubs and Spheres of Influence

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

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

Theme 10: Science, Technology, Energy and Innovation

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

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

Strategic Recommendations

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

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

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

INTRODUCTION

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

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

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

Through its call for written evidence the commission received:

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

The commission heard from 41 witnesses in over 40 hours of testimony – who highlighted many of the challenges facing the rural economy. The commission has tried to identify future areas of policy work and possible answers in an attempt to move the debate forward. We have tried to “sense check” these in the short time available to us but some will inevitably remain “work in progress”. The detailed research findings, supporting evidence and sources can be found in the evidence report which has been produced alongside this document.

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



David Fursdon
Chair



Catherine Mead, Cornwall and the Isles of Scilly



Luke Rake
Dorset



Sarah Bryan
Heart of the South West



Paul Redmore
Swindon and Wiltshire



Emma Buckman
Secretariat

THE SCOPE OF THE COMMISSION

Geography

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

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

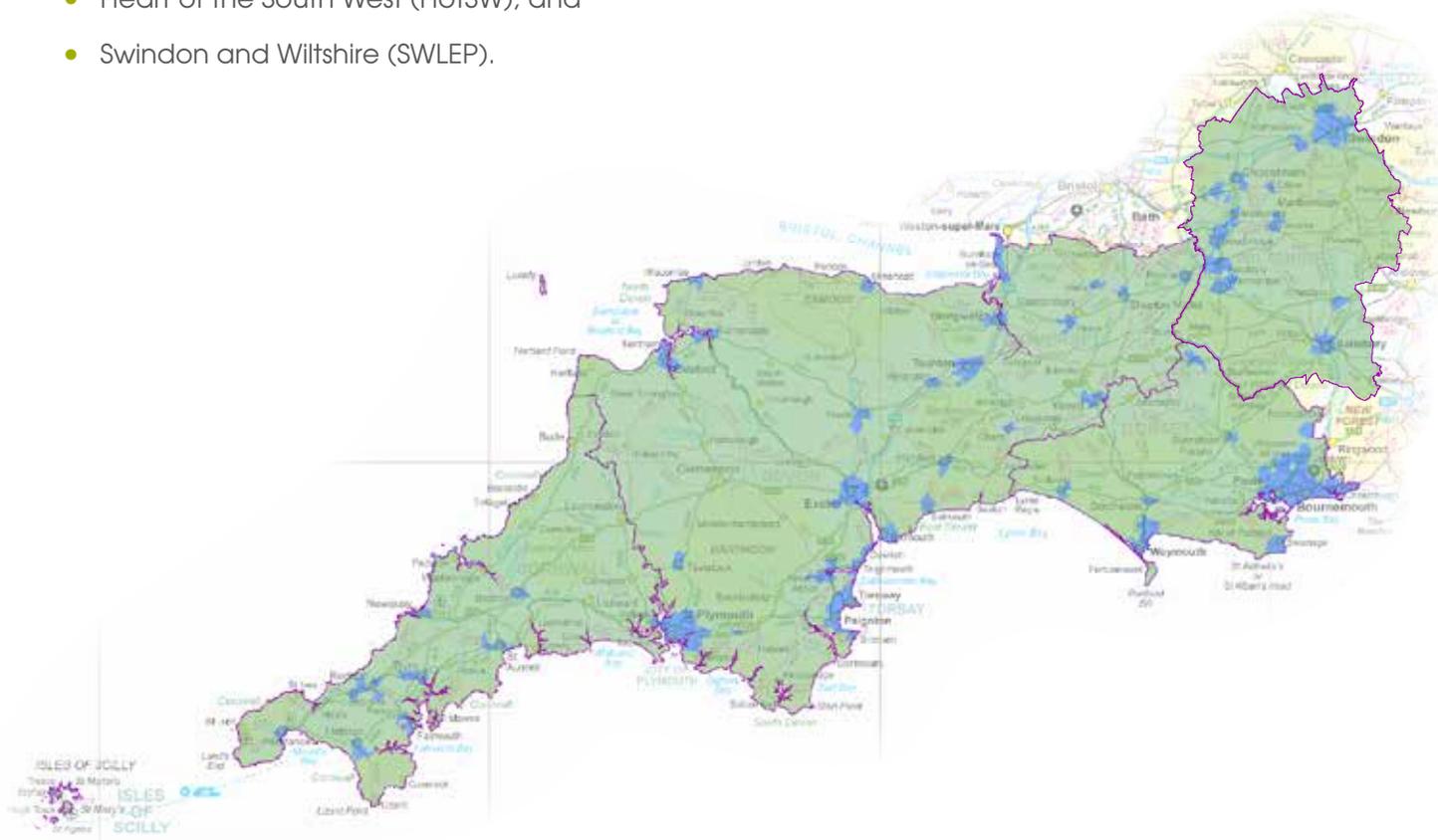


Figure 1: Rural and Urban Classification of the four LEP areas included in this study

Source: DEFRA, based on 2011 census output areas

Defining Rural

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

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

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

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



KEY FACTS AND FIGURES

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

Land Area

Across the four LEP areas, rural areas occupy

84%

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

Productivity

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

£45.4M (58%)

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

Businesses

54%

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

29%

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

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

Population

38%

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

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

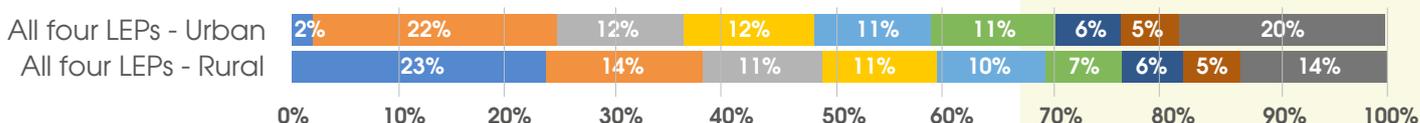
The population density is low, ranging from 1.5 persons/hectare in C&IOS to 2.8% in Dorset - compared to 4.1% in England.

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

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



Number of businesses in each sector

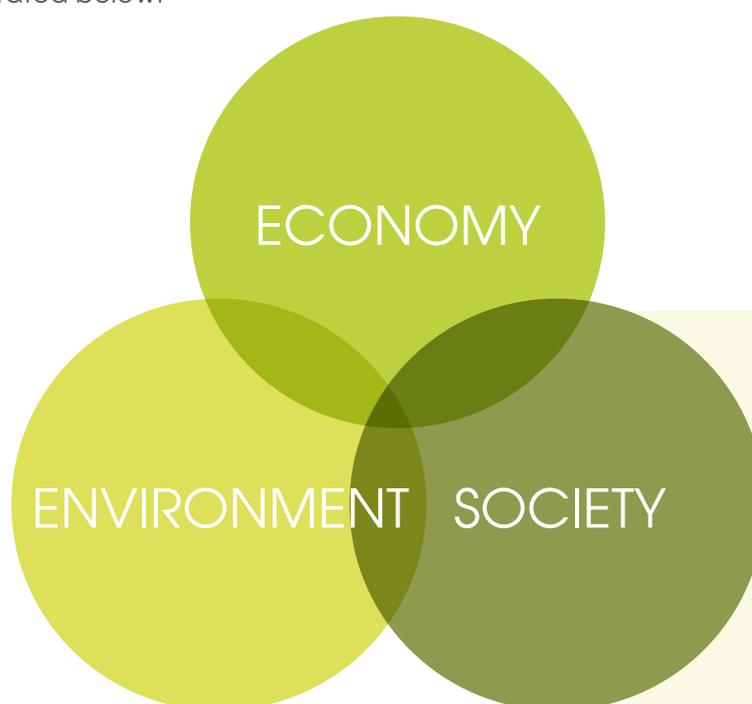


THE NEED FOR 'SUSTAINABLE, INCLUSIVE GROWTH'

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

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

Proposed model for Sustainable, Inclusive Growth:



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

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

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

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



1 RURAL IDENTITY
AND SECTORS



2 SMALL & SCALE-UP
BUSINESSES



3 WORKFORCE
AND SKILLS



10 SCIENCE, TECHNOLOGY,
ENERGY AND INNOVATION



4 BREXIT

GROWTH THEMES



9 GEOGRAPHY, HUBS AND
SPHERES OF INFLUENCE



5 TRANSPORT AND
ACCESSIBILITY



8 NATURAL AND
CULTURAL HERITAGE



7 HOUSING, PLANNING,
COMMUNITIES AND WORKSPACE



6 BROADBAND AND
MOBILE CONNECTIVITY



THEME 1: RURAL IDENTITY AND SECTORS

Context

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

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



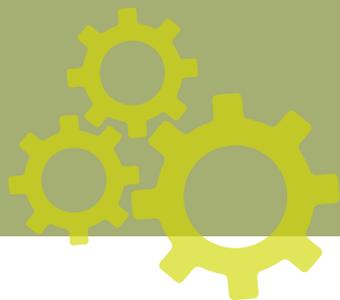
Approach

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

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

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

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



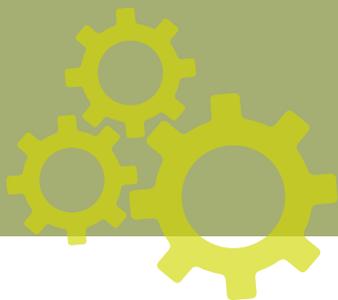
THEME 1: RURAL IDENTITY AND SECTORS

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

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

Detailed Recommendations

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



THEME 1: RURAL IDENTITY AND SECTORS

Case Study 1

The Glove Factory Studios, Holt, Wiltshire

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



Case Study 2

Kings Service Centre, Quintdown business Park, Cornwall

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

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

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

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



THEME 2: SMALL AND SCALE-UP BUSINESSES

Context

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

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



Approach

Supporting the self-employed and micro businesses

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

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

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



THEME 2: SMALL AND SCALE-UP BUSINESSES

- Train the trainer (see case study 3)
 - Mentoring (see case study 4) – albeit with the caveat that mentoring services have sometimes been of variable quality and that if mentoring schemes are to be pursued, South West LEPs must ensure the standard and quality of such schemes.
- There was also some evidence that taxation (e.g. VAT thresholds) may be a significant barrier to the growth of the smallest businesses. The commission recognises that HMG's tax revenue is important and we do not hold ourselves out as tax experts. However, evidence has been put to us that:
- Many rural businesses in the South West are sole traders and therefore often miss out on incentives designed to stimulate incorporated businesses (e.g. recent decreases in corporation tax rates);
 - That making tax digital adversely impacts on those who cannot get acceptable broadband connectivity and that there should be alignment between when the full proposals come in and the provision of universal broadband (see theme 6);
 - The tax threshold for VAT with no tapering, limits the ambition of businesses to 'scale-up';
 - That many tourism businesses think that the UK policy on VAT for tourist accommodation creates an uneven playing field for those competing with other countries, where the VAT rate is lower for tourist accommodation;
 - That the rules around VAT on food and drink are very complex and deter start-ups in this sector;
 - That the abolition of agricultural buildings allowance and industrial buildings allowance has led to a reduced level of investment in infrastructure for example in agriculture;

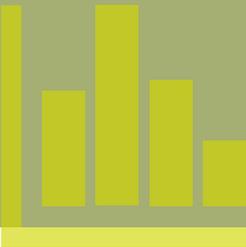
- The variability and sometimes excessive nature of Business rates stifle rural growth.

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

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

Detailed Recommendations

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



THEME 2: SMALL AND SCALE-UP BUSINESSES



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

THEME 2: SMALL AND SCALE-UP BUSINESSES

Case Study 3 The Family Business Growth Programme

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

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

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

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

Case Study 4 Dormen – Dorset Business Mentoring

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



THEME 2: SMALL AND SCALE-UP BUSINESSES

Case Study 5

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

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

- **BROODFONSEN, HOLLAND** – A collective sick pay fund.
- **SMART, BELGIUM** – A one stop shop service for the self-employed including a ‘salary guarantee fund’ made up of contributions from members which can be used to settle late payment of invoices.
- **RICOL, UK** – A language co-operative which markets the services of its members and connects them to clients at the fraction of a cost of a typical agency.
- **COOPANAME, FRANCE** – A cooperative that technically employs self-employed members, giving them access to social security protections enjoyed by employed persons. It also encourages project collaboration and co-tendering.
- **SWINDON MUSIC CO-OPERATIVE, UK** – A group of independent music teachers who have clubbed together to pool costs of marketing, admin and debt collection, as well as CPD.
- **OUTLANDISH AND COTECH, UK** – Outlandish is a worker coop where tech developers pool all their assets into one organisation, with each person’s pay set according their experiences and needs. CoTech is a collection of coops that allow tech coops like Outlandish to share staff time.
- **LOECONOMIC, US** – A platform for booking local services which is cooperatively owned and governed by the same service professionals that use it, including personal trainers, child carers and therapists.
- **INDYCUBE AND COMMUNITY UNION, UK** – Community Union has teamed up with IndyCube co-working space network to give their self-employed members access to a package of affordable invoice factoring and legal advice services.
- **EAST END TRADES GUILD** – A community of small independent businesses in East London that use community organising methods to hold the government and local landlords to account, protecting tenants from eviction and controlling rent increases.

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



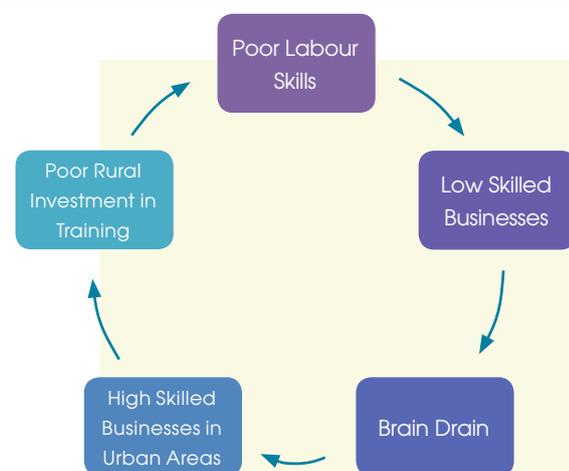


THEME 3: WORKFORCE AND SKILLS

Context

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

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





THEME 3: WORKFORCE AND SKILLS

Approach

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

- **Young people leaving the area to study** – the commission recognise that this trend has existed for a long time and reflects cultural trends as well as geography. In Cornwall, the development of University provision has reportedly helped to address this issue, but in other parts of the area (such as Somerset and Wiltshire) where there is no local HE provision, the outmigration of younger people is perceived to be an important challenge. Recent research shows that the most significant influence on graduate migration is the availability of job opportunities in a given area. Therefore it is the commission's view that a three tier approach is required:
 - » Address HE blackspots in the area to provide young people with opportunities to study locally if they wish;
 - » Improve the proportion of higher skilled, knowledge intensive jobs available in the area by improving the productivity of existing businesses (see theme 1 and 2), supporting emerging creative and digital sectors (see theme 2) and creating a 'Smart rural Research Platform' that would attract talent and inward investment (See theme 10)
 - » Recognise and work with the trend for in-migration of people in their late 20s and

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

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

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

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



THEME 3: WORKFORCE AND SKILLS

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

Detailed Recommendations

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

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

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



THEME 3: WORKFORCE AND SKILLS

Case Study 6

Experts Grow

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

Led by a partnership of progressive hospitality businesses and supported by UKCES UK Futures Programme, the project developed the 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.



Case Study 7

The Cornwall Apprenticeship Agency Model

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

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

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

THEME 4: BREXIT

Context

The commission heard evidence of the following Brexit impacts:

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



THEME 4: BREXIT

Approach

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

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

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

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

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

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

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

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



THEME 4: BREXIT

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

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

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

Detailed Recommendations

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



THEME 4: BREXIT

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



THEME 4: BREXIT



Case Study 8 Farming in the English National Parks

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

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

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

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

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



THEME 5: TRANSPORT AND ACCESSIBILITY

Context

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

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



Approach

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

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



THEME 5: TRANSPORT AND ACCESSIBILITY

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

- **Developing innovative solutions to improving accessibility to rural employment and education**

– recognising that technological solutions could help us to address the long-standing challenges associated with helping people to access employment and education opportunities in rural areas. The commission recognises that conventional approaches – such as public transport schemes are never likely to be commercially viable in the most rural areas and therefore fresh innovative approaches must be sought (e.g. Uber style arrangements for lift sharing). Public and private investment in new transport models is vital to securing sustainable, inclusive growth. The Transport Systems Catapult is the UK's innovation centre for Intelligent Mobility and could be approached to support this work.

- **Ensuring funding formulae and transport investment strategies do not disadvantage rural areas**

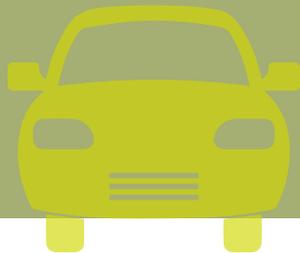
– The commission welcomes plans announced by the DfT in its Transport Investment Strategy to develop a 're-balancing assessment toolkit' for use in future investment programmes which will take account of the balance of spending per head between different regions, as well as how schemes contribute to creating a more balanced economy. In developing this tool kit we would urge DfT to consider how rural transport investments are not disadvantaged through the use of rural proofing;

- **Ensuring the national trail network is secure and sustainable transport is prioritised**

– Recreational transport infrastructure has a direct and proven link to productivity and jobs in rural areas. Therefore it is our view that investment in the national trail network and sustainable transport infrastructure must be improved to achieve sustainable, inclusive growth in rural areas.

Detailed Recommendations

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



THEME 5: TRANSPORT AND ACCESSIBILITY

Case Study 9 Wheels to Work

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

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

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



Case Study 10 Cumbria Local Sustainable Transport Initiative

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

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





THEME 6: BROADBAND AND MOBILE CONNECTIVITY

Context

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

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

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

Specific challenges highlighted were:

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

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



Approach

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



THEME 6: BROADBAND AND MOBILE CONNECTIVITY

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

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

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

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

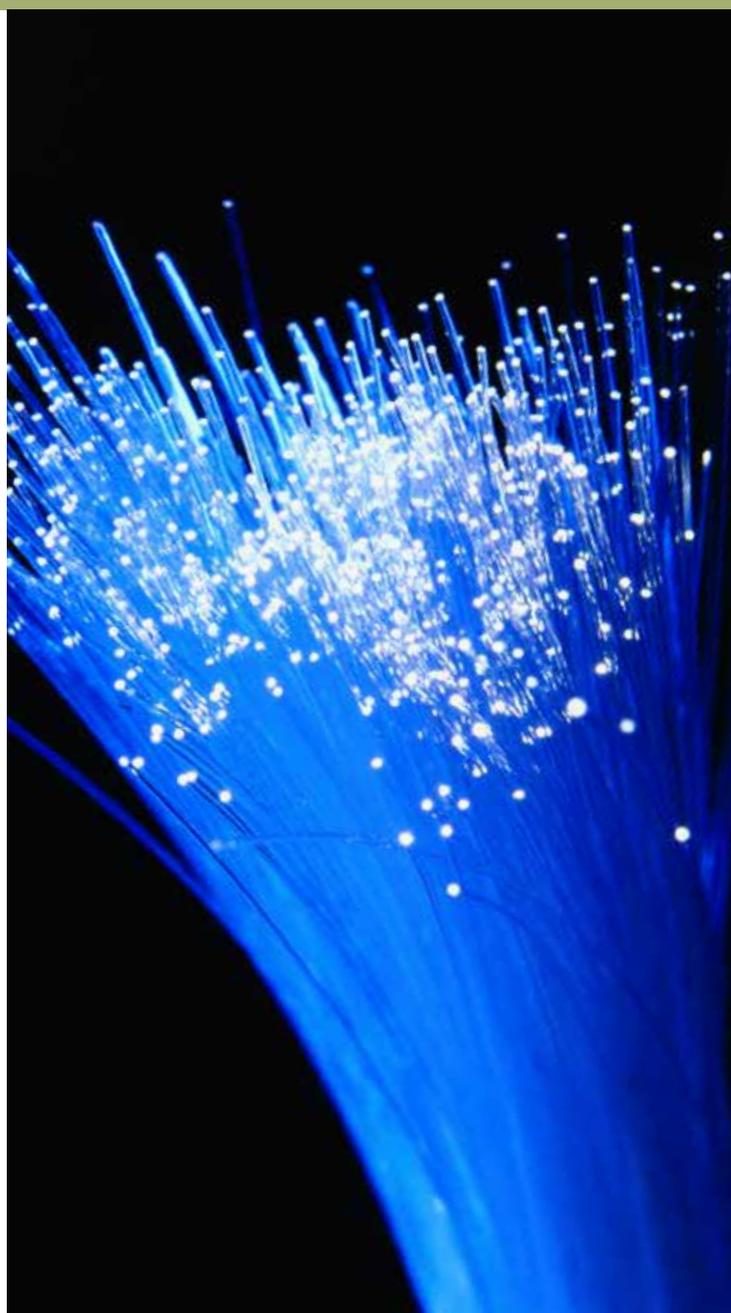
Detailed Recommendations

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



THEME 6: BROADBAND AND MOBILE CONNECTIVITY

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





THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Context

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

Housing

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

Workspace and commercial development

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

Rural Services and Viable Communities

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





THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Approach

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

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

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

Rural Services and Viable Communities –

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

Detailed Recommendations

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



THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

accommodation to address local labour shortages in rural areas.

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



THEME 7: HOUSING, PLANNING, COMMUNITIES AND WORKSPACE

Case Study 11 the Transform Ageing programme

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

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

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

How will it work?

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

The programme will then:

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

Why the south-west?

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



THEME 8: NATURAL AND CULTURAL HERITAGE

Context

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

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

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

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

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



THEME 8: NATURAL AND CULTURAL HERITAGE

Approach

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

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

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

Detailed Recommendations

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

Practical steps should include:

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



THEME 8: NATURAL AND CULTURAL HERITAGE



Case Study 12 Weymouth Relief Road

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

THEME 9: GEOGRAPHY, HUBS AND SPHERES OF INFLUENCE

Context

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

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

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

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

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

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

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

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

Photo: Invest in Cornwall



THEME 9: GEOGRAPHY, HUBS AND SPHERES OF INFLUENCE

Approach

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

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

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

Detailed Recommendations

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



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Context

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

Science

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

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

Technology

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

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

Energy

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

Innovation

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

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



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Approach

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



Detailed Recommendations

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



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

Case Study 13

Isles of Scilly - Smart Islands

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

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

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

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

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

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

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



THEME 10: SCIENCE, TECHNOLOGY, ENERGY AND INNOVATION

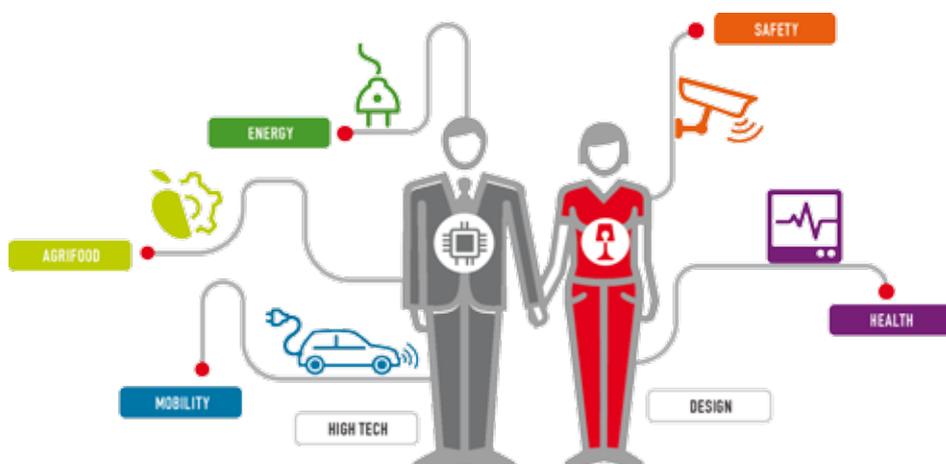
Case Study 14 Brainport, Eindhoven, Netherlands

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

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

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

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



TAKING IT FORWARD

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

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

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

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

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

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

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

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

STRATEGIC RECOMMENDATIONS

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

Digital Infrastructure

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

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

A South West Rural Task Force

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

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

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

Brexit

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

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

Rural Proofing Across Government

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

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

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

Raise the profile and visibility of the South West

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

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

Therefore, we call upon the South West LEPs to:

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