# Strategy and Action

The Economic Development Strategy for Cornwall and Isles of Scilly

2006 – 2021

# Evidence Base Review

7th November 2007

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# Cornwall & the Isles of Scilly: Evidence Base Review

## Context

Although Cornwall & the Isles of Scilly has been designated for a new EU Convergence Programme, the successor to the current Objective One Programme, there has been a renaissance in many parts of Cornwall over the past 5 years. Strong employment growth has been accompanied by major new developments such as the iconic Eden Project and the Combined Universities in Cornwall.

There has also been a change in the external profile and image of Cornwall & the Isles of Scilly, which has become associated with positive change, and the perception of the area as a high quality destination, which has helped to change the image of tourism in the area. This change of image has been helped by the success of low cost airlines offering services to and from Newquay, making the County much more accessible from other parts of England. It has also been helped by favourable coverage of many of the Objective One initiatives, such as actnow, which dramatically increased the take up of broadband by the business community.

The recent economic growth has brought new issues, which need to be addressed if a high economic growth rate is to be managed in a sustainable manner. The new factors, which now need to be taken into consideration, include the implications for climate change of economic growth and the management on household and economic growth in the most sustainable manner. Recent developments have also brought in to play new aspects for consideration such as affordable housing.

The economic projections for Cornwall and the Isles of Scilly highlight the potential to transform the economy, and there is evidence that the net out flow of younger people has been reversed. There are however considerable changes in strengthening the business base to provide the quality employment that characterise a sustainable and prosperous economy.

The key stakeholders now face a challenge in taking advantage of the momentum of the past five years, managing some new issues arising from success, continuing to address the underlying structural weaknesses, and reducing the effects on climate change arising from further economic growth.
GVA growth has been strong in Cornwall and the Isles of Scilly, outperforming both the regional and national trends. However, there are significant differences in sector contributions with national trends and it is unlikely that the Cornwall and the Isles of Scilly can rely on all of the recent high contributors to GVA growth to drive future growth. There is a need to increase the competitiveness of businesses, raise skills levels, and ensure that there is the economic infrastructure for a modern, sustainable economy.

## Purpose

The purpose of this report is two fold. First, it serves to underpin the review of the Strategy and Action, which outlines the key economic development priorities, agreed by the Cornwall & the Isles of Scilly Economic Forum. This covers a broad range of interventions from business development to social inclusion. A major consultation exercise took place in February and March 2006 ensuring that all key stakeholders are involved.

Second, it also provides the initial evidence base for the new Convergence Programme. As with the current Objective One Programme, the new programme will be developed from a comprehensive analysis of the evidence, accompanied by a review of policy at EU, National, regional and sub-regional level. Along with lessons learnt from the current programme, this will lead to an updated Strategy and Action plan, using the new EU Programme guidance. Not surprisingly, there will be a close alignment between the Regional Economic Strategy, Cornwall & the Isles of Scilly Strategy and Action and the new Convergence Programme.

In terms of content, this report does not provide an in-depth, highly detailed analysis of every aspect of social, economic and environmental statistics and trends for Cornwall and the Isles of Scilly. Such an approach would produce a volume of statistics and reports. Rather, it seeks to identify key trends and issues, which need to be addressed in order to take advantage of opportunities, remove constraints and build a platform for sustainable economic growth.

Behind this report sits a wealth of research and analysis, much of it carried out by Cornwall County Council and other local stakeholders. These reports are available to take forward the work of developing the detail of both the Strategy and Action and the Convergence Programme.

This additional analysis includes an assessment of business sectors and sub sectors, their contribution to GVA, recent growth, and locations and hot spots. In learning, skills and social exclusion there is a further level of analysis that again focuses on client and target groups, key issues and also location in terms of residence. With regard to infrastructure, there are detailed reports on key assets such as the airport and the Combined Universities in Cornwall as well as a major baseline report on towns and settlements. These reports have acted as the baseline for this document, and more importantly are available to help take forward the actions and initiatives needed to address key issues.

Particular thanks are due to Kathryn Meredith of LINC, Robin Miller and Malcolm Brown of Cornwall County Council and EKOS consulting.  Other stakeholders and partners of the Cornwall and Isles of Scilly Economic Forum also made significant contributions.
There is new a need to further refine the analysis to help with the investment decisions needed for the new Convergence Programme. Investing further resources in research, foresight and intelligence will contribute to more effective investment decisions.

## Policy Context

Both Strategy and Action and the new Convergence Programme will be aligned with a range of EU, National and sub regional strategies, as well as the strategies of many of the key delivery agencies. These will be compatible with the strategic planning framework developed by the County Council, which takes account of the Regional Spatial Strategy.

There are two strategies that are of particular importance in developing the Convergence Programme. These are:

The Lisbon Agenda, which sets out the objective for Europe becoming an integrated, competitive, dynamic knowledge-based economy that is amongst the best in the world. It also incorporates a major commitment to social inclusion and the environment at the core of economic growth and jobs generation. This places emphasis on environmental policies as providers of opportunities for innovation and creating new markets.

The focus on raising competitiveness levels and developing a knowledge based economy, is a direct response to the need to close the gap with the USA and Japan, and the emerging competition from China and India. lthough set at the pan European level, the Lisbon Agenda encapsulates the key challenges and priorities relevant to Cornwall & the Isles of Scilly.

The second key document is the Regional Economic Strategy (RES), which has recently been revised by the South West RDA on behalf of the region. The revised RES identifies a number of priorities of direct relevance to Cornwall & the Isles of Scilly. More importantly, the RES will only meet a number of its key objectives if Cornwall & the Isles of Scilly makes a full contribution to increased competitiveness and reduced social exclusion. There is therefore a strong and compelling rationale for the South West RDA to invest in the area.

Cornwall and the Isles of Scilly has an important role to play in the success of the Regional Economic Strategy. It has a number of strengths in some of the key sectors prioritised by the revised RES. These include food and drink and tourism; in the latter case, Cornwall & the Isles of Scilly has strengthened its position as a leading UK tourist destination at the same time as increasing the quality of the tourism product. Other sectors where the area can make a major contribution include environmental technologies and creative industries. In both of these areas, Cornwall & the Isles of Scilly has some competitive advantages over other sub regions, and with support, can increase the contribution which these sectors make to regional GVA.

## Structure

Following an introductory overview section, this report is structured into three broad sections. Within each section is a range of topics, although as previously noted, there is a much greater level of detail in the background and supporting documents which underpin this report. The overview and three sections are:

- Overview and Prospects
- Competitiveness
- People
- Place

Competitiveness focuses on the performance of the business base in Cornwall & the Isles of Scilly, following on from GVA and earnings data summaries in the overview section. It includes the business start up and business density rates in the County; employment performance at the aggregate and sector level; and the sectors which are most important, and those which have been growing. It highlights both recent successes and continuing challenges to improve competitiveness.

People focuses on the social capital of Cornwall & the Isles of Scilly. It looks at economic activity, unemployment and worklessness, learning, skills and education issues. It identifies some key issues that need to be addressed to move towards a fully inclusive society.

Place focuses on the social, business and economic infrastructure that underpin both the quality of life and the economy. This includes population growth and housing; key economic infrastructure such as the Airport and CUC; and the towns and settlements. This review highlights some important challenges that could have an impact on economic growth unless addressed.

Although presented in discrete sections there is substantial overlap between topics. The levels of skills and qualification covered under people, is directly relevant to businesses and competitiveness. Similarly, many of the important employment locations are the various towns covered under Place. In the medium term these linkages are of even greater importance. Improved connectivity is important to both traditional sectors such as tourism, and the new knowledge based sectors. Housing, often regarded as a separate issue, could potentially be a major constraint to economic growth, and new housing has implications for transport infrastructure and local services. It is important therefore to look at the totality of the evidence base, not just particular sections.

## Overview and Prospects

### Current Situation

In 2005, the **population** of Cornwall & the Isles of Scilly stood at 519, 400 - approximately 10.2% of the total South West population[1]. The population of Cornwall & the Isles of Scilly has risen significantly over the last 25 years rising by 21.8% since 1981 compared to 15.6% for the SW and 6.7% nationally. Between 2001 and 2004 alone, the population of Cornwall & the Isles of Scilly rose by 2.7% (+14,033). The main growth has been focused in North Cornwall and Restormel. Kerrier and Restormel are the largest districts in Cornwall. Population growth on the Isles of Scilly has been understandably slower.

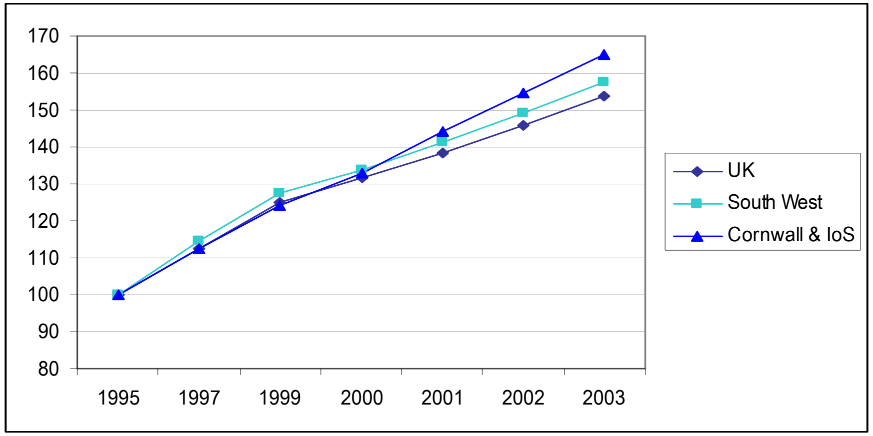
In 2003, the total **Gross Value Added** (GVA) for Cornwall & the Isles of Scilly was £5,322 million[2]. This represented approximately 7% of the total South West GVA. The Cornish economy has expanded at a much faster rate since 2000, with growth easily outstripping the regional and national economy. This growth can largely be attributed to GVA increases for the retail, real estate and other business services and the manufacturing sectors between 1999 and 2004.

The latest data provided by Eurostat appears to confirm the very high level of growth since 2000. The GDP per capita figures produced at the European level indicate that Cornwall & the Isles of Scilly has experienced a marked improvement relative to the EU average – from 68.6 to 75.8 (2000-2003)[3]. The data also suggest that the growth in Cornwall & the Isles of Scilly has been exceptional relative to other regions of similar standing i.e. it is more significant than the general trend.

### Policy Pointers

The growth in GVA in Cornwall and the Isles of Scilly has been impressive in recent years. Indeed, the sub-region exhibits GVA growth once the increase in population has been taken into account, albeit at a lower rate. This does not diminish the need to continue to focus on productivity increases, in addition to improving the employment and economic activity rates in future years.

GVA Growth 1995-2003



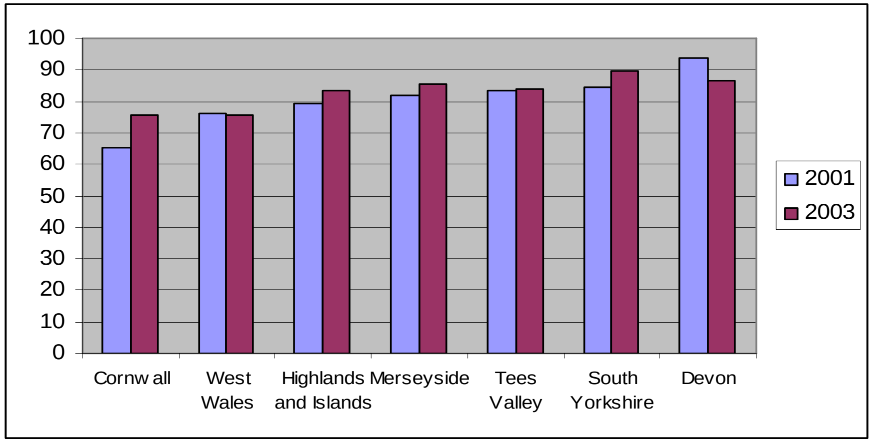

*Source: Regional Accounts, ONS.*

Headline GVA by NUTS3 area at current basic prices 1995-2003 (£ million)

| | 1995 | 1997 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|
| UK | 639,115 | 720,028 | 799,387 | 841,505 | 883,412 | 930,796 | 981,732 |
| S. West | 47,654 | 54,522 | 60,795 | 63,713 | 67,335 | 71,095 | 75,086 |
| C & IoS | 3,227 | 3,625 | 4,009 | 4,293 | 4,646 | 4,985 | 5,322 |

*Source: ONS (2005) Local Gross Value Added – First Release 21 December 2005*

GDP/Capita In Selected Areas EU =100




*Source: Eurostat (2006) Regional Statistics*

The most marked increase in GVA per head has been in Carrick and Kerrier, with Carrick being the only Cornish district above 80% of the national average[4]. In spite of a marked increase in Caradon it remains the lowest of the districts. The GVA per head figures for Caradon, Penwith and Kerrier are exceptionally low with all below 65% of the national average.

The three sectors that have contributed most to the overall *growth* in Gross Value Added are real estate and other business services; retail, wholesale and repair; and manufacturing. These three sectors account for almost 50% of growth in value added (1999-2004). However, less positively, sectors such as retail and wholesale tend to have a low GVA per worker (i.e. low productivity). It is likely that the contribution education makes to GVA has and will continue to increase as the full benefits of CUC are incorporated into the figures for 2005 and 2006 and beyond.

## Medium and Long Term Forecasts

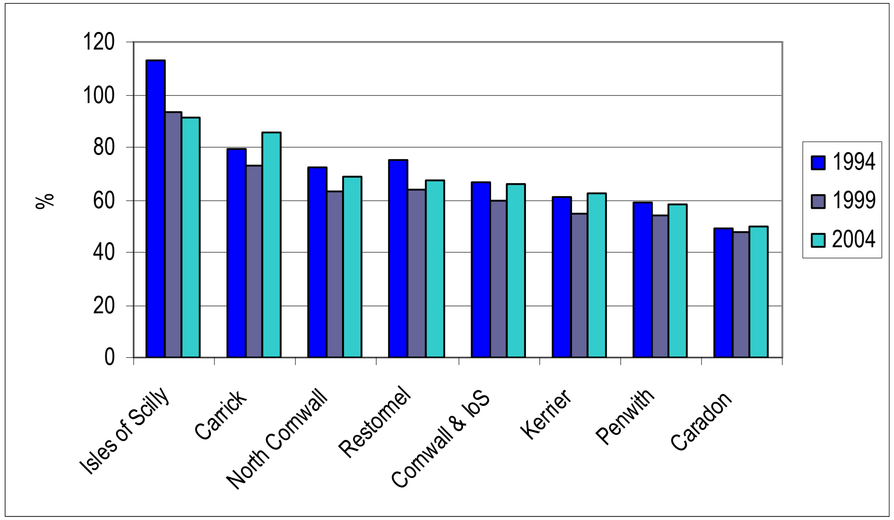
This continues a long term trend, evident for over 30 years. The period 2002-2010 is predicted to be a period of economic growth in the UK. This will particularly be the case in Cornwall & the Isles of Scilly, which is forecast to see an average annual real GVA growth of 3.9%. In comparison, the South West is forecast to experience a 2.8% growth rate[5].

### Policy Pointers

The growth in GVA has been largely driven by the growth in sectors, such as retail, real estate and other business services. GVA per head remains very low in most of the Cornish Districts, partly as a consequence of under representation in higher value added sectors. Given the predicted GVA growth rates across Cornwall and the Isles of Scilly, it is important that policies are targeted in areas across the area that can generate sustainable future increases in GVA per capita.

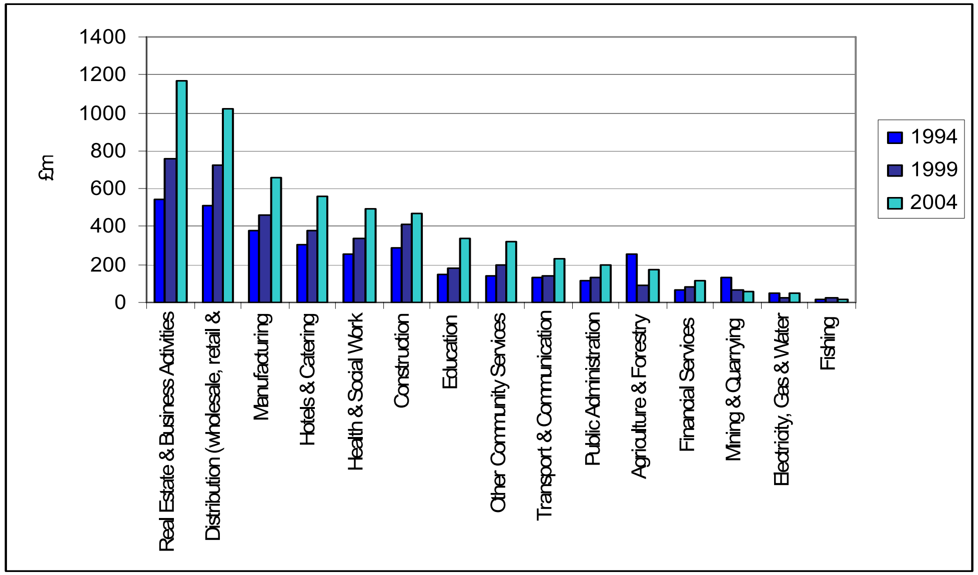
The ongoing population growth may present a number of challenges however the increases in local expenditure and the pool of labour will create many new opportunities for local businesses.

GVA per Head as Percentage of the National Average




*Source: The Cornwall Economy 1994-2004, © 2006 Owen Nankivell*

Growth in Gross Value Added, by Sector




*Source: The Cornwall Economy 1994-2004, © 2006 Owen Nankivell*

## Chapter 1: COMPETITIVENESS

### Output

The real estate and business service and retail and wholesale sectors and are the biggest contributors to the Cornish economy, each accounting for almost a fifth of total output. Services as a whole, excluding the public sector, now make up almost 60% of output, higher than the national average. Cornwall & the Isles of Scilly has, however, a disproportionate share of its output from lower value service sectors.

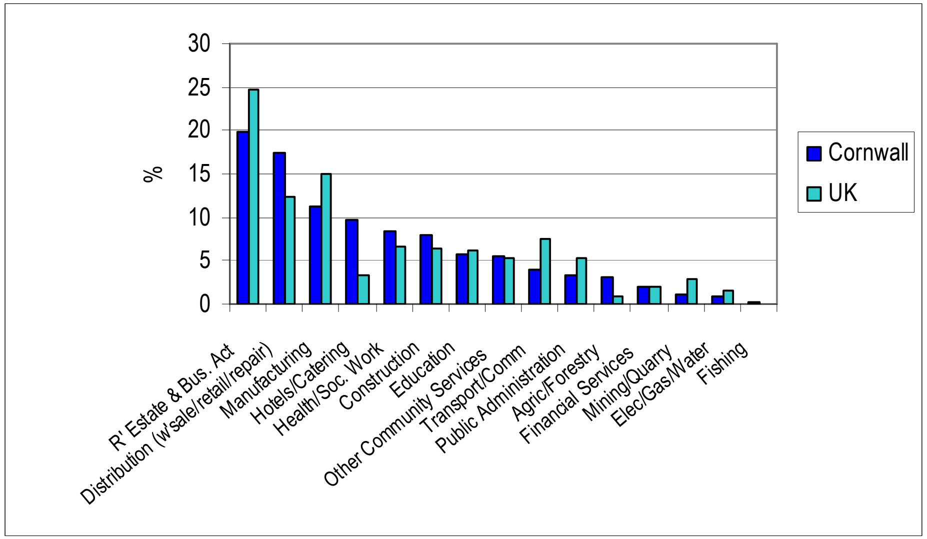
The combined output of the wholesale/retail and hotels/catering sectors reflects the importance of tourism to the local economy and the growing population. Output growth from the hotels/catering sector has lagged the national trend over the past decade, reinforcing the challenge of upskilling the workforce and making better use of other inputs in order to secure higher productivity and growth rates. Elsewhere in the service sector e.g. finance, output growth has outstripped growth nationally, although the overall contribution to total output still lags considerably behind.

Agriculture now accounts for 3% of output in Cornwall and Scilly overall[6]. However this does not take into the account the influence of the sector on the county's wider economy, for example food and drink manufacturing. Some areas of Cornwall are heavily dependent on agriculture and the sector's activities concerning the management of the countryside contribute to the areas such as tourism. Agriculture's share of output fell between 1994 and 2004, exceeding the reduction nationally, however this masks a recovery in the sector apparent since 2000 and accelerating into 2004.

The public sector has grown in importance over the past decade, although it accounts for a smaller share of output than in the national economy. As the additional funding for health and education in particular starts to plateau in the medium term, then future increases in output will become more and more dependent on improvements in productivity in the public sector.

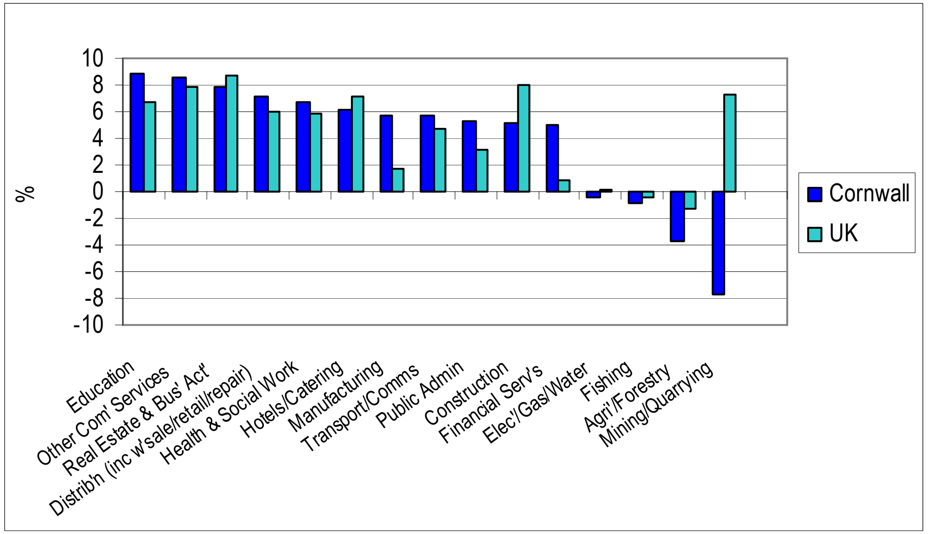
| Policy Pointers |
|---|
| Output has increased in many sectors over the past decade, and in some cases at rates above the national average. However, increases in the use of labour, evidenced from the employment numbers, account for some of this increase, rather than the improvement being entirely generated by productivity improvements.<br><br>There is a high proportion of output in lower value added sectors and significant structural change is required to increase the contribution to national GDP. As the economy continues to expand, making better use of capital, the workforce and other inputs will be essential to boosting output and increasing GVA per head. |

Sectoral Share of Output




Source: *The Cornwall Economy 1994-2004, © 2006 Owen Nankivell*

Change in Output, 1994-2004

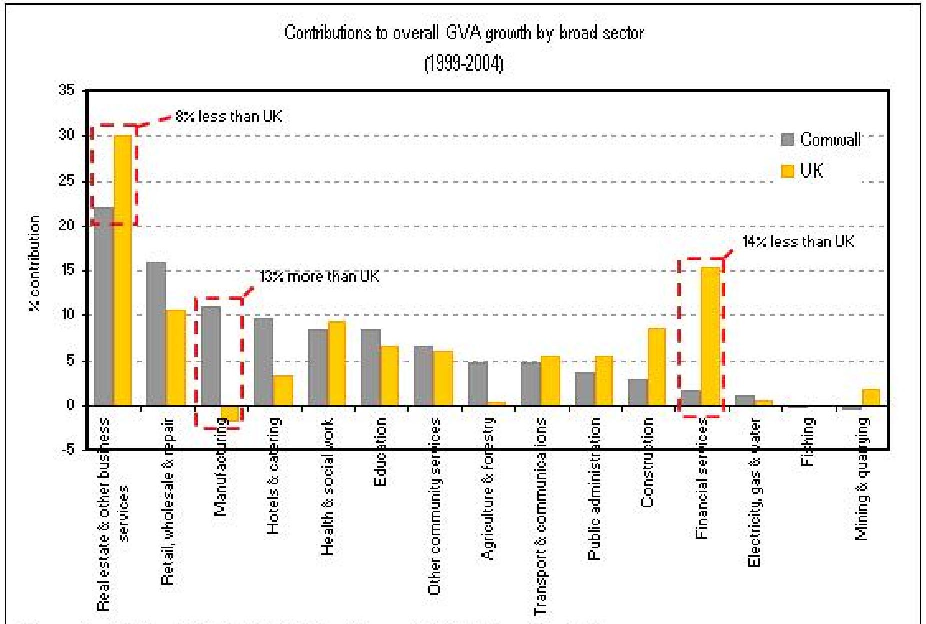



Source: *The Cornwall Economy 1994-2004, © 2006 Owen Nankivell*

## Recent GVA growth

A paper published in support of the post 2006 preparation entitled "Changes in Cornwall & the Isles of Scilly's economy: GVA, earnings and income"[7], attempts to pinpoint the areas of growth between 1999 and 2004.

The graph below shows the contributions each sector has made to the growth in the economy over the period 1999-2004. Added together, the sectors therefore make 100% of the growth. This allows for analysis of sector growth in terms of the relative size of each sector. The local contributions to growth are also compared to the national contributions to growth.




*Source: LocalGVA model © Nankivell & Regional Accounts, ONS © Crown Copyright*

The graph above shows that:

- Added together, the fastest growing three sectors (real estate and other business services; retail, wholesale and repair; and manufacturing) account for almost 50% of the growth in Cornwall and the Isles of Scilly's economy over the period.
- Real estate and other business services has also been the most significant contributor to national growth. However, it has been a much greater driver behind the national growth than local growth (30.1% compared to 21.9% locally).
- The three areas of most difference between local and national growth are highlighted in the graph and table 2 below:

Sectors of most difference in contribution to GVA growth

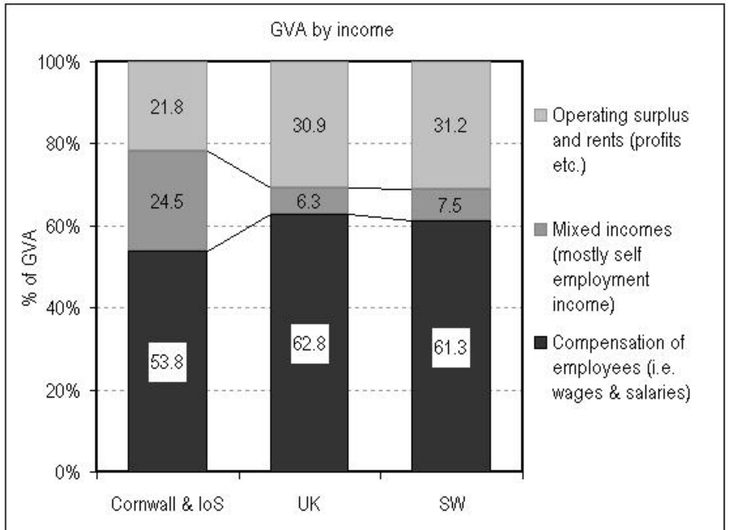
| Contribution to growth: | Cornwall & IoS | UK |
|---|---|---|
| Financial services | 1.6% | 15.4% |
| Manufacturing | 10.9% | -1.7% |
| Real estate & other business services | 21.9% | 30.1% |

*Source: Regional Accounts, ONS © Crown Copyright; LocalGVA model © Nankivell 2006*

The sector analysis uses Gross Value Added measured by output. In addition, Gross Value Added is also measured by income. GVA measured by income can be divided up into three main types of income to the economy:

- Compensation of employees income (employee income, e.g. salaries)
- Mixed income (mainly self employment income)
- Operating surplus and rent income (e.g. income from profits and rental activity)

The graph (below) compares the proportions of GVA income type by area.




*Source: Regional Accounts, ONS © Crown Copyright; LocalGVA model © Nankivell 2006*

When measured by income, the most significant contributor to GVA *growth* is compensation of employees[8] (i.e. salaries, wages and social contributions) at 57.7% (compared to 65.6% nationally). However, this element of income still contributes less to the local economy (53.8%) than in the South West (61.3%) and UK (62.8) – as shown in the graph above. This reflects the much higher proportion of the economy's income coming from mixed income (mainly income from self employment), which amounts to 24.5% of GVA locally compared to 7.5% in the SW and 6.3% in the UK.

## GVA and Employment

The transition to a service driven, knowledge based economy is anticipated to accelerate over the next 20 years in Cornwall & the Isles of Scilly. Using the base case scenario of 2.8% per annum growth in GVA for the region, the total number of jobs is forecast to grow by more than 35,000; reaching approximately 250,000 in 2026. Overall jobs growth is forecast to exceed the regional rate.

Outside the service sector, only construction and printing & publishing are anticipated to have more jobs in 2026 than in 2006 (see top graph right). Agriculture and the rest of the primary sector are all forecast to continue to rationalise, as will much of the manufacturing and engineering sectors. As significant job losses have already been experienced in these areas, the combined reduction in employment will be modest in the context of the economy as a whole.

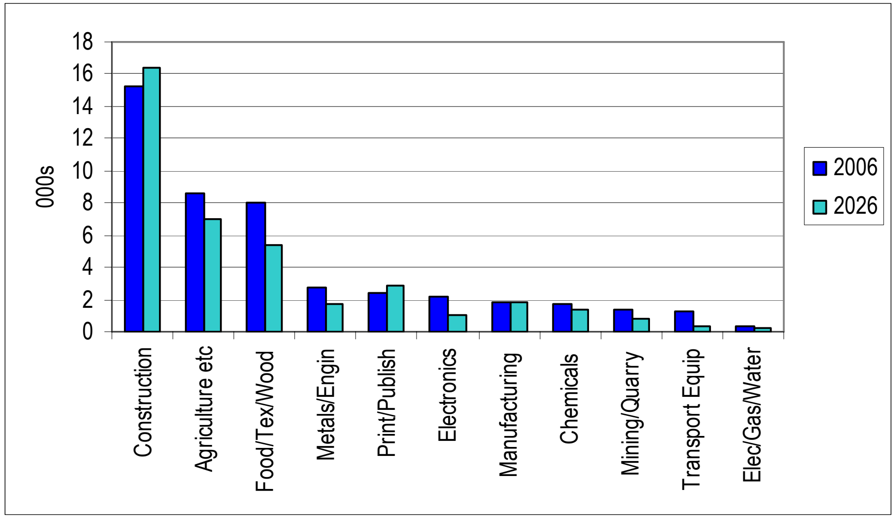
Retail/distribution, business services and education/health are expected to be key drivers of jobs growth, a proportion of which will be derived from the growing and ageing population. The additional jobs in business services alone will be equivalent to the totality of those lost in primary and secondary industries. By 2026, service industries will account for 4 in 5 jobs, including the public sector.

The more optimistic GVA growth scenario (3.2% per annum) delivers employment growth of almost 21% between 2006 and 2026, or an extra 10,000 jobs over and above the base case scenario. Under the higher growth scenario, the contraction in primary and industrial employment is not quite as significant whilst the expansion of the service sectors is even more substantial.

### Policy Pointers

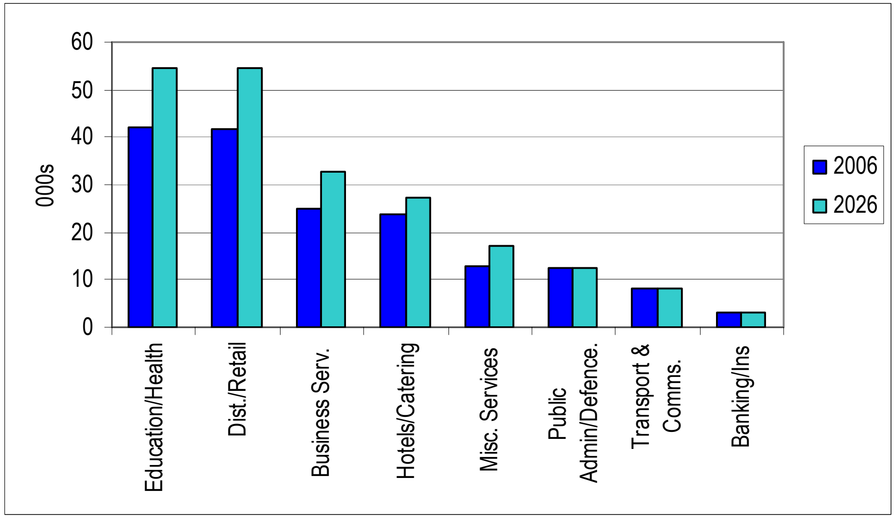
The predicted overall growth in employment and output provides a positive context for the continued regeneration of Cornwall & the Isles of Scilly. The potential decline in manufacturing jobs (many of which are better paid) could be offset by the growth in services, although many of the new jobs will be low paid/low value added. Even if a positive balance of higher value added service jobs is secured, progress is likely to be slow. This means that higher growth rates are required, with a greater proportion of higher valued added activity, in order to deliver the desired transformation of the economy.  This has implications for both the types of new investment which needs to be secured and having the appropriate infrastructure in terms of thriving towns and high quality business space relevant to certain types of investors.

Forecast Change in Employment - Base Case: Primary and Industry




*Source: Cambridge Econometrics*

Forecast Change in Employment - Base Case: Services




*Source: Cambridge Econometrics*

## Business Stock

VAT statistics can be used as an estimate of business counts. All business that have a turnover of more than £61,000 (for the latest 2006 data) are captured and some register voluntarily. However, the VAT counts should be used as a guide only as they do not capture all businesses and are not representative of the scale of business activity, e.g. they do not distinguish between large and small firms.

At the start of 2006, there were 18,745 VAT registered businesses in Cornwall & the Isles of Scilly[9]. Between 1999 and 2006 there has been an overall increase in business stock of 955 (+5.4%). This growth rate is less than those recorded at both the South West (+8.3%) and UK (+8.8%) levels. The volume of new registrations has been increasing, reflecting a stronger national and regional economy, the number of de-registrations has also increased. High levels of registrations and de-registrations are indicative of a dynamic and competitive economic climate.

With the exception of agriculture, manufacturing, retail and financial intermediation, the other sectors have seen an increase in total numbers of VAT registered businesses between 1999 and 2004. Whilst agriculture is still a dominant sector with 20.7% of the total business stock, it has lost 415 businesses over the last five-year period. This is a reflection of the re-structuring that both agriculture and fishing have experienced over the last decade. It should be noted however that this measure does not reflect the increase in the size of businesses, which has been a feature of the agricultural businesses.

In numerical terms, three sectors dominate the business base in Cornwall – agriculture (3,900), retail (3,900 businesses) and real estate and business services (2,600). In this last case, while the numbers are considerable, as a proportion of the business base the group constitutes less than half the corresponding national figure. This under representation is also reflected in the employment figures and is one of the key structural weaknesses in the economy.

The percentage stock of VAT registered businesses in the hotels and catering sector in Cornwall & the Isles of Scilly (11.4%) is higher than those found at the South West (8%) and UK (7.1%) levels. In contrast, the stock of businesses in the higher paid sectors, such as manufacturing and high growth/high paid sectors such as finance (0.2%) is lower than the South West and UK averages.

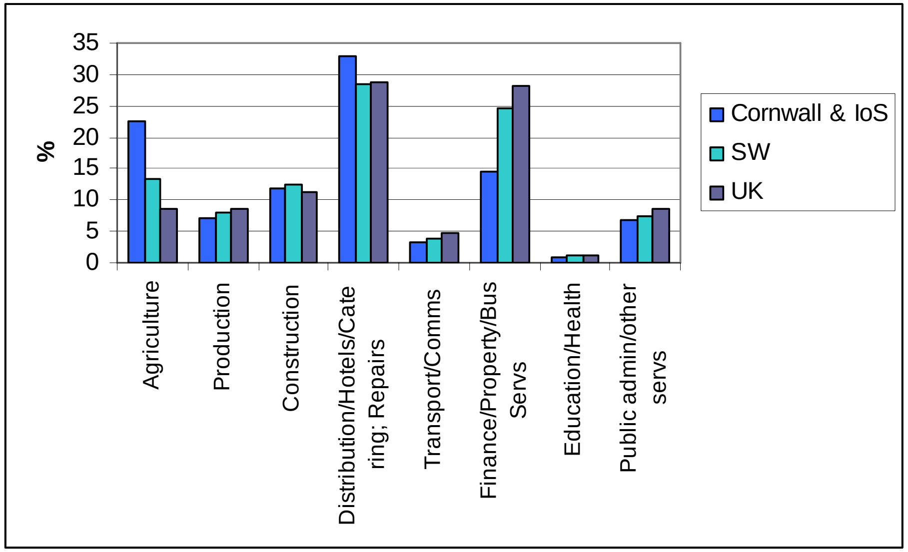
VAT registered businesses represent the most significant part of the business base (in turnover and employment terms), but Cornwall also has a large number of smaller enterprises and people who are self employed (approximately 18% of the working age population). These businesses are particularly important in certain sectors, including some potential growth sectors such as creative industries.

VAT registered businesses - Cornwall & the Isles of Scilly (1999- 2006)

| Year | De-registrations | Registrations | Net Change | Stock |
|---|---|---|---|---|
| 1999 | 1,275 | 1,375 | +95 | 17,790 |
| 2000 | 1,290 | 1,420 | +130 | 17,885 |
| 2001 | 1,195 | 1,350 | +155 | 18,015 |
| 2002 | 1,275 | 1,485 | +210 | 18,170 |
| 2003 | 1,415 | 1,630 | +215 | 18,375 |
| 2004 | 1,425 | 1,490 | +65 | 18,590 |
| 2005 | 1,300 | 1,385 | +90 | 18,655 |
| 2006 | - | - | - | 18,745 |

*Source: Small Business Service*

Classification of VAT Registered Businesses, 2004




*Source: Interdepartmental Business Register (ONS)*

## Business Start Ups

In 2003, there were approximately 41 business registrations per 10,000 working age people in Cornwall & the Isles of Scilly. This was higher than start-up rates recorded at the South West (38 per 10,000) and England and Wales level (30). Indeed, Cornwall & the Isles of Scilly had the eighth highest start-up rate of all local authorities across England and Wales[10].

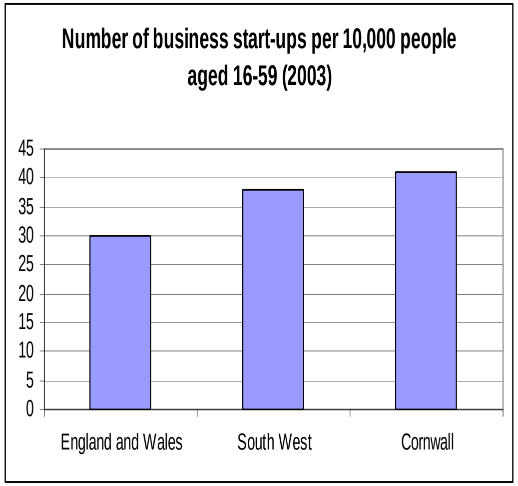
The sectors experiencing the highest percentage of start-ups in were real estate (22.3%), retail (22.3%), hotels and restaurants (19.2%) and construction (16.4%). Whilst these trends are similar across the UK as a whole, the proportion of new starts in real estate, renting and business services sector (36.2%) at a national level is much higher than in Cornwall.

The high start up rates in retail and hotels and catering reflects the strong tourism economy, and is evidence of increasing levels of personal expenditure. While a healthy churn of new business is important in any sector, it does help to perpetuate the preponderance of lower value added sectors in the business base. In terms of the number of businesses relative to its population size, Cornwall and the Isles of Scilly compares well both to the South West region and nationally. Along with the business start up data this suggests that Cornwall & the Isles of Scilly is not short of entrepreneurs or an entrepreneurial culture, rather it is the type of businesses, the continued dominance of lower paid sectors and low levels of innovation and productivity which contributes to the area's poor relative economic performance.

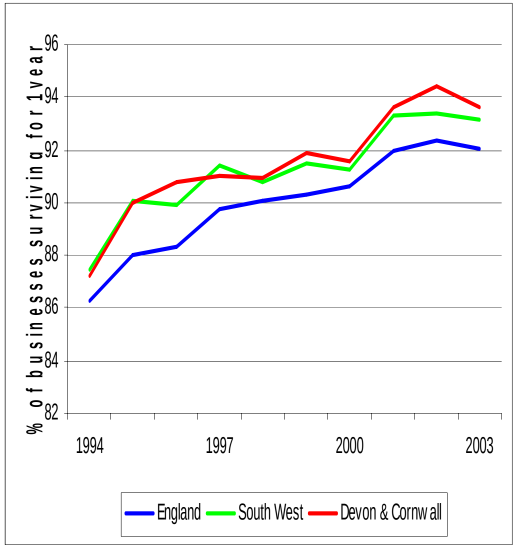
Cornwall also has very good survival rates, and these have been improving for some time. Over 70% of businesses are still trading three years after being set up.

### Policy Pointers

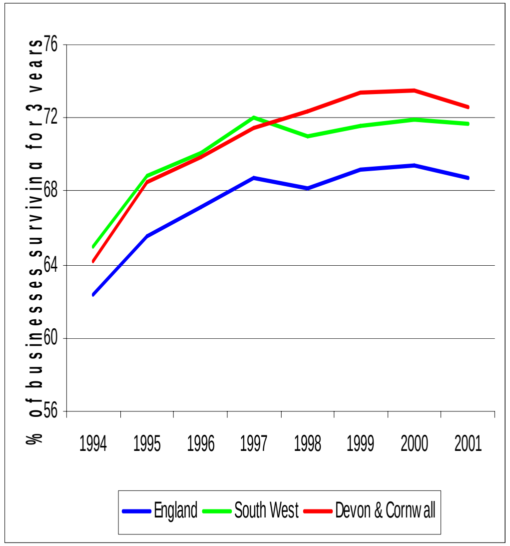
Cornwall & the Isles of Scilly has both a reasonable number of businesses and a relatively healthy start up rate. The major issue is the structure of the business base. There is a need to increase business start up rates of particular types of business, notably those in higher value added sectors. This suggests that while the volume of new starts should continue to be encouraged, there is a need for an additional focus on securing new starts from both higher value added service sectors and knowledge based business and from other sectors where it can be demonstrated that the new starts have the potential for high levels of growth and productivity.




Business Survival Rates – After One Year




Business Survival Rates – After Three Years



## Business Size

The structure of the business base outlined earlier is reflected in the size profile of businesses. In the UK, the vast majority of businesses have relatively few employees and a small turnover. These characteristics are reinforced when non-VAT generated businesses are included, many of which are one-person businesses with no employees.

There are 17,357 businesses in Cornwall employing up to 10 employees. This represents approximately 84.4% of the total employer stock. This is slightly higher than the regional and national averages. At the other end of the scale, there is a lower percentage of medium (50-199 employees) and large workplaces (200+ employees) in Cornwall in comparison to the South West and national levels[11].

In the 11-49 category there is a significant pool of manufacturing companies, 187 in total, as well as over 100 transport and communication companies. This is in addition to over 1,000 in distribution, hotels and catering (although a large number of these will be involved in retail).

The key structural weakness is in the number of medium sized companies (50-199 employees) where Cornwall & the Isles of Scilly would have an additional 200 companies if it had a similar profile to the national business base.

In the 50-199 employees category there are a potential 240 companies out of a total of 439, where productivity could be increased (based on sector). This estimate takes account of public sector employment units. As noted above, there is a much larger pool of smaller companies, although the target group in terms of potential growth is likely to be less than 800 businesses. Nevertheless, there is the potential for further employment growth within the existing business base.

### Policy Pointers

Cornwall & the Isles of Scilly has, not surprisingly, a business base where very small businesses dominate. There are a relatively low number of businesses in the medium sized category, although more positively there are a significant number of companies with the potential to grow.

Supporting the growth prospects of small businesses will always be an important element in strengthening the Cornish business base. There is likely to be considerable potential within established smaller business with 25/30 to 60/70 employees, particularly those in high value added sectors. Experience shows these companies can make significant contribution to overall growth.

Business Size By Employees (2004)

| | 1-10 employees | % | 11-49 employees | % | 50-199 employees | % | 200 + employees | % |
|---|---|---|---|---|---|---|---|---|
| Great Britain | 1,862,882 | 83.3 | 287,487 | 12.9 | 69,399 | 3.1 | 15,580 | 0.7 |
| South West | 171,476 | 83.9 | 26,105 | 12.8 | 5,693 | 2.8 | 1,178 | 0.6 |
| Cornwall | 17,357 | 84.4 | 2,688 | 12.1 | 439 | 2.1 | 80 | 0.4 |

Source: Annual Business Inquiry Workplace Analysis 2004

Businesses by Sector – Cornwall 2004

| Industry | 11-49 Employees | | 50-199 Employees | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Agriculture/Fishing | 8 | 0.3 | 1 | 0.2 |
| Energy/Water | 20 | 0.7 | 16 | 3.6 |
| Manufacturing | 187 | 7.0 | 57 | 13.0 |
| Construction | 88 | 3.3 | 9 | 2.1 |
| Distribution/Hotels/Restrnt | 1,026 | 38.2 | 106 | 24.1 |
| Transport/Comms | 115 | 4.3 | 30 | 6.8 |
| Banking/Finance/Insurance | 283 | 10.5 | 38 | 8.7 |
| Public Admin/Education/Health | 827 | 30.8 | 162 | 36.9 |
| Other Services | 134 | 5.0 | 20 | 4.6 |
| Total | 2,688 | 100.0 | 439 | 100.0 |

Source: Annual Business Inquiry Workplace Analysis, NOMIS, 2004

## Employment Structure

There were a total of 178,534 workers identified in Cornwall & the Isles of Scilly in 2004, a growth of 23,770 employees since 1998. At 15% growth over 6 years, this is higher than the increases at the South West (+11%) and national levels (+6%). The main growth sectors were:

| | | | |
|---|---|---|---|
| Real estate/business services | +8,169 | Education | +6,693 |
| Retail | +5,464 | Hotels and catering | +4,073 |

Over the same period there were some job losses in the construction and manufacturing sectors. In the latter case, given the long-term trend in manufacturing, the employment performance was strong. The most dramatic job losses in relative terms were experienced in the primary sectors – agriculture, fishing and mining and quarrying. The recent job losses in the china clay industry are indicative of the continuing vulnerability of some sectors.

While the employment increase out-performed the national and regional economies, only limited progress was made in re-structuring the Cornish economy. Retail and hotels and catering continue to account for a very high proportion of employment and the public sector remains a very important employer. Although the growth in education is a very positive development, Cornwall & the Isles of Scilly remain under represented in value added service sectors.

The workforce is characterised as having a high proportion of part-time workers - approximately 15% of the male workforce is employed on a part time basis and 53.8% of females. The level of part time employment is exceptionally high. Of the total workforce, approximately 54.5% are female. This is significantly higher than the levels recorded at the South West and national levels.

### Policy Pointers

The recent employment growth in Cornwall & the Isles of Scilly has been exceptional, at two and a half times the national growth rate. In spite of this strong employment growth, the economy remains dominated by sectors dependent on the public sector and/or with a tendency to offer low paid employment. Only limited progress has been made with regard to increasing employment in sectors with a high growth and higher skilled/pay profiles. There is a continuing challenge to modernise the economy, while acknowledging that some important key sectors, such as tourism, face a change in terms of reconciling the need to maintain competitiveness while increasing value added and wage levels. The re-structuring of some traditional sectors, including some primary production and manufacturing sectors will continue to present a challenge for key stakeholders. In addition, part-time employment remains prevalent within the Cornwall and the Isles of Scilly economy, and while this may reflect labour market demand, it is important that good quality full-time work in higher paid sectors is made available as an alternative to those seeking such employment.

Employment Structure

| Industry | 1998 | 2004 | % | %UK |
|---|---|---|---|---|
| Wholesale and retail trade | 32,251 | 37,715 | 21.1 | 17.8 |
| Health and social work | 25,719 | 23,827 | 13.3 | 11.8 |
| Hotels and restaurants | 16,842 | 20,915 | 11.7 | 6.8 |
| Manufacturing | 20,219 | 19,554 | 11.0 | 11.9 |
| Education | 12,652 | 19,345 | 10.8 | 9.1 |
| Real estate, renting etc | 10,241 | 18,410 | 10.3 | 15.9 |
| Public administration | 8,084 | 9,301 | 5.2 | 5.5 |
| Other community etc | 7,351 | 9,268 | 5.2 | 5.1 |
| Transport, storage and comms. | 5,748 | 7,550 | 4.2 | 5.9 |
| Construction | 9,122 | 7,018 | 3.9 | 4.5 |
| Financial intermediation | 2,668 | 2,903 | 1.6 | 4.1 |
| Mining and quarrying | 2,219 | 1,486 | 0.8 | 0.2 |
| Electricity, gas and water supply | 673 | 644 | 0.4 | 0.4 |
| Agriculture, forestry and fishing | 1,002 | 599 | 0.3 | 0.9 |
| TOTAL | 154,764 | 178,534 | 100 | 100 |

Source: Annual Business Inquiry Employee Analysis (2004) ONS Crown Copyright (NOMIS)

Full & Part-time Employment, Autumn 2004 (% & '000s)

| | Males over 16 | | | Females over 16 | | |
|---|---|---|---|---|---|---|
| | FT % | Pt % | Employment (000s) | FT % | PT % | Employment (000s) |
| UK | 90.5 | 9.5 | 14,689 | 57.3 | 42.7 | 12,311 |
| SW | 88.1 | 11.9 | 1,248 | 51.2 | 48.8 | 1,060 |
| C & IoS | 85.0 | 15.0 | 130 | 46.2 | 53.8 | 107 |

Source: Labour Force Survey, In Region in Figures 2004/05, ONS – (SW Regional Development Agency – Sub-regional Indicators July 2005)

## Earnings

In 2005, the median weekly earnings for all full-time workers in Cornwall was £341. This is significantly lower than the average recorded at both the South West (£401) and the UK (£431) levels. The median weekly earnings recorded in Cornwall has risen by 14.8% (£44) between 2001 and 2005. This growth is marginally faster than that recorded at the South West (13.8%) and in line with the national level (14.7%). The earnings gap between the County and national figures is greater when part-time earnings are also considered. Median Gross Weekly Earnings of full-time employees stood at 79% within the County, compared to 75% for all employees. This reflects the higher proportion of part-time employment within the Cornwall and the Isles of Scilly.

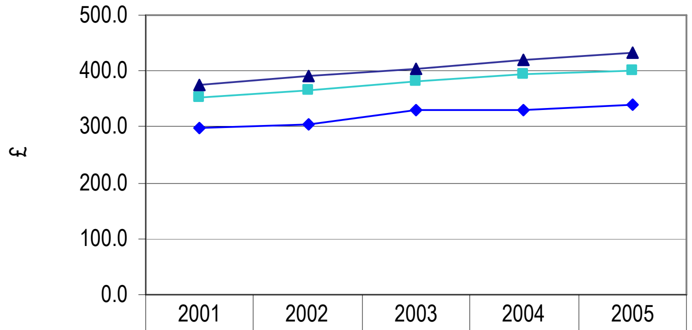
In comparison to other areas in England, Cornwall is among the poorest in terms of wage levels. Apart from Carrick (£365.2 per week), all of the Cornwall Districts have median weekly earnings of full-time employees within the bottom 30 local authorities and less than £350 per week (figures are unavailable for the Isles of Scilly). Penwith (£304.1 per week) is ranked within the lowest five local authorities within England.

In 2005, the full-time gross weekly earnings of those working within Cornwall was below both the regional and national figures at the 10th, 50th, 90th percentiles (see table overleaf). For example, in Cornwall, those within the bottom 10% of full-time earners earned less than £211, compared to £230 in the South West and £235 across the UK. The number of full-time jobs within Cornwall in 2005 was 101,000, suggesting that a total of 10,100 individuals working full-time within Cornwall earned a gross amount of less than £211 per week.

The distribution of full-time wages within Cornwall is not simply lower than that seen nationally; it is also more heavily skewed towards lower incomes levels. As indicted above, in 2005 the median gross full-time wage stood at 79% of the UK average, which compares to 90% for the 10th percentile (where the 1st percentile represents the 1% lowest salary). Conversely, at the 90th percentile, the wage rate within Cornwall stood at only 74% of the national figure. These figures suggest that compared to the UK, there are a higher proportion of low earners relative to high earners for full-time employees within Cornwall and the Isles of Scilly.

The wage distribution of Cornwall reflects the industrial structure of the County, where there is a greater dependence on lower value added sectors, with correspondingly low wages than that seen nationally. In addition, there is a high proportion of workers in low paying occupations in Cornwall. This is partly related to the industrial structure, but also the high level of small businesses that restricts the types of occupations available.

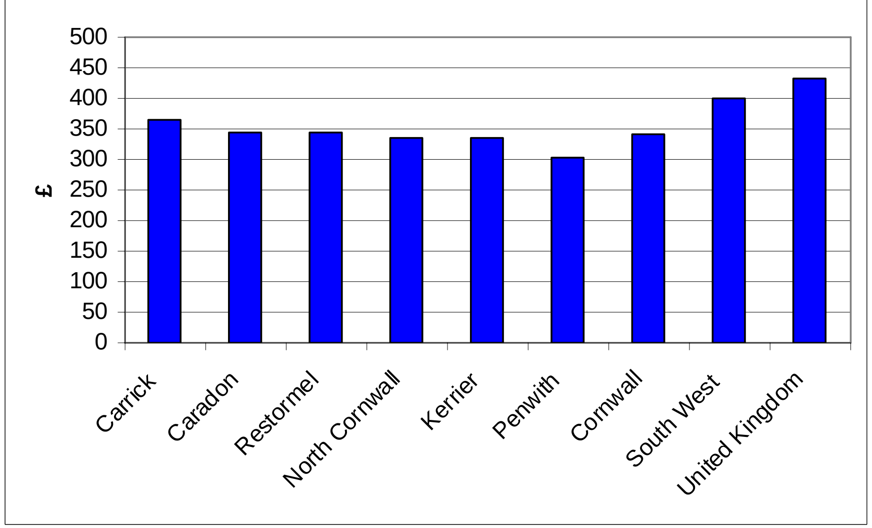
Gross Weekly Earnings for all Full-Time Employees (Median, Workplace Based)




| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Cornwall and Isles of Scilly | 296.9 | 303.4 | 331.5 | 328.9 | 340.9 |
| South West | 352.3 | 364.9 | 382.0 | 392.9 | 401.0 |
| United Kingdom | 375.9 | 390.9 | 404.0 | 419.5 | 431.2 |

*Source: ONS (2006) ASHE © Crown Copyright 2006*

Earnings by Workplace, All Full-Time Workers (2005)




*Source: ONS (2006) ASHE © Crown Copyright 2006*

The wage gap is made starker when part-time earnings are included in the analysis, with gross weekly wages for all employees standing at only 75% of the UK figure, compared to 92% for the South West. The prevalence of part-time working is typical of an economy in which tourism accounts for 25% of the economy, however it is important to acknowledge that an individuals decision to work part-time may reflect:

1. A limited supply of appropriate full-time positions, reflecting structural weaknesses within the economy and a trend towards part-time and shift working within the service sector; or
2. A conscious decision on the part of the individual to work less, reflecting their priorities with regard to their 'work life balance'.

A high proportion of part-time work is attributable to labour market demand and has positive social impacts, allowing individuals to spend more time with their families, or engage in extracurricular activities. However, structural weaknesses within the Cornwall and the Isles of Scilly's economy have resulted in a situation where the local economy lacks sufficient good quality full-time employment in high paid sectors of employment. These weaknesses must be addressed to (i) allow those individuals that wish to work full-time to do so, and (ii) to bring the distribution of full-time wages more in line with the national picture. The provision of high quality full time jobs will is needed to allow well qualified younger people, particularly graduates, to come back to or stay in Cornwall, rather than gravitate towards the larger employment markets elsewhere.

There are a number of elements relevant to changing wage levels and earnings in Cornwall & the Isles of Scilly. These include the need to increase the proportion of employment in sectors with higher than average earnings; increase the productivity, profitability and earnings in companies in Cornwall, and increase the supply good quality full time positions and range of higher paying occupations.

| Policy Pointers |
|---|
| Improving earnings in Cornwall and the Isles of Scilly requires a combination of actions, including the restructuring of the business based towards more companies capable of generating higher value added, and improving the competitiveness of existing businesses. This will impact on policies regarding new starts, higher growth companies, workforce skills, and business development. Most importantly, it will require a shift to competing on the basis of quality not price, and this will require higher levels of investment in both human and capital resources. |

Full-Time Gross Weekly Income (£s), by Percentile, 2005

| | 10th Percentile | Median | 90th Percentile |
|---|---|---|---|
| United Kingdom | 235.2 | 431.2 | 850.6 |
| South West | 230.0 | 401.0 | 770.0 |
| Cornwall & the Isles of Scilly | 211.0 | 340.9 | 632.7 |

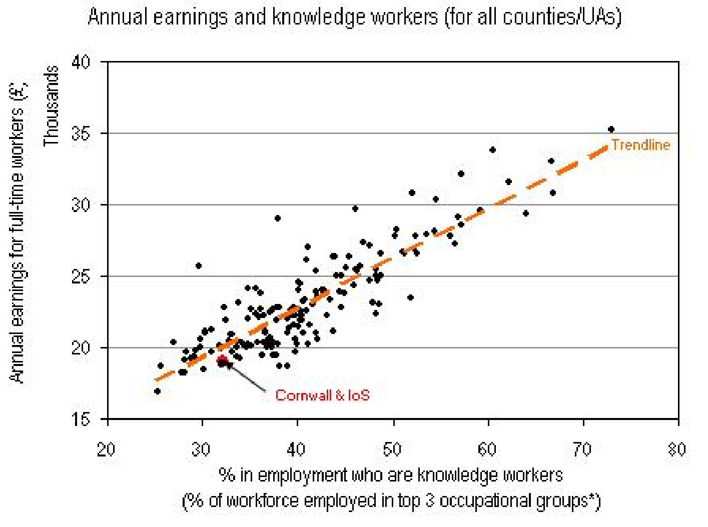
*Source: ONS (2006) ASHE © Crown Copyright 2006*

Full-Time Gross Weekly Income, by Percentile, as a Proportion of the UK figure, 2005

| | 10th Percentile | Median | 90th Percentile |
|---|---|---|---|
| South West | 97.8% | 93.0% | 90.5% |
| Cornwall & the Isles of Scilly | 89.7% | 79.1% | 74.4% |

*Source: ONS (2006) ASHE © Crown Copyright 2006*

The average earnings levels in an area are, as you might expect, very closely aligned to the occupational levels. The graph below shows a very striking correlation between the proportion of the workforce in the top three occupations and the average earnings for the area. Each dot represents a county of unitary. This occupational structure is linked to the knowledge-based economy (see section later in this chapter).




*Top 3 occupational groups are managers and senior officials; professional occupations; and associate professionals and technical occupations.
*Source: ASHE and Neighbourhood Statistics*

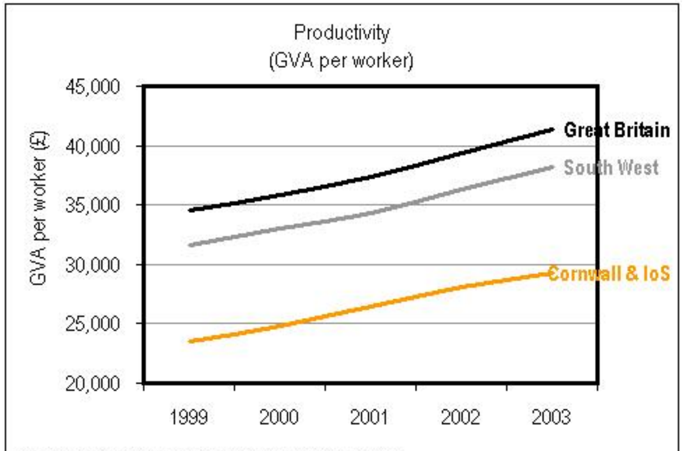
## Productivity

Productivity (commonly measured as GVA per worker) is one of Cornwall and the Isles of Scilly's most significant economic weaknesses: the value each worker is adding to the economy lags behind the national economy by 24%.[12] The DTI recognises five main drivers of productivity:

- Investment – in physical capital e.g. machinery, equipment and buildings.
- Innovation – the successful exploitation of new ideas
- Skills – integrally linked to innovation e.g. higher skills levels allow workers to generate more new ideas and adapt to changing economic climate
- Enterprise - Seizing of new business opportunities by both start up and existing firms
- Competition – the degree of competition affects market efficiency

*Source: DTI (2006) UK Productivity and Competitiveness*

The graph (right) shows the productivity levels in Cornwall and the Isles of Scilly over time, compared to the regional and national levels. In 2003, productivity in the area was £29,300 per worker, compared to £38,200 and £41,400 for the South West and Great Britain, respectively.



*Source: Local Intelligence Network Cornwall (2006)*

Poor productivity levels in Cornwall and the Isles of Scilly are *partly* explained by the industrial structure of the area. For analysis on sector productivity see sector overview section later on in this competitiveness chapter.

Work recently completed by Local Futures highlights the scale of the economic challenge facing Cornwall & the Isles of Scilly. In the Report "*State of the Nation 2006*" a productivity index was produced used a combination of Gross Value Added per head and earnings. This benchmarked productivity for local authority areas to a national average of 100 and ranked each local authority area from 1 to 404.

As the table below highlights, five of the Cornish districts were in the poorest performing group on this key indicator. All five had a productivity level at below two thirds of the national average. Notably, the same report also raised issues about the distribution of enterprise in the UK, using another Index which also places Cornwall & the Isles of Scilly in the lower performing category, although not to the same extent as the productivity index.

Productivity Index (worst performing 13 district in England)

| Rank (out of 404) | District | Productivity index England = 100 | Region |
|---|---|---|---|
| 392 | Restormel | 64.1 | South West |
| 293 | Pembrokeshire | 63.5 | Wales |
| 394 | Torbay | 63.3 | South West |
| 395 | Bridgnorth | 63.2 | West Midlands |
| 396 | Caradon | 62.4 | South West |
| 397 | South Shropshire | 62.4 | West Midlands |
| 398 | North Cornwall | 62.2 | South West |
| 399 | Kerrier | 62.0 | South West |
| 400 | West Devon | 60.3 | South West |
| 401 | Alnwick | 59.4 | North East |
| 402 | Penwith | 58.6 | South West |
| 403 | Torridge | 58.5 | South West |
| 404 | Berwick upon Tweed | 57.2 | North East |

*Source: State of the Nation 2006. Local Futures*

### Policy Pointers

The exceptionally poor productivity in Cornwall and the Isles of Scilly encapsulates the scale of the change facing stakeholders in improving the relative economic position of the area.

Across a number of key sectors the range of factor productivity varies according to a number of factors. This does not necessarily make one sector more valuable than another, and a balanced economy has representation across all sectors. It is important however where lower value sectors are strongly represented to both work to broaden the economic base and at the same time seek to improve productivity levels in lower value sectors.

The low productivity levels highlight the need for Cornwall and the Isles of Scilly to be bold in pursuing a more knowledge driven and innovative economy that would drive up productivity and competitiveness.

## Knowledge–based economy and innovation

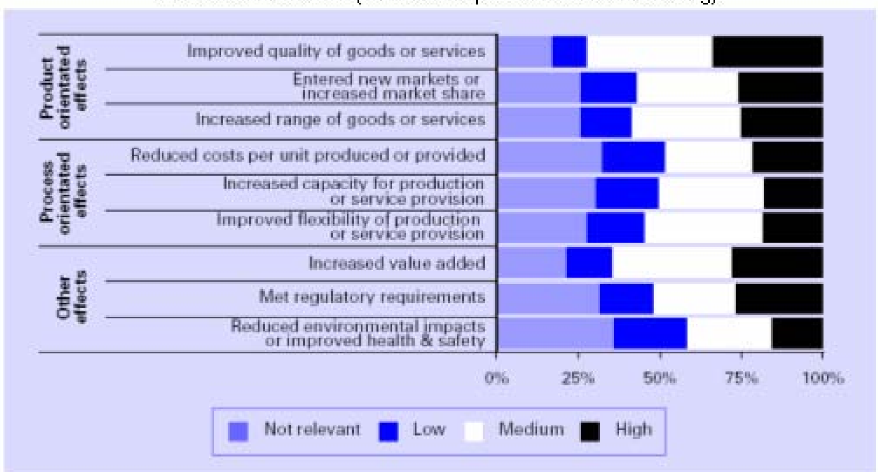
Cornwall and the Isles of Scilly's economy currently has very low levels of productivity (see previous section) – 24% below national. This is closely linked to average earnings that remain persistently low as firms invest in a high proportion of low-skilled, low paid workers. This in turn reduces competitiveness and productivity as workers are at a low occupational and skill level so are less likely to innovate and adapt to changes in the economic environment. All these closely linked factors perpetuate a weakness in Cornwall and the Isles of Scilly's economy that has yet to be addressed. The evidence in this section firstly sets out the benefit innovation brings to an economy, then demonstrates how Cornwall and the Isles of Scilly's economy is significantly behind in this critical area.

Quantitative evidence to support the pursuit of a more innovative and knowledge-driven economy can be drawn from a number of sources. For example, the 2005 UK Innovation Survey (ONS and DTI) found that from the businesses with a high level of innovation:

- 34% reported a high impact on "Improved quality of goods or services" and a further 39% reported a medium impact.
- 28% reported a high impact on "Increased value added" and a further 37% reported a medium impact.

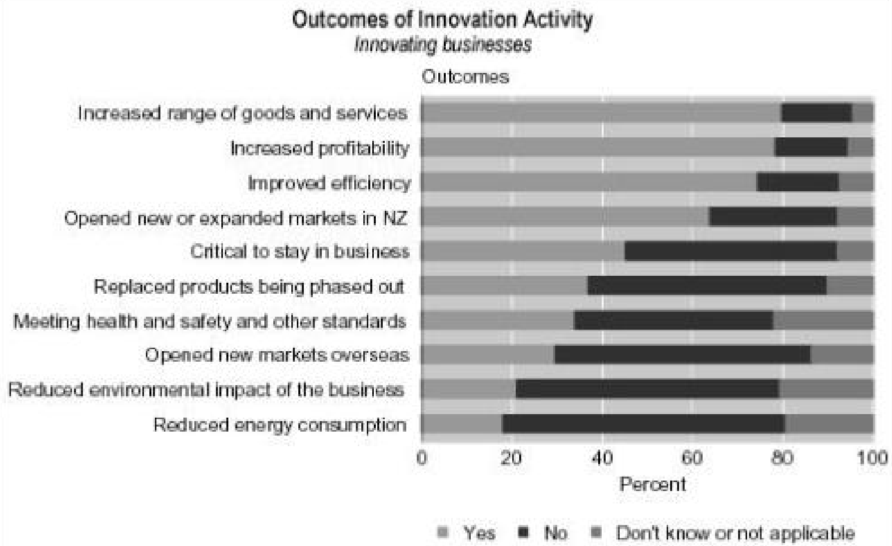
The graph below presents all the responses to the survey question on the effects of innovation on their business.

Effects of innovation (for UK enterprises that are innovating)




*Source: DTI (July 2006) Innovation in the UK: Indicators and Insights*

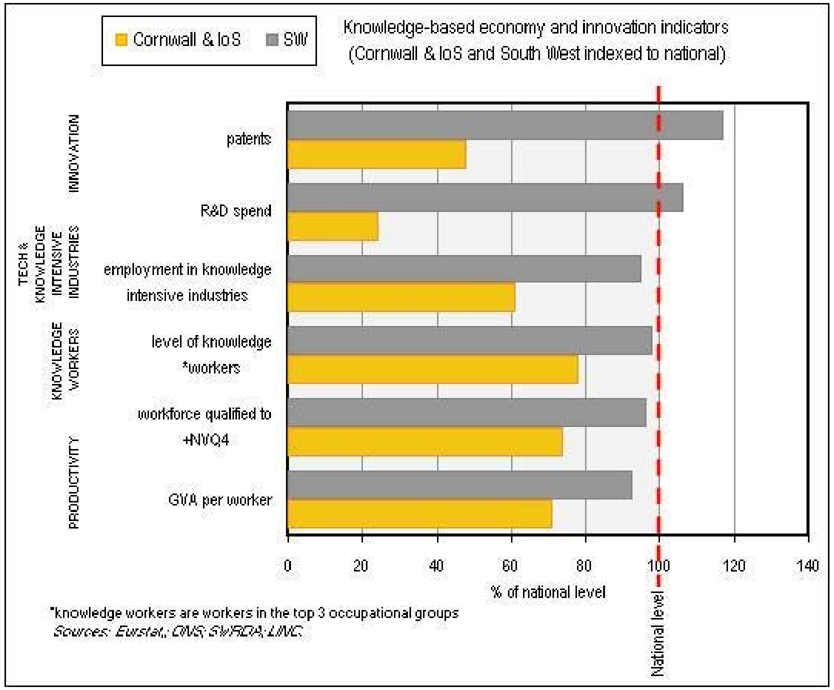
Similarly, an innovation survey conducted in New Zealand (that has been very proactive in promoting the knowledge-based economy) in 2003, found that 80% of businesses that had implemented innovations in the last three years reported an increased range of goods and services as a result. The majority of businesses also reported increased profitability (79%), improved efficiency (75%), and new or expanded markets within New Zealand (64%). The graph below gives details of all the responses to the survey question on the outcomes of innovation activity.




*Source: Statistics New Zealand (2004) Innovation in New Zealand*

Analysis of factors that affect the level to which the economy is knowledge and innovation driven, demonstrate that Cornwall and the Isles of Scilly is under-performing in *all* areas from workforce skills to spend on innovation. Although none of the available measures can alone fully represent the knowledge-based economy, combined they give an overall picture of performance. The graph (overleaf) presents Cornwall and the Isles of Scilly's performance using a few measures where data is available at a sub-regional level.

The graph below demonstrates Cornwall and the Isles of Scilly's weakness in as a knowledge-driven economy and highlights the need for action in this area. In all six measures presented Cornwall and the Isles of Scilly is significantly under-performing compared to national. The South West is much closer to the national performance, and SW innovation performance exceeds national levels.




The underlying asset in a knowledge-driven society is a knowledge workforce. One commonly used indicator of a knowledge-workforce is a high proportion of the workforce with high qualifications, e.g. NVQ4+ or equivalent (degree level). Cornwall and the Isles of Scilly lags behind the UK by 8% using this measure (22% are qualified to NVQ4+ or equivalent, compared to 30% nationally).[13] Another measure of knowledge-workers identified by the Work Foundation[14] is the proportion of the workforce in the top three occupational levels (managers and senior officials; professional occupations; and associate professionals and technical occupations). Again, Cornwall and the Isles of Scilly is significantly behind the national level at 32%, compared to 41% for the UK. The graph presented under the earnings section (earlier in this chapter) shows the very strong correlation between the proportion of the workforce in the top three occupations and average earnings.

The Lisbon Strategy identifies innovation as one of the key drivers for growing the knowledge economy. Innovation relates to the ability to identify and introduce new products and processes, which, in turn, will help to improve economic performance. R&D spend and patents registered can give an idea of the level of innovation activity taking place in an area. Although there are additional useful measures of innovation, data below a sub-regional level is not available.

Cornwall and the Isles of Scilly currently has very low levels of investment in research and development. Although innovation in businesses is much wider than just investment in R&D, it provides a benchmark against other areas. As the graph (left) shows, expenditure on research and development per local firms is 23.9% of the UK level, whereas the South West is 105.9%. In addition, the level of European patents registered by Cornwall and Isles of Scilly firms (per million labour force) is also well below regional and UK levels. In 2002 there were 29 European Union patent applications in Cornwall & the Isles of Scilly. This was down on the 35 patents recorded in 2001. The 29 patents equates to 57.3 patents per million inhabitants. This was significantly less than the number of patents per million inhabitants recorded at the South West (150.8) and at the national (128.7) levels. Similarly, it can be calculated that there were 122.9 patents per million workforce in Cornwall. Again this is less than the levels recorded across the South West (300.9) and the UK (257.6).

This further strengthens the need to focus efforts on this area of this work to ensure the local economy does not lag behind. Furthermore, if performance in this area is reversed, Cornwall has the opportunity to compete internationally and become the first successful rural knowledge economy in the country.

## Policy Pointers

Given the absence until recently of an expanding Higher Education sector, and some of the other critical factors that support knowledge-transfer and innovation such as strong networks, the increase in R&D is an important development. While Cornwall & the Isles of Scilly is unlikely to reach the same levels of innovation of the major urban economies, there is the potential of recent developments around CUC and the Peninsula Medical School to increase both R&D employment and innovative activity.

To strengthen the knowledge-based economy and increase levels of innovation to a competitive level in Cornwall and the Isles of Scilly will be a challenge given the current weaknesses of low high level skills in the workforce, high level occupations and investment in research and development.

The need for business to innovate and utilise knowledge better, without necessarily employing dedicated research staff or file patents, is to be an important element of improving productivity, and this will require further investment in capital and human resources. There are a reasonable number of companies of a size to consider innovation and research as an important strand of company development, although some companies do not see the short-term benefits of R&D and may need some support to initiate R&D work.

## Technology and Knowledge Intensive Industries

The OECD (2003) has developed and refined an attempted definition of 'technology and knowledge –intensive industries'. This includes 'high technology industries based essentially on R&D intensity' and 'knowledge intensive service industries'[15]. It is now clear that the EU economies can no longer compete on the basis of low costs, and that the use of knowledge is the key to future competitiveness.

The table and chart opposite show that employment in the knowledge intensive industries sector in Cornwall & the Isles of Scilly is still relatively weak, despite strong growth between 1998 and 2003. The most notable success story is in Carrick where 21.9% of all employees are in the knowledge intensive sector, over 10,000 employees in total. This reflects a large public sector and the growth of the education sector. Nevertheless there is a substantial critical mass required to drive forward a competitive knowledge-based economy.

Penwith also has a high proportion of employees in the knowledge intensive sector, although the numbers involved are more modest. The other districts fall some way short of the 20.6% knowledge intensive sector average seen at the South West level. The majority of the districts have seen knowledge-intensive employment growth rates between 1998 and 2003 higher than those experienced nationally, apart from Restormel and Caradon, which have seen recent knowledge intensive sector employment losses. The rollout, and encouraged take-up, of broadband is likely to have impacted upon the growth of the sector across the area.

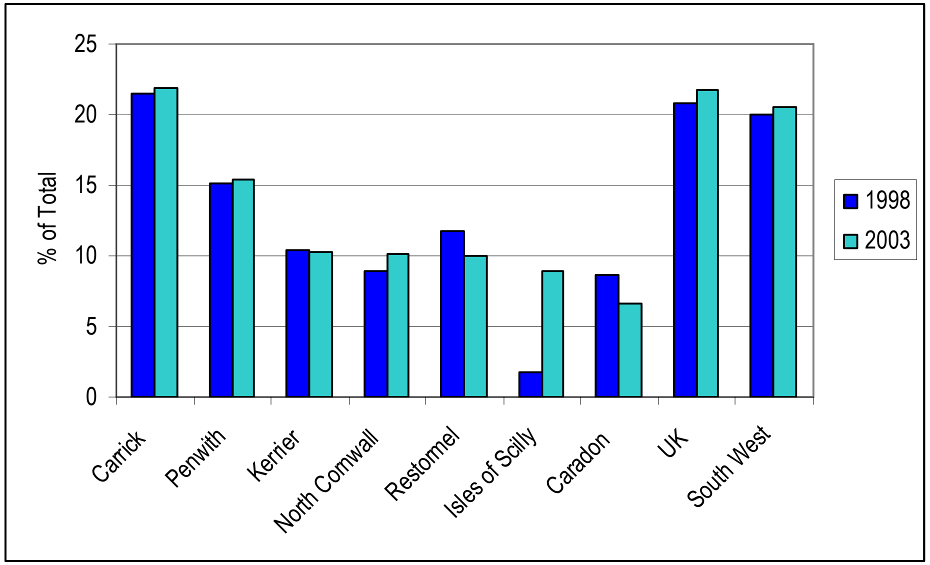
### Policy Pointers

The low proportion of employment in knowledge intensive sectors is a continuing weakness of the economy, although many of these sectors favour larger, urban economies. Growth has been evident in a number of districts, a very positive development, although in some cases this has been driven by public sector employment.

New developments such as the increased provision of ICT and the development of the CUC, and the critical mass in Carrick, will create new opportunities to accelerate the growth of knowledge intensive sectors. There may be further opportunities to accelerate the growth in Carrick and to seek more significant new/inward investment. This will be crucial in addressing the underlying problems of a low wage economy.

Although knowledge intensive sectors - defined as a discrete set of sub-sectors – are important, a more fundamental challenge is the incorporation of knowledge into every aspect of business and enterprise activity. This is linked to the broader aim of developing a knowledge society, relevant to business, the workforce and residents.

Employment in the Technology and Knowledge Intensive Industries




*Source: SWRDA (2005) The Knowledge-Driven Economy, Regional Economic Strategy and Regional Spatial Strategy in the South West of England*

Technology and Knowledge Intensive Industries Employment

| | 1998 | % of total | 2003 | % of total | % change |
|---|---|---|---|---|---|
| Carrick | 7,889 | 21.5 | 10,007 | 21.9 | +26.8 |
| Restormel | 3,667 | 11.7 | 3,581 | 10.0 | -2.3 |
| Penwith | 2,605 | 15.2 | 3,120 | 15.4 | +19.8 |
| North Cornwall | 2,465 | 8.9 | 3,085 | 10.1 | +25.2 |
| Kerrier | 2,638 | 10.4 | 3,077 | 10.3 | +16.6 |
| Caradon | 1,797 | 8.7 | 1,434 | 6.6 | -20.2 |
| Isles of Scilly | 15 | 1.7 | 84 | 8.9 | +460 |
| South West | 390,560 | 20 | 443,438 | 20.6 | +13.5 |
| UK | 5,059,871 | 20.8 | 5,586,110 | 21.7 | +10.4 |

*Source: SWRDA (2005) The Knowledge-Driven Economy, Regional Economic Strategy and Regional Spatial Strategy in the South West of England*

## ICT

The ICT "sector" currently accounts for about 1% of the jobs in Cornwall, however many more businesses and organisations rely on access to a high quality ICT infrastructure in order to remain competitive. ICT usage is often linked to efficiency savings, improved business systems and processes, e-commerce and design and innovation. In addition, ICT underpins the Technology and Knowledge Intensive Industries, both as an enabler to other Knowledge Intensive sectors, and as a key sector in its own right.

Cornwall and the Isles of Scilly has succeeded in leading the way in broadband availability. Of the 100 exchanges in Cornwall, all have now been upgraded for ADSL broadband and there is 99% coverage across the area.

Broadband technology is evolving quickly and beginning to deliver significant economic benefits for the area. Penetration in Cornwall is now 18 connections per 100 population, and home working has increased massively over the past decade.

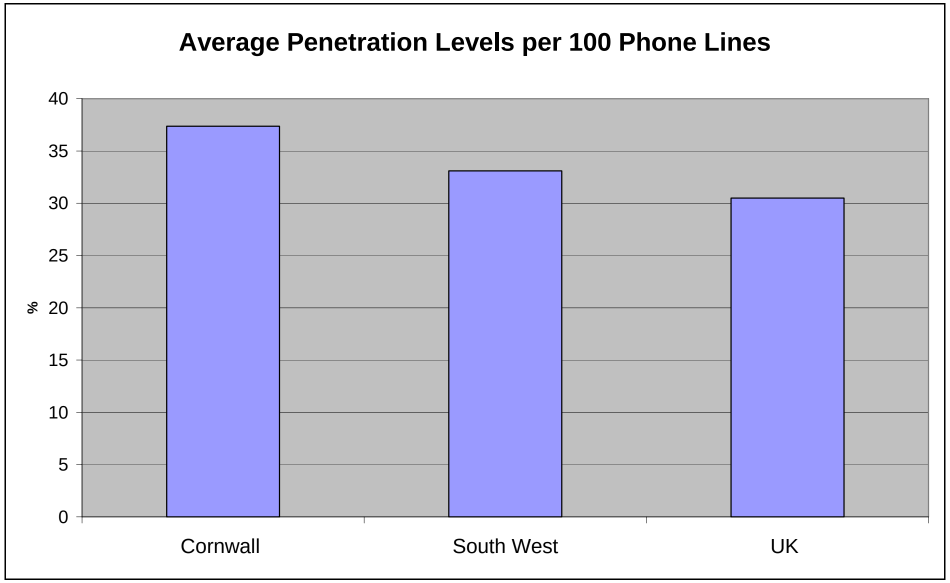
### actnow

The actnow project has been at the forefront of encouraging businesses in Cornwall & the Isles of Scilly to connect to broadband and incorporate ICTs into their everyday business activities. In terms of outputs the project has influenced the overall high penetration level of adsl broadband of 37.1 % per 100 phone lines. In comparison, adsl broadband penetration rates across the UK (30.5 %) and the South West (33.1 %) are low.

To date actnow has connected 8,330 SMEs and the overall level of SME penetration in Cornwall & the Isles of Scilly is now 47%.The actnow project has assisted 1,700 SMEs invest £5M in developing ICT systems. [16].

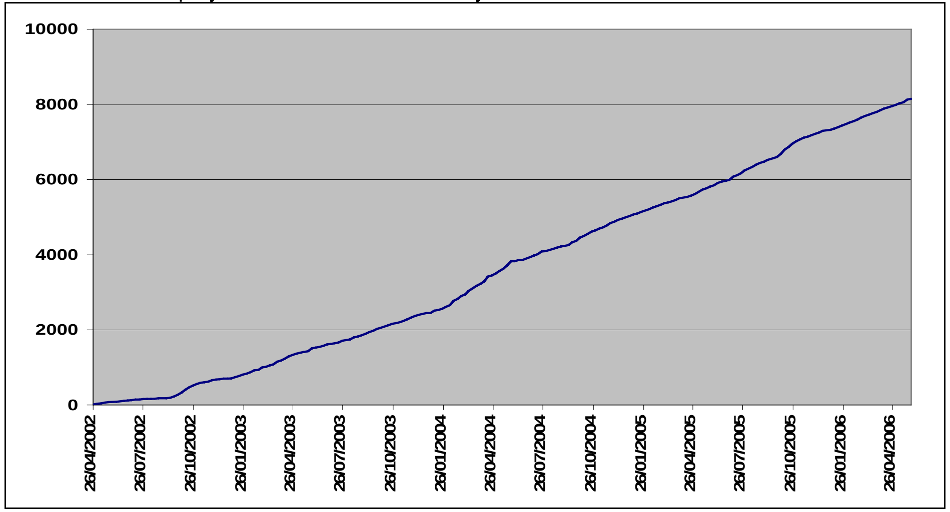
In 2004, the South West had the highest level of start-ups that used technology of all English regions (29.9% of all start-up activity). Cornwall & the Isles of Scilly was the highest ranking sub-region in the region, with 37% of all start-ups using new technology, which highlights the impact of actnow and other interventions on encouraging broadband and other ICT uptake.

It is not clear to what extent the early advantage secured by actnow is being maintained. Other regions and commercial companies are vigorously promoting take up and provision is now widespread. An emerging challenge is encouraging business to make the maximum use of broadband to improve their competitiveness.




*Source: Summary Broadband Facts & Figures, actnow 2006*

Broadband take-up by Cornwall and Isles of Scilly Businesses




*Source: actnow, 2006*

## Future Developments in ICT

The technology surrounding broadband advances quickly, and over the next one to two years the next generation of broadband to deliver higher speeds over telephone lines (ADSL2+ and VDSL) will be rolled out. This will present challenges to rural areas, and may worsen the rural / urban digital divide as:

- The highest speeds are heavily dependent on proximity to the local exchange, with the full benefits only being typically available within approximately a 2km radius of the exchange. Within Cornwall, 51% of phone lines lie beyond this point with the result that a significant number of Cornish businesses and individuals will be excluded form the benefits of these new technologies; and
- There is no guarantee that the upgrade work required on the exchanges will be deemed economically viable in many rural area, leading to further exclusion. For example, the largest 25% of exchanges cover 67% of telephone lines.

A scenario where only the largest 25% of exchanges were upgraded, in conjunction with the 2km limit, would exclude two thirds of Cornish businesses and individuals from the new technologies. Furthermore, a VDSL rollout will require a 'fibre to the cabinet' solution involving significant infrastructure spend, and left to the market a rural economy like Cornwall would certainly lag major urban rollouts. Longer term, the only true future proofing solution to the divide may come from 'fibre to the premises' solutions offering significantly higher speeds unaffected by the distances involved.

### Policy Pointers

The investment in broadband technology has been a significant boost to Cornwall and the Isles of Scilly, given its peripheral location. It is important that Cornish businesses are able to access the latest broadband and related technologies as they are developed if they are to remain competitive in the future. actnow has been one of the success stories of the past few years and there is now a need to review the infrastructure provision in Cornwall & the Isles of Scilly in the medium term to determine to what extent further investment is needed, and at the same time increase the use of ICT in the day to day operations of business.

While ICT is regarded as essential to every day business use, it should play a more important role for enterprises more physically remote from major markets. Further work to develop services such as video conferencing, which address peripherality as a constraint, would help translate the availability of broadband into a tool for increased sales and productivity. The issues surrounding the 2km radius limit from exchanges for benefiting from the future generations of broadband make this issue particularly relevant.

Business advice needs to be delivered at an appropriate level and businesses should be able to source ICT requirements in the county with confidence (requiring a fully development supply chain).

actnow Outputs

| Output | Achieved so far |
|---|---|
| Total number SMEs connected | 8,528 (2) |
| Total number SME connections | 9,578 |
| Overall SME penetration in Cornwall (1) | 47% |
| Total number domestic connections | 96,000 |

*Source: actnow 2006*

1. Based on 18000 businesses supplied by Business Link, figure currently being refined
2. Excludes all SMEs not registered with actnow. Analysis shows this to account for approx 500 that are traceable and to be encouraged to claim.

actnow Survey responses

| Answers in response to the question 'Has being connected to broadband or support from actnow improved your company in the following areas?' | | |
|---|---|---|
| | % of those responding saying 'Yes' | Average % improvement by those saying 'Yes' |
| Efficiency | 96% | 43% |
| Investment in IT | 67% | 39% |
| Skills in IT | 70% | 24% |
| Profitability | 73% | 38% |
| Turnover | 65% | 25% |

*Source: actnow, 706 survey responses, February 2006*

## Exporting

In the second quarter of 2004 the value of exports from the South West was £9,385 million. This represented just 5% of total UK exports. Although there was a 10.7% growth in South West export value between 2002 and 2004, the region is still ranked 9th out of 12 UK regions for performance[17]. Value of export data is not available at a sub-regional level but it can be assumed, based on GVA levels that Cornwall has relatively low levels of exporting compared to other South West sub-regions.

## Regional Priority Sectors

The Evidence Base which supported the review of the Regional Economic Strategy highlighted a number of sectors already identified as a priority for the South West, and in a number of cases, Cornwall & the Isles of Scilly makes a major contribution to the regional strength and competitiveness of these sectors. The RES Evidence Based document identifies a number of key changes with regard to these sectors:

Tourism: Given its importance as an employer, customer of other sectors, and environmental agent, how can we best improve quality rather than quantity to boost skills, productivity and sustainability?
Creative industries: Does the region have a comparative advantage, which can be gainfully supported, in sub-sectors with global aspirations, such as some elements of new media?
Food and drink: Should we try to focus effort more on parts of the sector where performance can be improved relative to its competition? Are there sustainable development reasons for supporting Food and Drink?
Environmental technologies: What schemes would assist this sector to maintain its lead and select activities that can achieve growth into a major industry?

| Policy Pointers |
|---|
| Cornwall & the Isles of Scilly have a major opportunity to contribute to the development of a number of regionally important exporting sectors. In two cases – tourism and environmental technologies – Cornwall's contribution will be substantial – while in others – food and drink and creative industries – the employment involved is significant. In some of these sectors the wage levels are likely to be lower than average and there is a need to focus on increasing competitiveness and profitability to help move away from a low wage economy.<br><br>The sector with the most potential is likely to be environmental technologies although much more work is required to identify the types of activities where Cornwall and the Isles of Scilly has a competitive advantage. |

Approximately 66% of businesses surveyed in Devon and Cornwall would like to increase their customer base[18]. However, only 6% want to increase their levels of exporting. Of those businesses surveyed, 72% carry out no exporting activities. Of those that do export, the majority (19%) carry out exporting activities that make up less than 10% of their total turnover. The main market for current exporters is Western Europe (14%), followed by the Americas (8%). These areas were also listed as the most attractive markets for future exporting.

## SWRDA Priority Sectors : Cornwall Strengths

| | Comparative advantage | Economic scale | Economic potential | Sustainability aspiration |
|---|---|---|---|---|
| Tourism | ●●●● | ●●●● | ●●●● | ●●●● |
| Food and Drink | ●●● | ●●● | ●●● | ●●● |
| Adv. engineering | ● | ● | ● | ● |
| Bio technologies | ● | ● | ●● | ●● |
| Environ. Technologies | ●●● | ●● | ●●● | ●●●● |
| ICT | ●● | ●● | ●●● | ●●●● |
| Marine | ●● | ●● | ●● | ●● |
| Creative industries | ●● | ●●● | ●●● | ●●●● |

## Sector Overview

### GVA, employment size and specialisms

In terms of total Gross Value Added, Cornwall and the Isles of Scilly's economy is particularly strong in retail and tourism. Both sectors are very large: GVA for retail is £672 million and hotels and catering is £562 million[19]. The table below compares the size of each sector in Cornwall and the Isles of Scilly and compares it to national levels.

Gross Value Added (%) by broad sector

| | Cornwall | UK |
|---|---|---|
| Agriculture & forestry | 3.0 | 0.9 |
| Fishing | 0.3 | 0.0 |
| Mining & quarrying | 1.0 | 2.9 |
| Manufacturing | 11.3 | 15.0 |
| Electricity, gas & water | 0.8 | 1.6 |
| Construction | 8.0 | 6.2 |
| Wholesale & repair | 5.9 | 6.5 |
| Retail | 11.4 | 5.7 |
| Hotels & catering | 9.6 | 3.3 |
| Transport & communications | 3.9 | 7.6 |
| Financial services | 1.9 | 2.0 |
| Real estate & business activities | 19.9 | 24.6 |
| Public administration | 3.4 | 5.2 |
| Education | 5.8 | 6.1 |
| Health & social Work | 8.4 | 6.7 |
| Other community services | 5.5 | 5.2 |

*Source: LocalGVA model & National Accounts, ONS.*

Retail and hotels & catering are also very big employers with 17,200 and 14,400 full time equivalent jobs (FTEs) in each sector, respectively. However, health and social work is the biggest employer in the Cornwall and the Isles of Scilly with 17,800 FTEs.

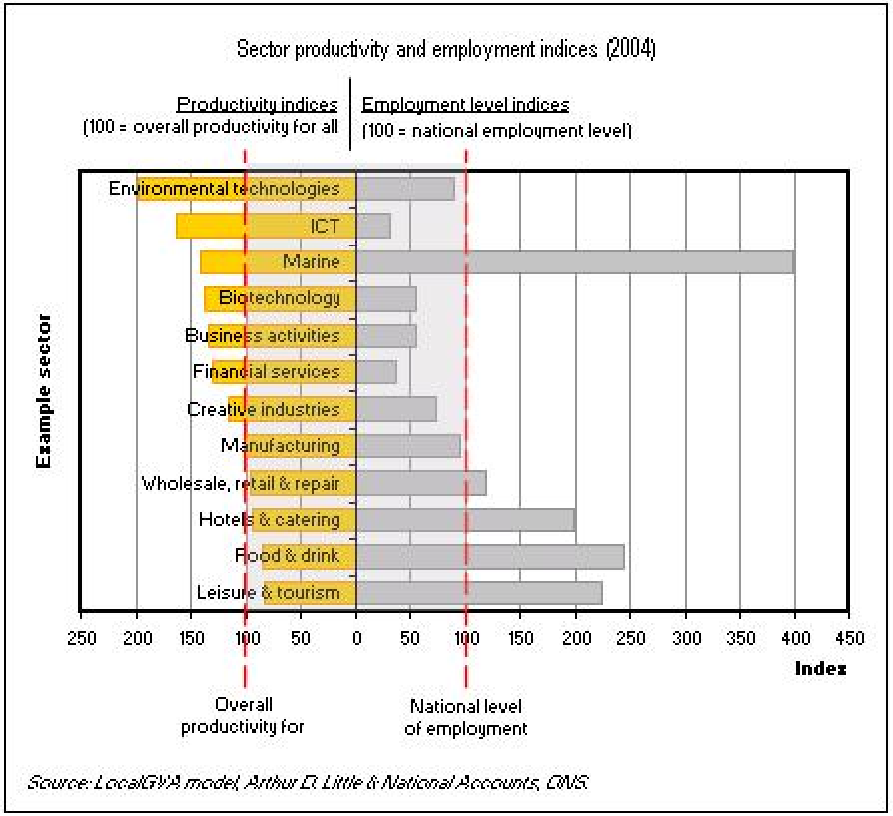
In addition to analysing the size of a sector, local specialisms (or location quotients) can also be calculated to identify sectors that have a significantly higher representation locally, compared to the national economy. In this analysis three sectors stand out as being particular local specialisms:

- Marine: 4.0 x the proportion of people are employed locally than nationally
- Agriculture: 3.1 x the proportion of GVA locally compared to national
- Hotels & catering: 3.0 x the proportion of GVA locally compared to national



### Productivity

Productivity is one of Cornwall and Isles of Scilly's economy biggest economic weakness, with productivity levels (GVA per worker) 24% below the national average (see productivity section earlier in this chapter). This is partly explained through analysis of the sectoral structure of the area: the local economy has a high level of activity (in terms of employment and GVA) in sectors that have low productivity and a low level of activity in sectors that have high productivity. For example, as the graph below shows, of the five sectors that have employment levels above the national level, only one (marine) has an above average productivity level. Nb. only a few example sectors are shown.




Highly productive sectors have the potential to contribute much more to the local economy. For example, a South West study used for the Regional Economic Strategy estimates that environmental technologies and marine technologies have productivity levels 97% and 41% higher than average, respectively (as shown in the previous graph).

### Growth Rates

Analysis of the Cornwall and the Isles of Scilly's economy in more detail (41 sectors as with the Cambridge Econometrics study, 31 of which are worth over £10 million) shows that 8 of the sectors larger than £10 million experienced positive GVA growth of more than 10% p.a. over the period 1999-2004 (see table below).

The highest growth rates table (below) demonstrates that GVA growth has been in a very diverse range of sectors. The fastest growing sectors range from insurance (a sub-sector of other business services), which has grown at a significant rate of 20% p.a, to sub-sectors of manufacturing (including manufacture of other transport equipment that incorporates ship and yacht building and repair). In addition, education has seen rapid growth over the last five years (13.3% p.a.), as has agriculture, forestry and fishing (11.9% p.a.) entirely driven by the recovery in the agricultural sector since 1999.

Highest growth rates 1999-2004 (more than 10% p.a.)
For sub-sectors worth over £10 million

| | GVA (£mil), 2004 | Growth Rate % p.a. |
|---|---|---|
| Insurance | 30.2 | 20.0 |
| Land Transport etc. | 143.6 | 14.3 |
| Education | 339.5 | 13.3 |
| Agriculture, forestry & fishing | 194.8 | 11.9 |
| Manufacturing nes | 19.6 | 11.3 |
| Electricity | 17.2 | 10.7 |
| Manufacture of Other Trans Equip. | 40.5 | 10.0 |
| Misc. Services | 324.9 | 10.0 |

*Source: LocalGVA mode © Nankivell 2006, LINC.*

The lowest levels of growth have also been in a diverse range of sub-sectors with no clear pattern of decline (see table right). Unsurprisingly, some sub-sectors of manufacturing feature among the lowest growth rates in line with national trends. The low growth rate experienced by banking and finance locally (0.9% p.a.) contrasts with the sector nationally, where it has been the fastest growing at 16.8% p.a.

**Policy Pointers**

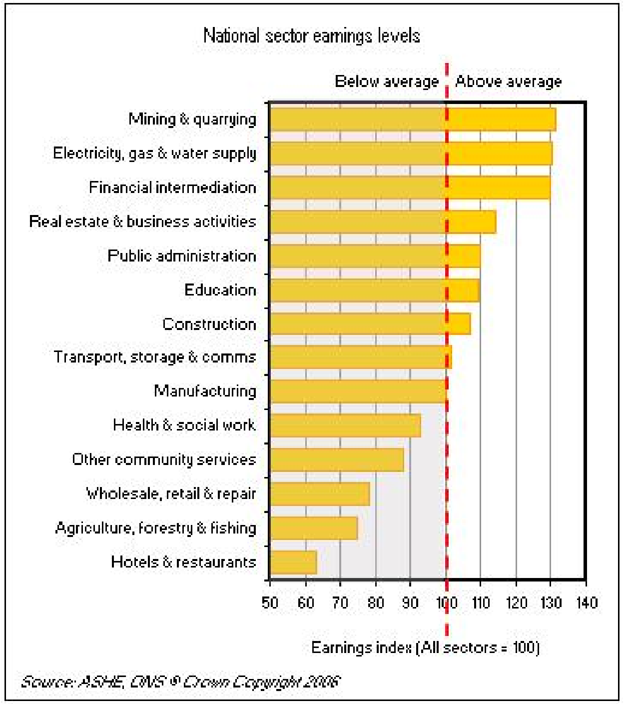
The sectoral approach to business support is important in providing supplementary support to specific sectors that either possess a unique strategic importance for the area, and / or face specific sectoral challenges. However, high value businesses or businesses with growth potential exist in many of Cornwall's sectors and this highlights the danger of taking a wholly sectoral approach to business development, or assuming that priority should be focused on new or service sectors only.

Lowest growth rates 1999-2004 (less than 7% p.a.)
For sub-sectors worth over £10 million

| | Size (£mil), 2004 | Growth Rate % p.a. |
|---|---|---|
| Non-Met. Min. Prods. | 22.8 | 6.8 |
| Rubber & Plastics | 50.1 | 6.7 |
| Communications | 66.3 | 6.0 |
| Wholesale & repair | 349.2 | 5.8 |
| Water Transport | 15.4 | 4.3 |
| Mechanical Engineering | 63.3 | 3.7 |
| Construction | 468.9 | 2.4 |
| Banking & Finance | 53.6 | 0.9 |
| Textiles, Clothing & Leather goods | 22.0 | 0.7 |
| Other Mining | 57.0 | -2.3 |

*Source: LocalGVA mode © Nankivell 2006, LINC.*

### Earnings levels




The graph (left) shows national earnings levels by sector relative to the average (red dotted line). Unfortunately, there is no data on sector earnings at a local level. However, this graph demonstrates there is a big difference between the earnings levels of employees in different sectors (nb. This does not incorporate self-employment earnings). As noted on the previous page, there is a particularly high level of employment in the retail and hotels and restaurants, which are among the lowest paying sectors.

## Food and Drink

Despite a small decline in the food and drink manufacturing sector's percentage of total GVA, in absolute terms the sector has grown from £109 million in 1999 to £165 million in 2004[20]. In addition, the benefits of linking more closely to the local primary food production industry (i.e. agriculture) are now beginning to show.

Although the total number of businesses across the sector fell between 1999 and 2003 from 653 to 607, employee numbers have risen. This implies that the main business losses have been among the smaller and micro-businesses employing up to 10 people. In contrast there has been a steady growth in the number of businesses employing more than 11 people.

Employment in the Cornwall food and drink sector rose from 8,394 in 1999 to 9,740 in 2004 (5.5% of the total workforce), in contrast to a decline regionally and nationally. Over the same period the sector lost 10,406 jobs across the region. The main growth sub-sector in Cornwall was the production and preparation of meat, which grew from 1,419 to 2,504 employees. Other large sub-sectors are the manufacturing and retail of bread, pastries and cakes.

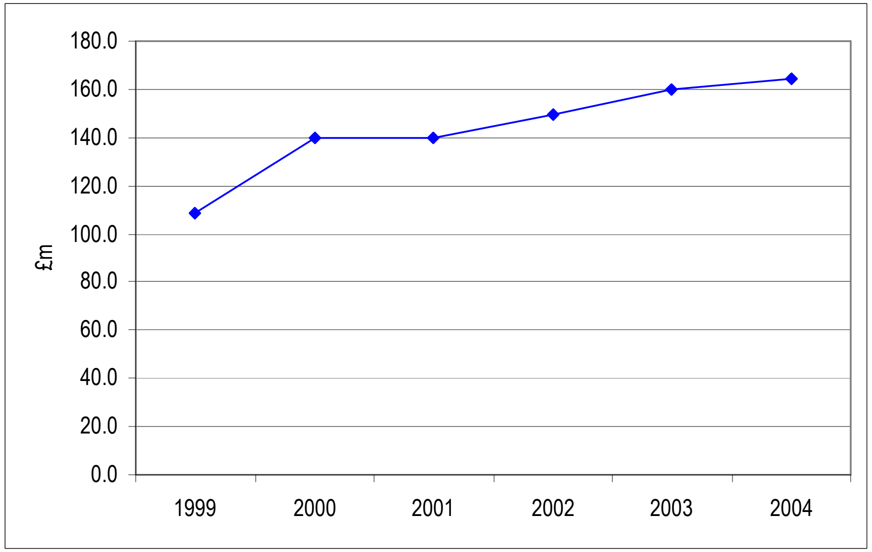
The growth of the sector in Cornwall can be attributed to a number of factors including:

- New chilling, packing and distribution facilities are making it easier to sell fresh local products to national and global markets. Marketing initiatives such as the Cornish King brand have reinforced public trust in Cornish produce; and
- Many Cornish farmers now have organic certification that allows them to tap into rising consumer demand.

### Policy Pointers

Food and drink is a large and growing sector in Cornwall & the Isles of Scilly. There are a number of strengths, including the Cornish brand, and there are opportunities to work with both small and large firms to further strengthen the sector. Employment in the sector is overwhelmingly full time, and is distributed throughout the area, although there are some hotspots. The sector is important both regionally and locally, exports a substantial proportion of its output, has a significant number of companies operating locally, some of the smaller brands and products help reinforce Cornwall & the Isles of Scilly as a destination. It will therefore remain a high priority for further development.

Cornwall Food and Drink Manufacturing GVA




*Source: Nankivell (2006) The Cornwall Economy 1994-2004*

Employees in the Food and Drink sector

| | 1999 | % | 2004 | % | Change |
|---|---|---|---|---|---|
| GB | 792,128 | 3.2 | 695,683 | 2.7 | -96,445 |
| SW | 69,437 | 2.7 | 59,031 | 2.7 | -10,406 |
| C. & IoS | 8,394 | 5.6 | 9,740 | 5.5 | +1,346 |

*Source: Annual Business Inquiry Employee Analysis 2004 NOMIS*

Number and Size of Businesses in the Food and Drink Sector in Cornwall

| | 1999 | % | 2004 | % | Change |
|---|---|---|---|---|---|
| 1-10 | 543 | 83 | 470 | 77.5 | -73 |
| 11-49 | 89 | 13.5 | 110 | 18 | +21 |
| 50-199 | 13 | 2 | 17 | 3 | +4 |
| 200+ | 8 | 1 | 10 | 1.5 | +2 |

*Source: Annual Business Inquiry Workplace Analysis 2004 NOMIS*

## Marine

In 2003, there were 1,690 jobs in the marine sector within Cornwall and the Isle of Scilly, representing a 20% increase (200 jobs) on the 1999 figure. This compares to an in crease of 13.4% across the South West and a decline of 8.8% nationally.

Marine sector employment growth in Cornwall and the Isles of Scilly has been exclusively in full-time positions, with the number of part-time jobs declining by 36% between 1999 and 2003. Full-time positions accounted for 93% of the total jobs in the sector in 2003, which is comparable to the GB and regional figures.

The marine sector shows a consistently higher degree of employment representation within Cornwall than either GB or the South West. In 2003, the marine sector accounted for 0.9% of total employment within Cornwall, compared to 0.6% in the South West and 0.3% across GB.

The most significant growth area in the marine sector has been the build and repair of ships and boats. This area of employment has grown by 6.3% p.a. (per annum) over the last 5 years on record. This compares to growth of 4.3% p.a. in the South West. However, the statistics have fluctuated over the period, so interpretation should be cautious.

As measured by business unit and employment density, there is a high level of activity around the Falmouth and Roseland peninsula. The highest employment density (over 20% of employment within this ward) can be found in the Arwenack ward (South Falmouth), where employment largely consists of the building and repair of ships and pleasure boats.

Experimental analysis of the marine sector in Carrick estimates that it is worth £69.3 million, equating to 5.7% of the Carrick economy (*Nankivell [2005] The Carrick Marine Sector).*

**Policy Pointers**

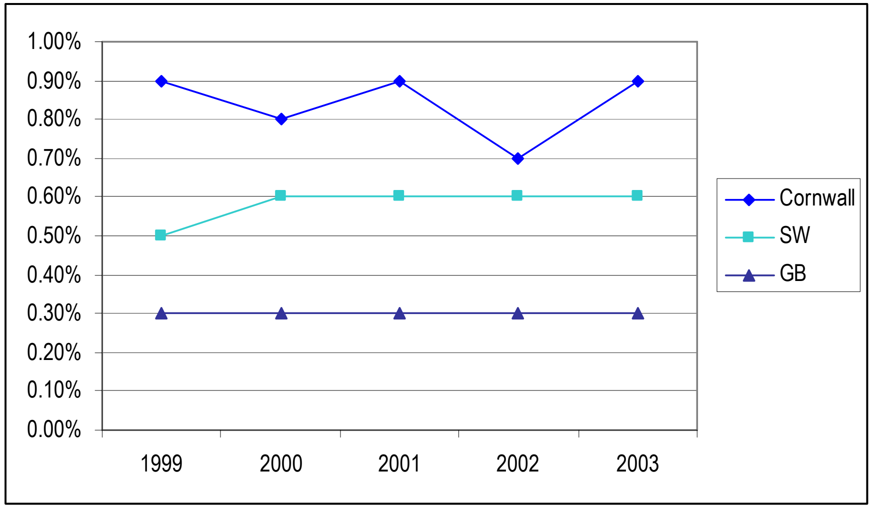
The combination of physical attributes, such as natural and manmade harbours and coves, and the historic and cultural significance residents and visitors assign to the sea, has secured the marine sector as Cornwall and the Isles of Scilly's most significant sector in terms of local specialisms. Cornwall & the Isles of Scilly has a strong competitive advantage in this sector and there is high potential to develop it further to meet market demands, for example, in marine leisure. Links need to continue to be strengthened with other sectors such as tourism and leisure, transport and fishing.

Employment in the Marine Sector, Cornwall

| | 1999 | 2000 | 2001 | 2002 | 2003 | % change |
|---|---|---|---|---|---|---|
| Total | 1,410 | 1,280 | 1,530 | 1,210 | 1,690 | 20.00% |
| Part-time | 190 | 90 | 120 | 80 | 120 | -36.00% |
| Full-time | 1,220 | 1,200 | 1,400 | 1,130 | 1,570 | 28.70% |

Source: Annual Business Inquiry, ONS © Crown Copyright

Marine employment as a % of total




Source: Annual Business Inquiry, ONS © Crown Copyright

## Tourism

Compared to 2003, the 2004 UK Tourist Survey data reports large decreases in the domestic tourism figures as the methodology changed between the two years. Visit Britain advise that this data should be treated with caution. Therefore, for the purposes of this exercise, 2003 data is used.

In 2003 Cornwall received 4.9 million domestic tourist trips and a total of 25.8 million tourist nights. On top of this a further 0.24 million trips and 1.6 million nights were made by overseas visitors. In total, it is estimated that these visits contributed £1,216 million to the Cornish economy. This represented approximately 27% of the total South West spend and 4.5% of the England spend. There is some evidence that visitor numbers have peaked, although it is not clear if this is a temporary phenomenon, or a longer-term trend.

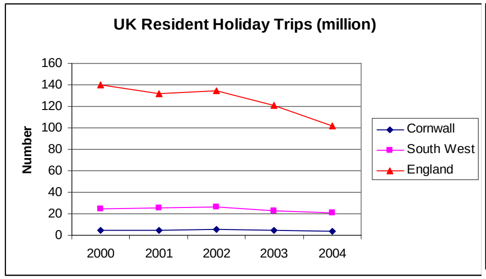
South West Tourism impact analysis shows that visitor related spend in Cornwall resulted in £1,530m to the local economy. As a result of this an estimated 54,248 full and part-time jobs are supported. These can be split between 46,812 jobs attributed to staying tourists and a further 7,436 jobs resulting from day visitor spend. This equates to a total of 39,993 equivalent full time jobs that can be attributed to visitor spend, 25% of the total workforce. In terms of Gross Value Added (GVA), the hotels and catering sector alone contributes between 6% of the economy in Kerrier to 11.6% in Penwith and 21.5% in the Isles of Scilly[21]. Although this does not represent the whole tourism sector, it is a useful indication of differences between areas and trends.

The tourist season has been extended in recent years, although numbers are still greatest in the summer months. The number of visitor attractions has increased in the past ten years, although this has not been matched by an increase in visitor nights. More people appear to be staying for shorter breaks, and this has the potential to lengthen the season, and reduce the seasonal nature of employment.

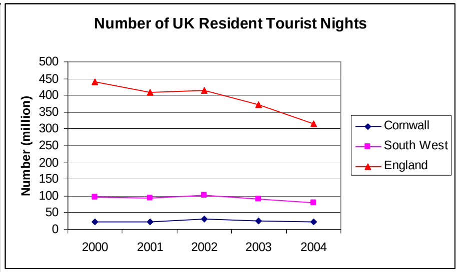
### Policy Pointers

The distinctive tourism product of Cornwall & the Isles of Scilly makes a major contribution to the South West's GVA. There is some evidence that visitor numbers are in decline, although still at high levels compared to the 1990s. There is a need to continue to improve accessibility, with traffic numbers and congestion in the peak season a major constraint for visitors seeking to move around the County and visit the Isles of Scilly.

There is a continuing challenge to increase the GVA per employee and earnings in the sector, and this needs to be linked to a high quality product, covering all elements of the visitor experience. This is a major challenge as a large part of the product is provided or maintained by the public sector.




*Source: UK Tourist Survey 2000-2004*




*Source: UK Tourist Survey 2000-2004*

Estimated actual number of jobs related to tourism spending

| | Staying Tourists | Day Visitors | Totals |
|---|---|---|---|
| Direct | 33,029 | 6,100 | 39,130 |
| Indirect | 7,188 | 1,058 | 8,246 |
| Induced | 6,595 | 278 | 6,872 |
| Totals | 46,812 | 7,436 | 54,248 |

*Source: South West Tourism (2004) in Cornwall Economic Forum Evidence Draft Part 1.*

Estimated actual number of jobs related to tourism (FTEs)

| | Staying Tourists | Day Visitors | Totals |
|---|---|---|---|
| Direct | 22,619 | 4,113 | 26,732 |
| Indirect | 6,305 | 928 | 7,233 |
| Induced | 5,785 | 244 | 6,028 |
| Totals | 34,708 | 5,285 | 39,993 |

*Source: South West Tourism (2004) in Cornwall Economic Forum Evidence Draft Part 1*

## Environmental Technologies

The environmental technologies sector is extremely diverse and includes sub sectors such as manufacture of ventilation equipment; manufacture of electricity distribution apparatus; recycling of metal and non metal waste and scrap; collection/purification of water; insulation work activities; technical testing and analysis; and sewage and refuse disposal[22].

Unfortunately, due to unavailable data, it is not possible to measure output growth in the sector between 1999 and 2004. While analysis of trends at a regional level does suggest that the sector has suffered a 9.1% loss in employment between 2000 and 2003, in Cornwall & the Isles of Scilly employment has increased significantly, primarily a result of increase employment in recycling and the demolition of buildings.

Employment trends

| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| 1,041 | 1,031 | 1,212 | 1,118 | 1,450 | 1,424 |

*Source: ONS (2006) Annual Business Inquiry employee analysis © Crown Copyright 2006*

In 2004, there were 166 businesses in the environmental technology sector in Cornwall and the Isles of Scilly. This represents approximately 10.5% of the total South West environmental technology business stock. The sector is dominated by micro-businesses with 80% employing between 1 and 10 employees. The bulk of the workforce (630) is, however, employed in businesses with between 11-49 staff.

In 2004, there were a total of 1,478 people employed in the sector in Cornwall and the Isles of Scilly. Approximately 93% of these were employed on a full time basis. The sector is also dominated by male employees (85%) who generally have high levels of educational attainment.

### Policy Pointers

Environmental technologies are a relatively small employer in Cornwall & the Isles of Scilly, although there is considerable potential to increase employment in the medium term. There is a need to determine the key elements of the competitive advantage that Cornwall and the Isles of Scilly has and to prioritise opportunities which can generate employment and GVA. This should capitalise on environmental considerations and priorities of the wider economy.

Given that some elements of this sector are at the early stages of development, there is a need to consider if the current business base has the expertise and ambition to pursue new opportunities, or if greater efforts are needed to attract or develop new businesses. The potential to link new opportunities to the higher education facilities in the area is also likely to be an important area for development.

## Creative Industries

Creative industries has been defined by the DCMS as including advertising, architecture, art and antiques market, crafts, design, designer fashion, film and TV, interactive leisure software, music, performing arts, publishing, software, television and radio.

The creative industries sector is estimated to have a turnover of £250 million. A total of 3,294 businesses are identified within the sector employing an estimated 8,600 people (4% of the total workforce). Approximately 76% of the workforce is freelance or self-employed. In total the sector contributes £100 million to the Cornish GDP (3.3%).

The largest sub sector is the visual arts, excluding crafts and photography, followed by film and video. In the former case, employment has been estimated at 3,300 making it a very significant employer.

The sector is characterised by a high number of businesses, although many of these are categorised under other headings. The creative industries sector makes a significant contribution to the tourist economy, although a number of businesses are involved in exporting, rather than providing solely for the residential /visitor market.

Although the sector is highly skilled, the fragmented nature of the business base and nature of the market reduces earnings. Recent research has identified a number of weaknesses with the majority spending very little on marketing and promotion, with business skills assessed as average to poor.

### Policy Pointers

The creative industries sector accounts for a significant proportion of employment in Cornwall & the Isles of Scilly. It contributes to the tourism product and employment is widely distributed. While the sector is an important provider of part time and self employment, often fitting in with people’s lifestyle choice, a significant part of the business base has the potential to increase employment and value added.

There is a need to identify those businesses with the potential to grow, with a focus on those in higher value added sectors that export their product out of the area. This is likely to focus efforts on those sub sectors where there is already a strong core, and could usefully be linked to the higher education networks already operating in Cornwall.

## Finance and Business Services

The finance and business services sector is relatively under developed in Cornwall & the Isles of Scilly compared to the South West and Great Britain as a whole. The sector, which is seen as a key sector within the knowledge-based economy, is made up of 4,197 businesses. This represents approximately 7% of the South West total and 23% of the Cornwall business base. The Cornish finance and business services sector, in line with the national average, is predominantly made up of businesses employing less than 10 people (92%).

There are 21,313 employees in Cornwall's finance and business services sector, just 5.7% of the South West total. A very high proportion of these employees work on a part time basis (36.5%) in contrast to the South West (27%) and national (24%) levels.

The total GVA generated by the combined financial services and real estate/business activities sectors in 2004 was £1,284 million. This represented 23.8% of total GVA. The main growth over the last decade has been in the real estate/business activities sector, which has grown by 7.9% p.a. to £1,170 million.

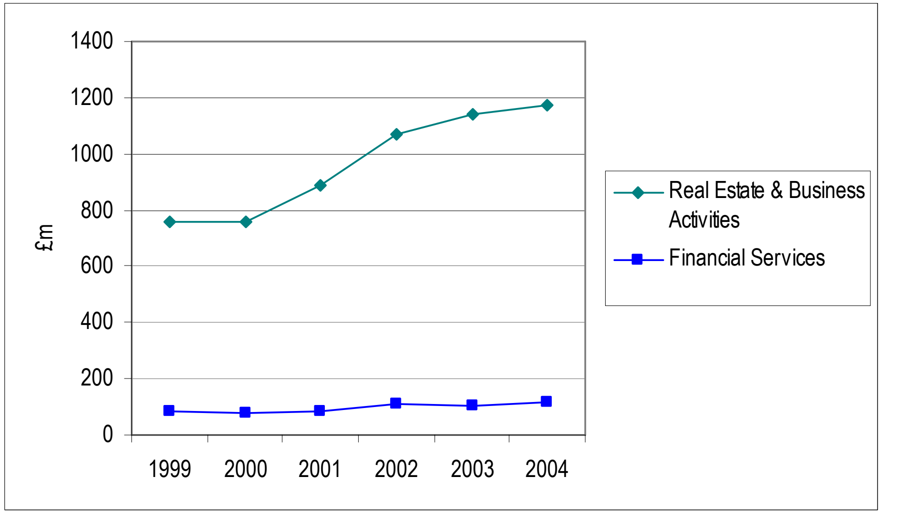
### Policy Pointers

The financial and business services sector is now one of the most important economic drivers in the national economy. Cornwall has seen significant growth, although the sector provides a relatively low proportion of employment when compared to the regional and national economy.

Many elements of this sector are geared towards major cities, and Leeds, Manchester and London dominate employment, with strong growth in other Cities such as Bristol. The challenge for Cornwall & the Isles of Scilly is how best to accelerate the growth of the sector and this will involve ensuring that there is suitable infrastructure such as office and connectivity and a highly skilled workforce capable of working at the higher value end of the sector.

Further work needs to be done to map out the competitive advantage that Cornwall & the Isles of Scilly can offer, and how best new investment can be secured.

Financial Services and Real Estate / Business Activities GVA 1999-2004




*Source: Nankivell (2006) The Cornwall Economy 1994-2004 © Nankivell 2006*

Finance and Business Services Workplace Analysis 2004

| | 1-10 | 11-49 | 50-199 | 200+ | Total |
|---|---|---|---|---|---|
| GB | 630,046 | 46,578 | 11,662 | 3,399 | 691,685 |
| SW | 53,618 | 3,690 | 850 | 203 | 58,361 |
| Cornwall | 3,870 | 283 | 38 | 6 | 4,197 |

*Source: Annual Business Inquiry Workspace Analysis, NOMIS*

Finance and Business Services Employee Numbers 2004

| | Full time | Part time | Total |
|---|---|---|---|
| GB | 76 | 24% | 5,193,452 |
| SW | 73 | 27% | 373,222 |
| Cornwall | 63.5 | 36.5% | 21,313 |

*Source: Annual Business Inquiry Employee Analysis, NOMIS*

## Other Key Sectors

### Manufacturing

The manufacturing sector in Cornwall and the Isles of Scilly has grown from £459.6 million in 1999 to £662.6 million in 2004. Over this period it has consistently contributed around 11.3% to the economy, so remains a significant part of the economy. Contrary to perceptions, it is not only food and drink manufacturing that has ensured the local manufacturing sector has maintained its strength despite regional and national decline. Paper and publishing, electrical engineering, rubber and plastic and transport manufacturing (including build and repair of boats) have all played a part in maintaining the manufacturing sector's importance.

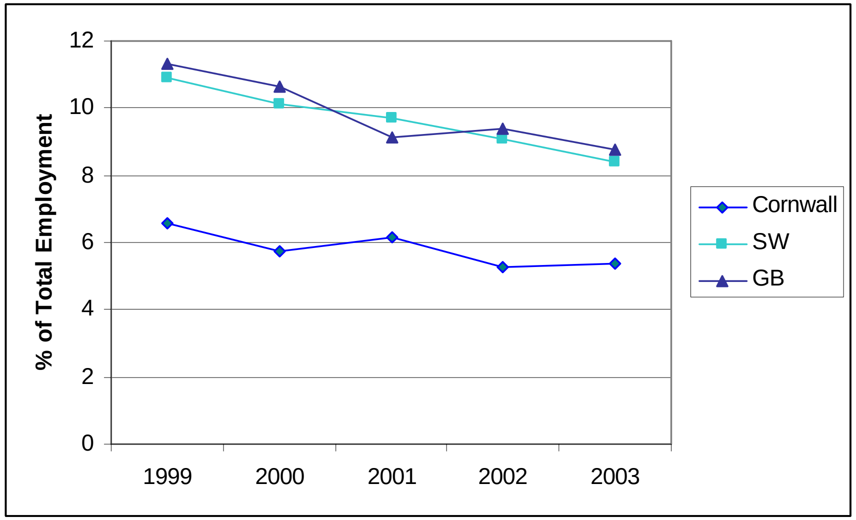
Nationally, however, there has been significant decline in the sector, which can be attributed to a number of factors including overseas competition, failure to invest in research and development and innovation and inadequate skills levels among managers and employees. It is not yet clear whether Cornwall and the Isles of Scilly will also be affected by this trend, or whether the strength of local specialisms in the sub sectors will continue to ensure businesses in this sector have a competitive advantage.

In 2004, there were 431 businesses in the manufacturing sector. This represented approximately 9% of the total South West manufacturing business stock. Only 4 companies employed more than 200 people, and the number of medium sized companies was also small at only 13. There was a larger pool of businesses in the 11-49 employees category; although at 57 the numbers involved are quite small. This constitutes a relatively modest base for manufacturing, and it is difficult to envisage that manufacturing employment will increase substantially in the future.

There are a substantial number of businesses employing 1-10 people, and this size of business typically has insufficient capital investment in new equipment and often finds it difficult to invest in training and skills development.

| Policy Pointers |
|---|
| The manufacturing sector in Cornwall has proved quite robust over the past five years, and GVA levels continue to be significant (11%). There have been some notable success stories, such as the food and drink sector, and there is a need to support productivity improvement across the broader manufacturing base. Jobs in manufacturing tend to be better paid and higher skilled and maintaining employment levels is important in terms of overall GVA. Efforts need to concentrate on increasing capital investment and further raising skills levels in manufacturing businesses. The number of businesses employing one to ten people – over 350 in total – suggest that some form of public sector interventions may be required to assist local businesses. |

Manufacturing Employment, as a % of Total Employment




*Source: ONS (2005) Annual Business Inquiry © Crown Copyright 2005; LINC.*

Manufacturing Workplace Analysis 2004

| | 1-10 | 11-49 | 50-199 | 200+ | Total |
|---|---|---|---|---|---|
| South West | 3,777 | 775 | 200 | 81 | 4,833 |
| Cornwall | 357 | 57 | 13 | 4 | 431 |

*Source: ONS (2005) Annual Business Inquiry © Crown Copyright 2005*

Manufacturing Employee Numbers 2004

| | Male | Female | Total | Full Time |
|---|---|---|---|---|
| South West | 61,267 | 13,618 | 74,885 | 70,750 |
| Cornwall | 4,209 | 955 | 5,164 | 4,923 |

*Source: ONS (2005) Annual Business Inquiry © Crown Copyright 2005*

## Agriculture

Agriculture and forestry makes up 3% of the economy in Cornwall & the Isles of Scilly compared to 0.9% nationally. This is a relatively low figure for a rural economy although it reflects the agri-industrial nature of the historic Cornish economy, with mining and quarrying playing an important role in the development of the towns and settlement pattern. It also reflects the quality of the agricultural land, which in some parts of the County is poor. Nevertheless, in many communities agriculture and associated employment remains an important business sector. There has been a recent positive recovery of the sector and the opportunities associated with locally sourcing food initiatives and growing awareness of food miles could further aid recovery.

In 2004 there were 9,032 agricultural holdings in total. This represents approximately 18.5% of the total number of holdings in the South West. The majority of these holdings are classified as carrying out 'other' activities (39.4%) and 'cattle and lowland' (22.2%). These are both higher than the national levels, along with 'dairy' (9.9%). In terms of production livestock, notably dairy and beef, account for the majority of outputs in financial terms, with horticulture continuing to be an important sector of production.

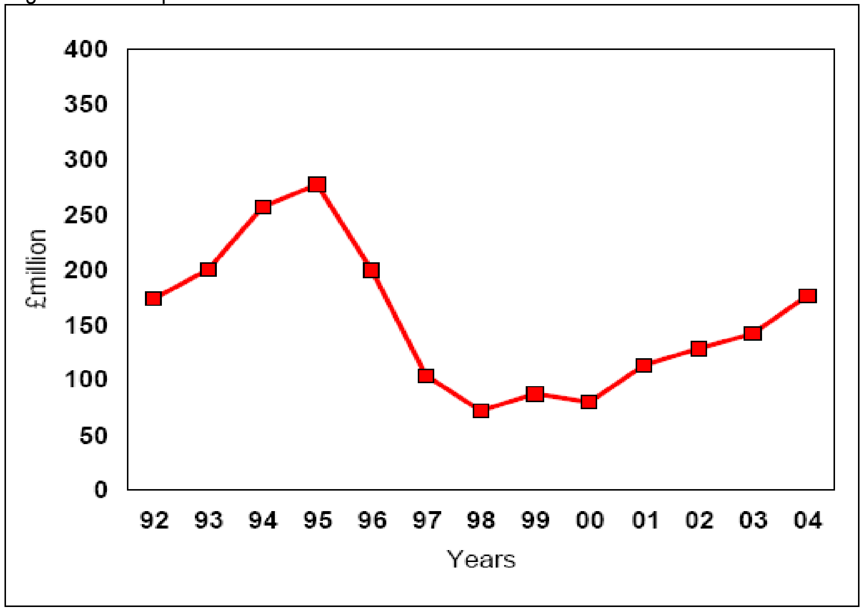
Total employment in agriculture in Cornwall & the Isles of Scilly stood at 10,467 in 2004, representing 19% of the South West agricultural workforce. Total employment in the sector grew by 10% between 1999 and 2004, with much of the increase in part-time position. Between 1999 and 2004, part-time employment increased from 45% to 57%.

Agricultural employment is important in North Cornwall and Caradon and there are a number of smaller areas where agricultural employment accounts for more than 10% of all employment. There are new opportunities emerging for the sector and the Cornwall Sustainable Energy Partnership has identified the bio energy as a "*sector of great potential*".

In terms of future prospects for agriculture, market and consumer trends will determine the sector's development. In addition, CAP reform, the England Rural Development Programme, rising energy costs and climate change will affect the decisions of many farmers in Cornwall. There is a need to identify new value added activity that will create work through enhancing productivity, regenerate the rural economy and utilise redundant rural buildings where appropriate.

An increasing awareness of localism may lead to businesses working together to produce and distribute local food and products, including energy. There will be a requirement to promote efficient use of energy both domestically and commercially, in terms of lifestyle, travel, production and distribution; and generate energy from ambient sources (wind, wave, solar), biomass and from bio-digestion. Farms, which manage most of the land around the main settlements, could again become hubs of the local economy and community, and through activities influenced by local and global change, will play an increasing role.

Agricultural Output




*Source: Nankivell (2006) The Cornwall Economy 1994-2004; LINC*

Agricultural Workforce

| | Total 1999 | Total 2004 | Change | P/T 1999 | P/T 2004 |
|---|---|---|---|---|---|
| Cornwall | 9,397 | 10,467 | +1,070 | 4,216 | 5,974 |
| South West | 49,996 | 54,439 | +4,443 | 23,243 | 31,495 |
| England | 203,362 | 224,449 | +21,087 | 89,294 | 126,295 |

*Source: June Agricultural Census 2004 and 1999, DEFRA*

### Policy Pointers

The agricultural sector continues to go through a period of adjustment, and this will be influenced by new regulations at the European and national level. There will be some opportunities within the sector including a move to environmental stewardship and further farm diversification. Additional opportunities reflect current market trends, including awareness of food miles. Further consolidation of holdings and a reduction in the full time labour force (as distinct from the farmer) are likely.

Land is a key economic asset and a strategy based on environmental and land management and sustainable agricultural production needs to be developed as part of the European Rural Development Programme.

## Fish

In 2005 there were a total of 659 registered fishing vessels in Cornwall & the Isles of Scilly. As a result of quota cuts, the number of vessels has been reduced by exactly 100 between 2001 and 2005[23]. The existing fleet can be split between 120 vessels that are over 10 metres and 539 vessels that are less than 10 metres in length.

The most recent estimate of the total number of fishermen was 1,082 in 2001[24]. This represented 56% of the South West total. Of these, it is estimated that 171 work on the bream trawl fleet, whilst the majority use under ten metre vessels.

In 2003 approximately 14,000 tonnes of fish was landed in Cornish ports. This comprised 8,343 tonnes of demersal, 1,059 tonnes of pelagic and 4,598 tonnes of shellfish. The total value of these landings came to £26m[25].

Additional downstream activities add an estimated further £65.3 million to fish landings. This can be broken down between processing (£45.3 million), merchants (£14.3 million) and retail (£4.6 million). In total it is estimated that the total fish industry is worth approximately £99 million to the Cornwall economy[26].

Newlyn is the major ports for fish landing, with almost 70% of fish in Cornwall (by value) being landed at Newlyn. In addition, estimates suggest that 13.6% of the total catch for England is landed at Newlyn, second only to Brixham. While the value of fish landings has remained stable, the ownership has changed, with a significant shift towards shellfish.

### Policy Pointers

Although the numbers employed directly and indirectly in fishing are modest when set in the context of the wider economy, in a number of communities a significant number of jobs are dependent on the industry. The industry is important in terms of keeping a number of ports and harbours as working facilities, and there remains further potential to develop opportunities based on the growing food and drink sector and high quality restaurants and hotels. In the medium term the industry's prospects are linked to the EU quota system.

Fish Landings in Cornwall Ports

| | Tonnes | Value (£) |
|---|---|---|
| Total Demersal | 8,343 | 18,811,197 |
| Total Pelagic | 1,059 | 849,717 |
| Total Shellfish | 4,598 | 6,351,497 |
| Total | 14,000 | 26,012,380 |

*Source: DEFRA (2003) Fish Landings by Port into England and Wales*

Fishing Dependent Ports

| | Ward | Total All employment | Fishermen | Upstream employment | Downstream employment | Total fishing related employment |
|---|---|---|---|---|---|---|
| Newlyn | Penzance S | 700 | 438 | 33 | 120 | 591 |
| Looe | Looe | 1400 | 80 | 20 | 43 | 143 |
| Falmouth | Arwenack | 800 | 21 | 37 | 46 | 104 |
| Padstow | Pad. & St. Mer. | 1300 | 42 | 9 | 36 | 87 |
| Mevagissey | Mevagissey | 600 | 69 | 2 | 3 | 74 |
| St. Ives | St. Ives South | 1700 | 57 | 0 | 13 | 70 |
| Helford River | Meneage | 800 | 14 | 37 | 0 | 51 |
| Porthleven | Porthleven | 500 | 31 | 7 | 11 | 49 |
| Hayle | Gwithian | 1500 | 36 | 1 | 8 | 45 |
| Cadgwith | Cadgwith | 300 | 11 | 0 | 0 | 11 |
| Sennen | St. Buryan | 600 | 6 | 0 | 0 | 6 |
| Mullion | Mullion | 600 | 4 | 0 | 0 | 4 |

*Source: EKOS & Nautilus (2003) Socio-economic Baseline Study of the SW Fishing Industry)*

## Competitiveness: Conclusions

Cornwall & the Isles of Scilly has experienced a very strong growth in employment since 1999 and this has added to the perception of a rapidly improving economy. While there is some truth in this, a more detailed analysis suggests that progress with regard to closing the gap with the regional and national economy is more limited, and that the underlying structural weaknesses remain.

The recent growth does reflect a number of positive features, building upon strengths. These include:

- A growing business base, with over 18,000 businesses.
- Strong employment growth between 1999 and 2004, with employment standing at record levels.
- Very strong growth by the food and drink sector; a large education sector; and a rapidly increasing business and financial services sector, although well behind the equivalent national figures.

Within the context of these positive features the County and the Isles of Scilly continue to be characterised by the structural weaknesses that have affected the economy for some time. With regards to business and employment these include:

- Low levels of productivity represent one of the most significant weaknesses to the Cornish economy.
- A preponderance of businesses and employment in declining/low growth and low value added sectors, and this is also reflected in the new start figures.
- A low number of medium sized and high growth companies.
- A shortfall in the supply of good quality full-time work in high paid sectors.
- Reflecting the points above, a low wage economy, in spite of some modest recent improvements.

Within the business base there are challenges around:

- The continuing adjustment of primary industries and some changes are likely to have a disproportionate impact on some of the smaller communities in the area.
- The tourism industry, where economic and employment growth has fallen back from the peak years earlier in the decade, and there are major challenges in increasing profitability and wages.
- Securing economic growth from ICT take up and use.

There are a number of opportunities that can help to address the structural weaknesses in the economy, many of which build on recent achievements. These include:

- A number of sectors prioritised by the South West RDA that are well represented locally and have considerable potential – tourism, food and drink, creative industries, and the much smaller environmental technologies. Marine industries are another sector where Cornwall has a very robust business group, with potential for further growth.
- The establishment of a growing HE base, with expansion of the FE sector, best seen in the CUC and Peninsula Medical School developments, and increase in knowledge based employment, particularly in Carrick – all of which have potential for research and development, innovation and the transfer of knowledge and further employment growth.
- The increase in financial and business services, now one of the largest sectors in the economy, although it is relatively small compared to regional and national sectors.

Many of the key sectors, such as creative industries, education, and environment technologies have the potential for further growth. At the same time, some of the traditional sectors, agriculture is an example, have succeeded in arresting decline and developing new opportunities to increase incomes. The resilience of the business base is a key attribute of the business community in Cornwall & the Isles of Scilly.

Counter intuitively, the recent employment growth validates the need for continued intervention. It is clear that in times of national economic prosperity Cornwall & the Isles of Scilly will continue to create new businesses and employment. The evidence suggests that a large proportion of new activity will be in sectors that re-enforce rather than address the structural weaknesses. Crucially, even in these positive conditions, the growth in higher value added sectors and in higher paid employment is insufficient to narrow the gap with the national economy. In some areas, insufficient momentum has been built in terms of developing the modern, knowledge economy crucial to sustainable communities.

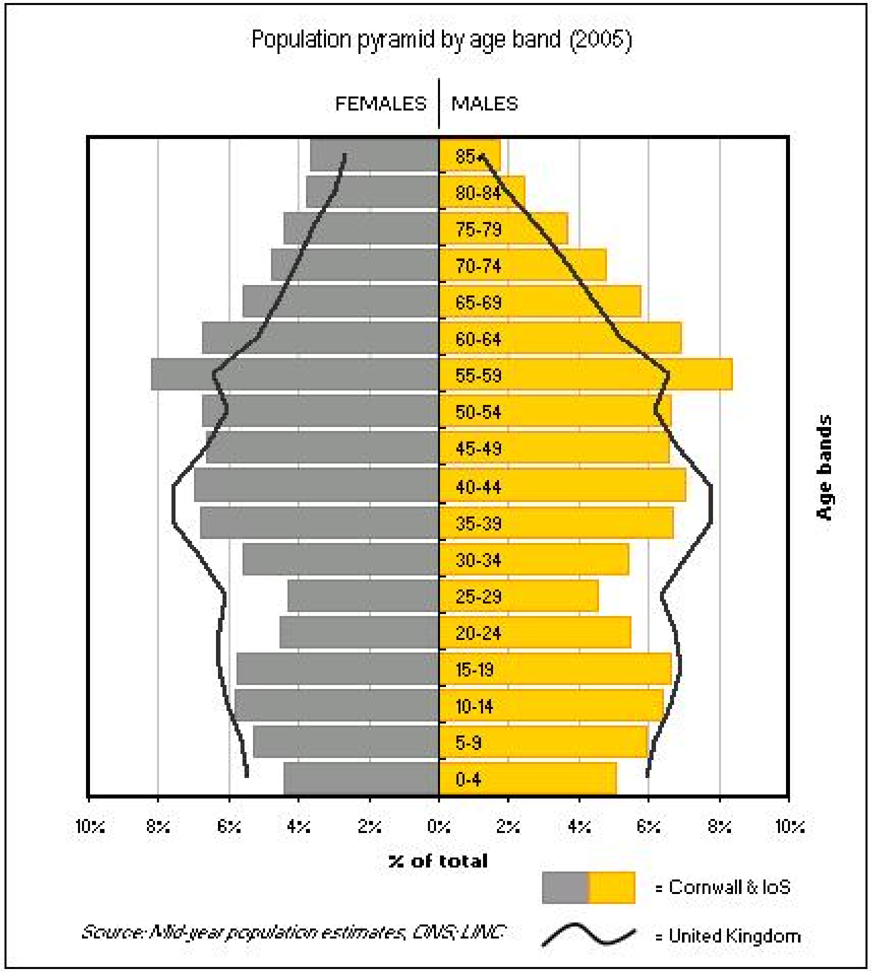
The key challenge is no longer the number of businesses and jobs, but the types of businesses and the quality of the jobs, with a need to focus on knowledge based growth sectors and higher skilled and higher paid employment.

- Two other factors need to be considered in relation to the area's ability to move to a knowledge based economy. The first is the time taken for new assets such as the CUC and the Eden Project to have their full economic impact, and this may be over decades rather than years. The second point relates to the ability of larger and better-connected sub regional and regional economies to strengthen their competitive advantage even when Cornwall and the Isles of Scilly is securing some employment growth. This latter point is important in assessing the extent to which further investment in economic infrastructure is fundamental to the growth of a knowledge based economy.

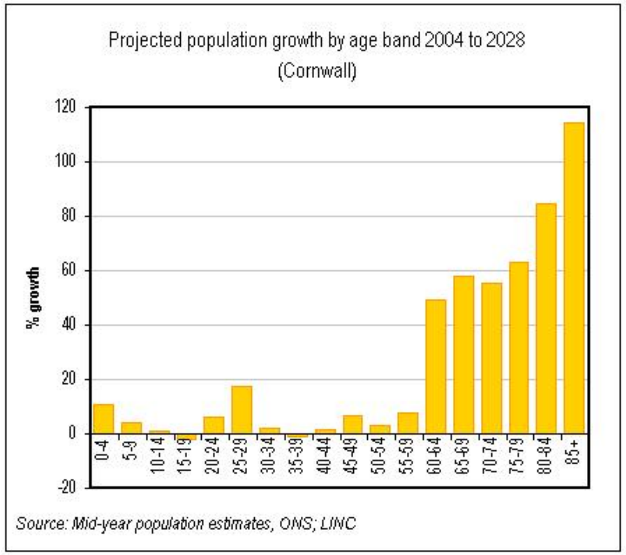
## Chapter 2: PEOPLE

### Background demographics

In 2005, there were 519,400 residents in Cornwall and the Isles of Scilly. As the population pyramid below shows, there is a higher proportion of the population in each of the age bands over 49 than nationally, and conversely, a lower proportion in every age band under 45. The differences are particularly marked in the 55-59 and 25-29 age groups. Cornwall and the Isles of Scilly's population profile is closer to the South West's, however, it still has a higher proportion for each age band over the age of 49, but the difference is not so marked.[27]




Furthermore, the number of people in the older age group (specifically 60+) is projected to increase significantly (see adjacent graph). This is in line with national trends, however, the projections for an ageing population are particularly pronounced in Cornwall and the Isles of Scilly. For example, the number of people aged over 60 is projected to increase by 65% in Cornwall and the Isles of Scilly, compared to 49% nationally.[28]




The higher proportions of the population in the older age groups, coupled with the projections of further exception growth in numbers in the 60+, has very significant implications for the local economy. More demand for certain services or type of businesses will provide both challenges and opportunities, for example, elderly care services and leisure facilities directed at the older age group.

For further research into demographic change see the section "Demographic Change & Housing" under the Place section.

In addition to Cornwall and the Isles of Scilly's age profile differing significantly to national, the composition of the population in terms of ethnic groupings in the area is also very different to the national picture. The 2001 Census estimates that only 2% of the population in Cornwall and the Isles of Scilly are non-white, compared to 5% in the South West and 17% in England & Wales. On the other hand, religious groupings locally do not differ much from the South West and national, with around three quarters considering themselves to be Christian. The proportion of the population who are Muslim is the only notable difference at under 1% for both Cornwall and the Isles of Scilly and the South West, compared to 3% nationally.[29]

A higher proportion of the working age population in Cornwall and the Isles of Scilly is disabled (22%) compared to the South West and UK (18% and 19% respectively).[30]

## Employment

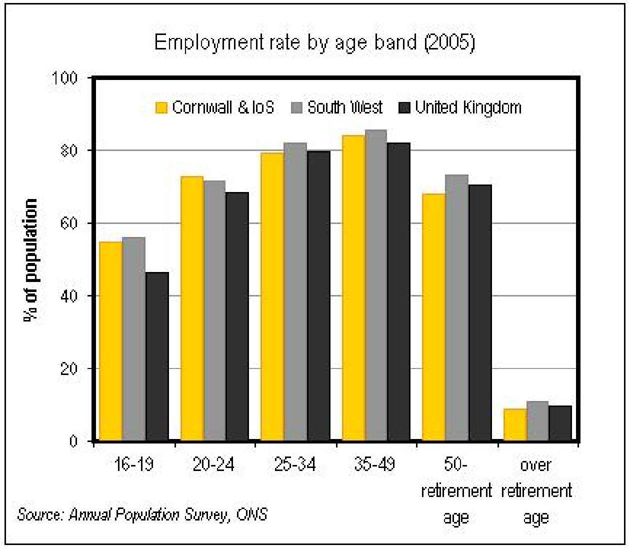
As with economic activity rates, employment rates for Cornwall and the Isles of Scilly are broadly in line with national levels but are lower than regional levels (see table below).

Employment rates for working age population (2005)

| | All | Males | Females |
|---|---|---|---|
| Cornwall & IoS | 75.0 | 79.4 | 70.3 |
| South West | 77.8 | 81.9 | 73.4 |
| United Kingdom | 74.3 | 78.6 | 69.8 |

*Source: Annual Population Survey, ONS.*

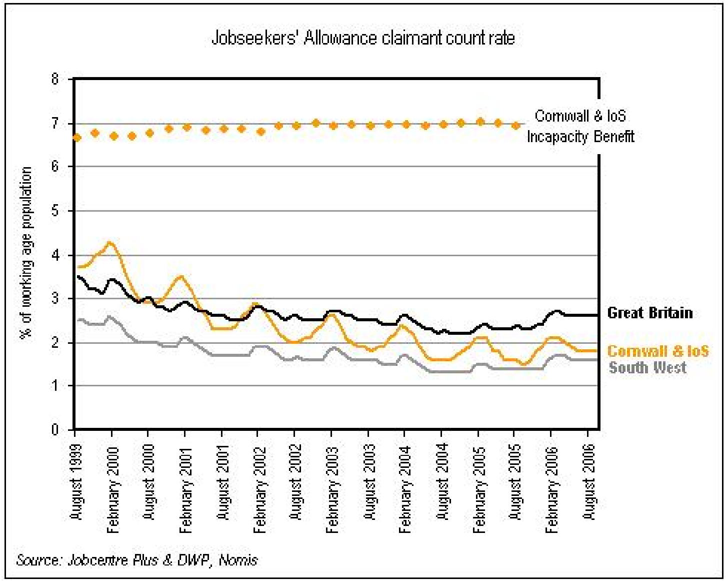
The pattern of employment by age in Cornwall and the Isles of Scilly is also broadly similar to the national rates particularly in the 25-34 age group (see graph below). However, rates are slightly higher than national for the younger age groups and lower for the older age groups.




## Unemployment

In September 2006, 5,500 people were claiming job-seekers allowance, equating to 1.8% of the working age population. This very low rate is typical of the average for the year, however, seasonal unemployment, although now less pronounced, is still a problem due to the area's continuing reliance on tourism in the summer months. Last winter the rates peaked at 2.1% in January, February and March (see graph right).






As the graph (above) shows, Cornwall and the Isles of Scilly's unemployment claimant count (JSA) rate has reduced from 3.7% in August 1999 to 1.8% in August 2006. The rate has been below the national unemployment claimant count since February 2002 and has converged with the South West rate. However, although Jobseekers Allowance claimant counts are useful for analysing trends, they are considered an under-estimate of the total numbers that are unemployed as not all those who are entitled to the benefit claim it. The table below compares the Jobseekers' Allowance claimant with a wider ILO[31] definition of unemployment. Using this measure, the unemployment rate is 4.0% in Cornwall and the Isles of Scilly, still below the national rate of 5.0%.

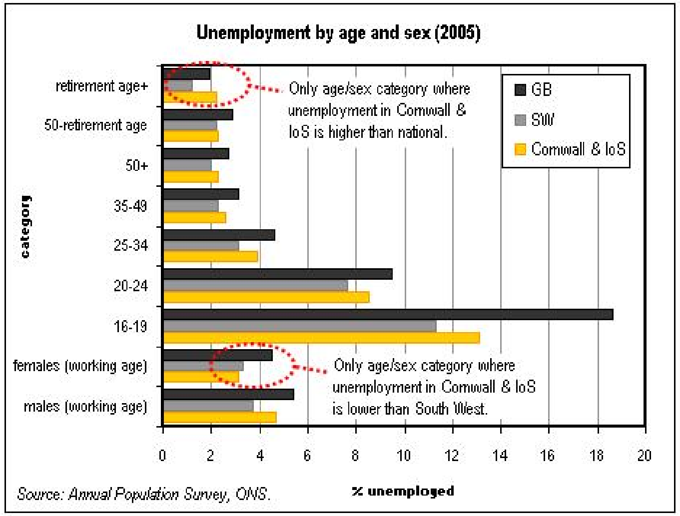
ILO unemployment rate and Jobseekers' Allowance claimant rate (2005).

| | ILO unemployment rate (%) | | JSA (%) | |
|---|---|---|---|---|
| Cornwall & the Isles of Scilly | 4.0 | (9,300) | 1.8 | (5,400) |
| South West | 3.5 | (83,500) | 1.4 | (42,900) |
| Great Britain | 5.0 | (1,381,100) | 2.3 | (845,700) |

Nb. all figures in are % of working age population

The graph above (top) also shows that despite the drop in unemployment claimants, the proportion of the working age population claiming incapacity benefit in the area has increased slightly. For example, incapacity benefit claimants have increased from 6.6% in August 1999 (19,000 claimants) to 6.9% in August 2005 (21,000 claimants). For more details on this see the section on worklessness.

Unemployment can also be analysed by age and age. The following graph compares unemployment by category for Cornwall and the Isles of Scilly, compared to the region and national levels. Two categories are highlighted: 1) The unemployment rate for people over retirement age is higher then national; 2) female unemployment rates in Cornwall and the Isles of Scilly are lower than both the national and regional levels. Furthermore, female pay levels in Cornwall are also closer to males than nationally and in the South West.




## Self-employment

The proportion of the working age population that are self-employed in Cornwall and the Isles of Scilly is very high at 18%. The table below compares this figure to the South West and UK.

% in employment who are self-employed (2005)

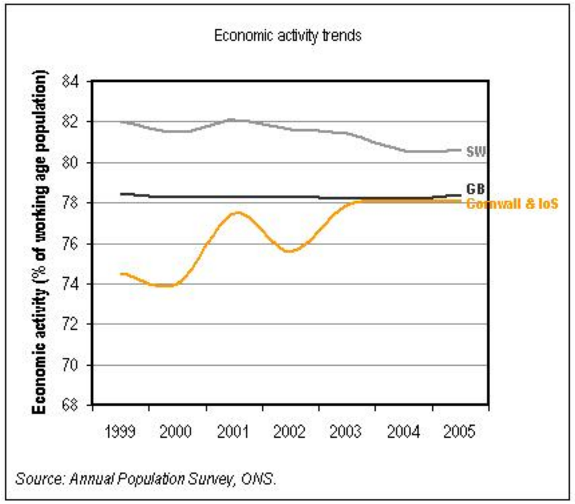
| | All | Males | Females |
|---|---|---|---|
| Cornwall and the Isles of Scilly | 18.0 | 21.7 | 11.0 |
| South West | 14.6 | 18.3 | 8.8 |
| United Kingdom | 12.9 | 16.9 | 7.1 |

*Source: Annual Population Survey*

The high self employment in the area can be explained by two factors: 1) The lack of strong employment opportunities and 2) The local entrepreneurial culture. The entrepreneurial culture in Cornwall and the Isles of Scilly is partly maintained by the lack of employment opportunities - the option of self-employment may be more appealing to individuals who cannot find relevant employment in the area. However, there are many other factors that influence self-employment such as business support provision, local sourcing networks and industrial structure. Since 1999, self employment in Great Britain has increased slightly from 12.1% to 12.8%, whereas in the South West is has remained relatively stable at around 14.5%. The self-employment rate in Cornwall has fluctuated over the period peaking in 2002 at 20.0%, then dropping off to 18.0% in 2005.[32]

## Economic Activity (incorporates people who are in employment or seeking work)

Overall economic activity rates for working age people in Cornwall were 78.1% in 2005, in line with the national figure of 78.4% and only marginally below the regional figure of 80.6%. Economic activity rates for males and females also follow a similar pattern to that seen nationally. Over time, economic activity in Cornwall and the Isles of Scilly has converged with national levels (see graph right). However, the economic activity rate of the working age disabled population is significantly below the average at 57.0%, higher than UK levels (53.5%) but lower than South West levels (61.0%). An adequate sample of the non-white population was not achieved for this survey so analysis of this group is not possible (only 2% of the population).




### Policy Pointers

Economic activity rates are close to the national average, although slightly lower than levels seen in the South West as a whole. The economic activity gap between the regional and Cornwall and the Isles of Scilly level is more apparent for females (3.3 percentage points), however the Cornwall and Isles of Scilly figure is still in line with the national figure. Reducing the gap between local County and regional female economic activity rates may increase the supply of labour.

In addition, given the relatively low level of female economic activity at both the national and local level, addressing barriers to women taking up opportunities could play an important role in tackling the recruitment difficulties and skills shortages, and possibly reduce the pressure to important labour, with consequent pressures on the housing market.

Unemployment has reduced in importance as the claimant count has fallen over recent years and there will always be a residual level of unemployment as the labour market continually adjusts to market change and people find themselves between jobs. Attention should now turn to tackling worklessness in its entirety rather than unemployment specifically.

## worklessness

Economic inactivity rates can be explained, to some extent, through analysis of key benefits data. The key benefits data sources are:

- Jobseekers Allowance (JSA); Incapacity Benefit (IB);
- Severe Disablement Allowance; Disability Living Allowance;
- Income Support; National Insurance Credits.

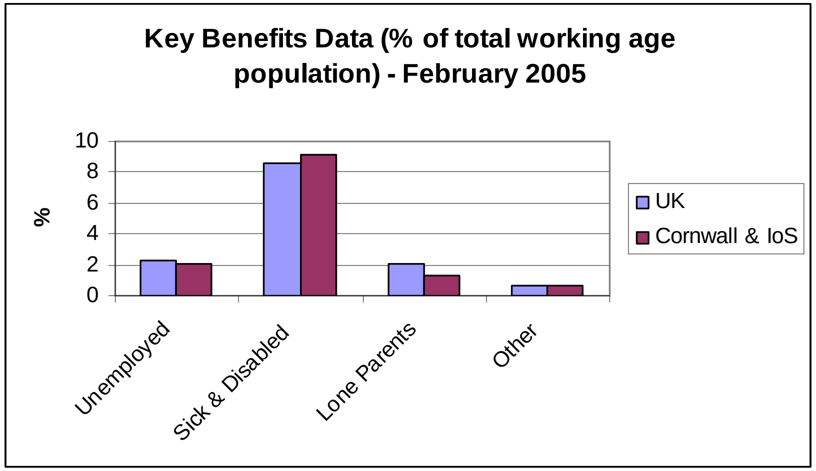
These can be split between unemployed, sick and disabled, lone parents and other. There is now strong evidence that worklessness has become an entrenched problem, and this is disguised by focusing on the employed client count which captures only a small proportion of those without employment.

There are approximately 39,600 benefits claimants, representing 13.2% of the working age population. This is slightly lower than the levels recorded nationally. The main claimant group is sick and disabled (9.1% of the population), followed by unemployed (2.1%), lone parents (1.3%) and other (0.7%). While official unemployment accounts for circa 6,400 claimants, those in sickness and disability account for 27,300 claimants.[33]

There are variations across districts. Whilst the sick and disabled factor is significant within all districts, the Neighbourhood Renewal Districts consistently exceed the average across all groups. In total nearly 70% of the workless population in Cornwall are on health-related benefits.

The majority of new Incapacity Benefit claimants expect to return to work, and a significant proportion do not have incapacities which will stop them returning to work. The three main causes of people moving on to health related benefits are mental/behavioural disorders, musco-skeletal disorders and heart, circulatory or respiratory disorders, although only a minority have severe health problems. A significant proportion nationally (and presumably in Cornwall) would like to work, although once a person has been on Incapacity Benefit for 12 months, the average duration of stay is 8 years. This emphasises the need to provide support at an early stage.

- ❖ Approximately 21.3% (63,300) of the working age population are classified as economically inactive and this is in line with the national rate. Within this figure there are a relatively high proportion of males who are inactive (17.1%), compared to the South West (14.8%) and UK levels (16.8%). Of those that are economically inactive in Cornwall & the Isles of Scilly, 32.1% (20,200) would like a job. This is much higher than the South West (24.7%) and UK (23.5%) levels.




*Source: Information Directorate (IFD) (2005) – Population figures based on Mid 2003 ONS*

Key Benefits Data by District – February 2005

| | All | Unemployed | Sick & Dis. | Lone Parent | Others |
|---|---|---|---|---|---|
| Cornwall | 39,600 (13.2%) | 6,400 (2.1%) | 27,300 (9.1) | 3,900 (1.3%) | 2,000 (0.7%) |
| Caradon | 5,000 (10.5%) | 600 (1.3%) | 3,500 (7.3%) | 600 (1.3%) | 300 (0.5%) |
| Carrick | 6,400 (12.2%) | 1,200 (2.2%) | 4,400 (8.5%) | 500 (1.0%) | 200 (0.5%) |
| Kerrier | 8,100 (14.4%) | 1,100 (2.0%) | 6,000 (10.7%) | 600 (1.1%) | 400 (0.7%) |
| N. Cornwall | 6,000 (12.6%) | 1,000 (2.1%) | 4,100 (8.6%) | 600 (1.3%) | 300 (0.6%) |
| Penwith | 6,200 (16.8%) | 1,000 (2.6%) | 4,100 (11.1%) | 800 (2.1%) | 400 (1.0%) |
| Restormel | 7,800 (13.4%) | 1,600 (2.7%) | 5,100 (8.7%) | 700 (1.2%) | 500 (0.8%) |

*Source: Information Directorate (IFD) (2005)/Jobcentre Plus*

The main reason for economic inactivity amongst those that would like to work was long term sickness. At 13.2% (8,300), the levels of people giving long term sickness as the main thing holding them back from entering employment was higher in Cornwall & the Isles of Scilly than the South West (7.5%) and UK levels (7.2%). Similarly the percentage of people who would like to work but could not because they were either discouraged workers, looking after family/home or students, were higher in Cornwall.

## NEETs (not in employment, education or training)

The Government, through the Connexions service, is committed to reducing the number of 16-18 year old young people not in education, employment or training (NEET). There are two types of NEET. There are those who will be NEET for a short time and are essentially testing out a variety of opportunities and at the other end, there are those who have major/multiple issues and are at long term risk of remaining disengaged. Between 2002 and 2004 the percentage of NEETs in Devon and Cornwall fell from 7.0% to 5.6% of the total population of 16-18 year olds. Current levels in Devon and Cornwall are under the proportion recorded across England (7.7%)[34].

### Policy Pointers

Demand for labour in Cornwall currently far outweighs the supply of 'job ready' individuals, leading to recruitment difficulties and skills shortages. There are over 27,000 people on Incapacity Benefit and there is the potential to help some of these individuals back in to employment, and many are keen to return to the labour market.

The Local Area Agreement (LAA) for Cornwall sets out proposals to focus support on those on health-related benefits to both tackle worklessness and address the recruitment difficulties experienced by local employers.

Key Benefits Data by District – February 2005

| | UK (%) | SW (%) | Cornwall (%) | Cornwall (Count) |
|---|---|---|---|---|
| % of total | 21.9 | 19.2 | 21.3 | 63,000 |
| % of males | 16.8 | 14.8 | 17.1 | 26,200 |
| % of females | 27.4 | 23.9 | 25.7 | 36,900 |
| % who want a job | 23.5 | 24.7 | 32.1 | 20,200 |
| % who do not want a job | 76.5 | 75.3 | 67.9 | 42,800 |
| % who want job – reason for not looking – discouraged worker | 0.4 | 0.5 | 0.9 | 500 |
| % who want job – reason for not looking – long term sick | 7.2 | 7.5 | 13.2 | 8,300 |
| % who want job – reason for not looking – looking after family/home | 6.2 | 7.1 | 8.7 | 5,500 |
| % who want job – reason for not looking – student | 2.7 | 2.7 | 3.5 | 2,200 |
| % who want job – reason for not looking – other | 4.5 | 4.3 | 4.1 | 2,600 |

*Source: ONS (2005) Annual Population Survey*

Proportion of 16-18 year old NEETS, 2002 and 2004

| | Nov 2002 | Nov 2004 | |
|---|---|---|---|
| | % | Number | % |
| England | - | 127,710 | 7.7% |
| Devon & Cornwall | 7.0% | 3,005 | 5.6% |

Source: Connexions Devon and Cornwall 2006

# Learning and Skills

## Qualifications Held

In 2005 almost three quarters (73%) of the employed workforce of Devon and Cornwall aged 16-74 had some qualification at Levels 1 to 5. However, approximately 40% of the employed workforce were qualified below Level 2 or did not have a qualification. In line with national trends, those working in finance, real estate, public administration and education sectors were among the highest qualified. In contrast, employees in the agriculture and construction sectors were among the least qualified.

In two of the major employment sectors – where employment has been increasing - almost half the workforce has qualifications below level 2. As worrying, this also applies to the manufacturing sector, and this will have implications for GVA and competitiveness.

Approximately 70% of all adults of working age in Cornwall & the Isles of Scilly are qualified to Level 2 and above, 43.3% are qualified to Level 3 and above and 20.2% are qualified to Level 4 and above. Compared with the South West, the percentage of working age adults qualified to Level 2 is broadly similar. However, at levels 3 and 4, Cornwall & the Isles of Scilly falls behind the South West. At Level 4 the gap between with the South West becomes greater and there is a 6.7 percentage point difference between achievement levels among the economically active in Cornwall & the Isles of Scilly (22.8%) in comparison to the South West (29.5%). This difference is accentuated when compared to Level 4 across England which stood at 30.3% in 2005, a difference of seven and a half percentage points.

### Policy Pointers

Qualifications levels remain low in several important sectors in Cornwall, and the Isles of Scilly, namely wholesale/retail and hotels/restaurants which capture the majority of tourism employment, and also manufacturing where skill levels would have been expected to be higher. Overall some 40% of the workforce has low levels of qualifications and given the changing nature of employment, those who do not hold qualifications above the minimum level remain vulnerable to labour market change.

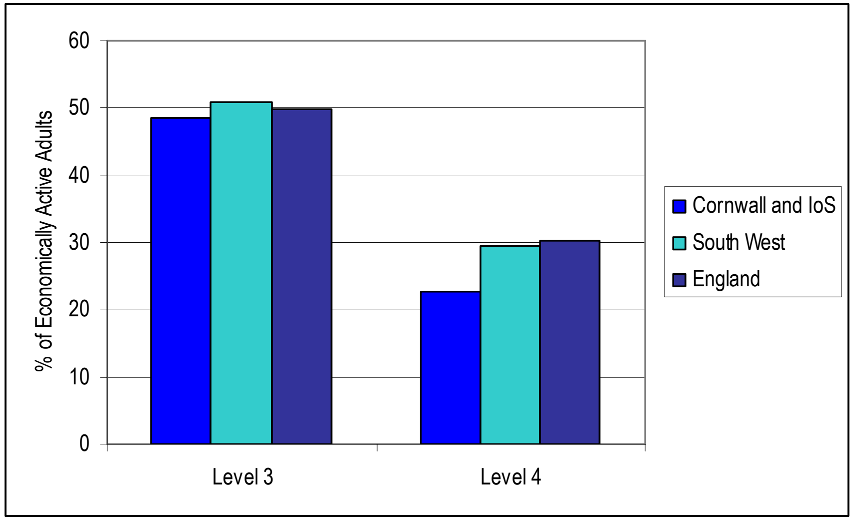
There is a clear relationship between the level of qualifications held and employment. Nearly 90% of those holding a level 4 qualification are in work, compared to 73.8% of those whose highest qualification is a level 2, and just 53.3% of those without qualifications. There is a need to increase the numbers in the workforce qualified to Levels 3 and 4 as part of the process of moving to a knowledge based economy.

Qualifications by Sector in Devon and Cornwall

| Sector | % with qualifications (L1-L5) | % qualified <L2 |
|---|---|---|
| Agriculture | 58 | 55 |
| Mining/Manufacturing | 69 | 47 |
| Construction | 58 | 49 |
| Wholesale/ Retailing | 68 | 50 |
| Hotels Restaurants | 67 | 46 |
| Transport/Comms. | 68 | 48 |
| Financial Intermediation | 91 | 24 |
| Real Estate/Renting/Business | 87 | 27 |
| Public Administration | 87 | 27 |
| Education | 87 | 21 |
| Health/Social Work | 80 | 29 |
| Other | 75 | 36 |
| Total | 73 | 40 |

*Source: Census 2001, ONS Crown Copyright, Learning Skills Council*

Highest Level of Qualification of Economically Active Adults, 2003/04




*Source: Local Labour Force Survey 2004/05 – Learning Skills Council*

## Participation in Learning

In 2005 69.5% of adults aged 16-69 participated in 'any learning' across England. Participation in 'any learning' in the South West was greater than the national average at 73.2%, including 50.3% in 'taught learning'. Levels of 'any learning' (69.8%) and 'taught learning' (48.1%) in Cornwall (69.8%) were lower than those recorded at regional level, although the differences were not significant. Of much greater concern is that between 2003/04 and 2004/05 there was a marked decrease in the percentage of people who participated in taught learning at a national level. This trend is also the case in Cornwall, where participation in taught learning dropped by 12.4%[35].

Higher Education: Participation rates in higher education in Cornwall & the Isles of Scilly are good, but until recently almost 90% of Cornwall's young people going into higher education left the area to study[36]. The Combined Universities in Cornwall (CUC) was established to try and redress the 'brain drain' away from the county by providing university level education in Cornwall and to make these opportunities accessible to more people. The aim is to develop higher education facilities and course provision so that by 2010 the Cornwall student population will exceed 7,300. Indeed, evidence from ONS migration data sets shows that this has had an immediate impact. Less people aged 18 are leaving Cornwall and more are moving in at . The peak year for in migration is 22, suggesting significant number who leave at 18 return after graduating.

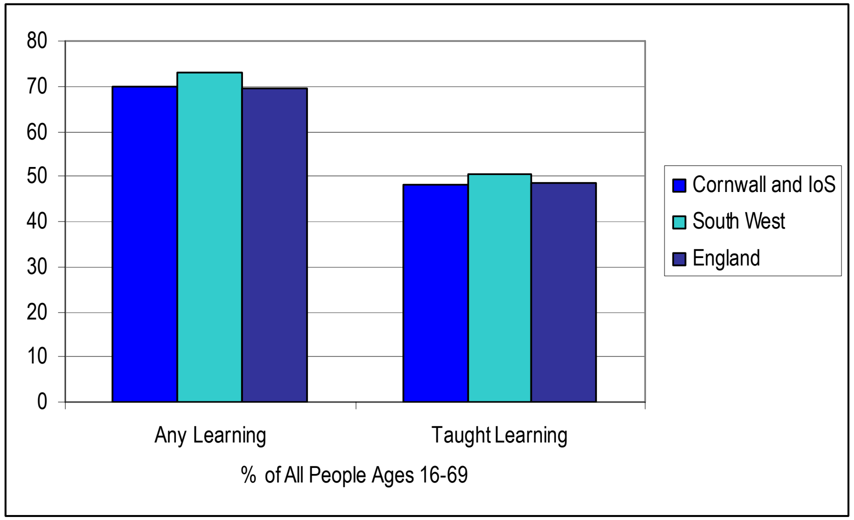
## Basic Skills

Literacy and numeracy underpin all educational achievement, help drive human potential and raise self-esteem. The Cornwall & the Isles of Scilly population have relatively good levels of basic skills in comparison with the national average. Approximately 19% of the adult population in Cornwall have numeracy skills below entry level 3 (i.e. poor – equivalent to age 9: not able to add or subtract using three digit numbers), less than both the England (21%) and South West (21%) averages. This marked difference is also reflected in the percentage of literacy skills below entry level 3. Approximately 5% of the England population have poor literacy skills, whilst just 1.8% of the Cornwall population have literacy skills below entry level 3 (equivalent to age 9: not able to organise text into short paragraphs).

### Policy Pointers

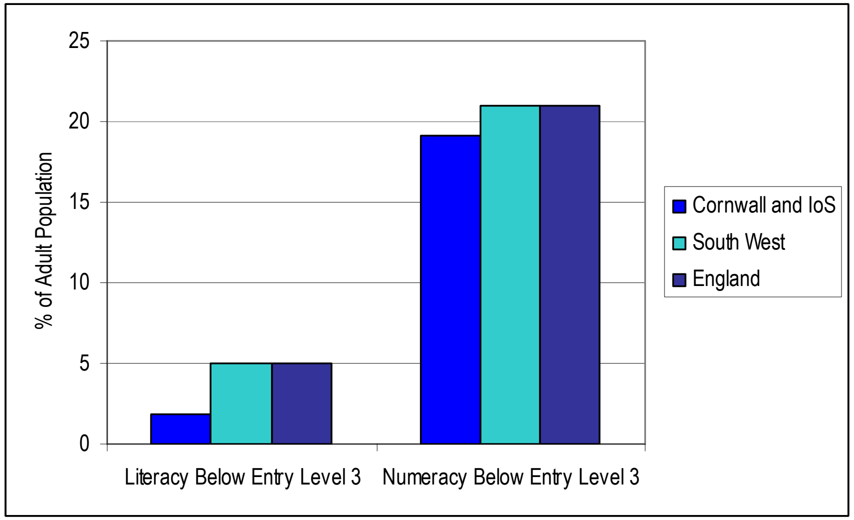
Cornwall needs to build on the strong foundation of basic skills and increase participation in learning as a means of raising skills and qualifications levels above both the South West and national levels. This will include addressing numeracy issues in particular, as well as increasing adult participation in taught learning.

Participation in Learning, People Aged 16-69




*Source: Census 2001, ONS Crown Copyright, Learning and Skills Council*

Adult Population with Literacy and Numeracy Skills Below Entry Level 3




*Source: DfES Skills for Life Survey 2004*

## Skills Gaps

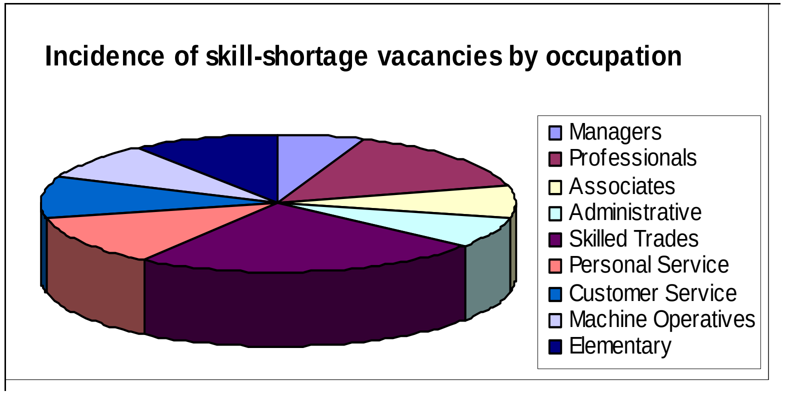
In 2005 the highest skills shortage was in 'skilled trades' at 24%, where many occupations have been affected by the high demand for construction workers, and reduced investment in this area of training in earlier years. Other occupations experiencing skills shortages were 'professional occupations' (15%) and 'personal services' (12%). Occupations least affected by skill shortages were 'managers and senior officials' (6%) closely followed by 'administrative staff' and 'associate professionals' at 7% and 8% respectively.[37]

In 2003, the sector reporting the largest skills gap was manufacturing at 19%. This was followed by tourism at 16%, retail at 11%, whilst construction and social care both stood equally at 10%.

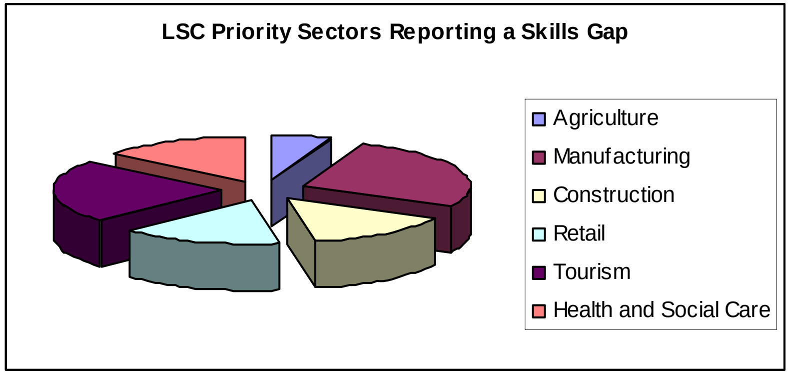
In spite of many jobs paying low wages, skills gaps are identified as the biggest problem for firms seeking new recruits. More than 1 in 4 employers reported difficulties in recruiting the desired number of staff, with the result in some cases that posts were left unfilled. Surprisingly, the worst recruitment problems were evident in the health sector, where in the public sector at least, pay and conditions are considered relatively attractive.

Recruitment difficulties affect all parts of the economy, even the booming construction sector where many of the jobs are well paid. The feedback from employers shows that skills gaps are evident across the spectrum of qualifications and experience from entry level and semi-skilled right through to higher order occupations. Analysis of recent inward migration patterns to Cornwall shows that a high proportion of individuals possess a range of skills and that this inward migration has helped to address some of the skills and recruitments of demands of employers.

The causes of skills gaps and recruitment difficulties are complex, relating partly to levels of job-related training (see next section), workforce adaptability and prior qualifications and experience. In a tightening labour market, the ability of workers to transfer between jobs and sectors relatively seamlessly becomes even more of a necessity, with the evidence suggesting that the skills available are in many instances not keeping pace with employers needs.




*Source NESS 2005 - Devon & Cornwall LSC*




*Source: Learning Skills Council for Devon & Cornwall 2005*

Problems with recruiting (%)

| | Yes | No | Don't know |
|---|---|---|---|
| Health (160) | 38 | 61 | 1 |
| Hospitality (329) | 27 | 69 | 4 |
| Manufacturing (222) | 26 | 73 | 2 |
| Retail (559) | 24 | 74 | 2 |
| Agricultural (80) | 25 | 74 | 1 |
| Construction (264) | 23 | 71 | 6 |
| Overall (1614) | 26 | 71 | 3 |

*Source: SMSR (2005) Current and Future Skills Survey*

Such gaps have serious implications for employers. The gaps increase the workload for other staff and therefore increase operating costs for businesses. With increased costs businesses experience difficulty meeting quality standards which results in loss of trade. Businesses are forced to focus on 'fire-fighting' rather than making strategic investments in future productivity, with consequent effects on the overall strength of the Cornwall economy.

## Policy Pointers

Tackling skills gaps is crucial to ensuring that businesses are able to operate effectively and to their full potential. Both the skills of the existing workforce (skills gaps) and potential workforce (skills shortages) need to be addressed to enable local businesses to increase productivity and efficiency levels.

The scale of recruitment and skills shortage would suggest that the economic growth of the economy is being affected by labour related issues. This is affecting a number of the most important sectors in the economy, and hard to fill vacancies cover all levels and types of jobs.

While the ability of companies to import labour is now a feature of the economy, this adds additional pressure in terms of the housing market, both rented and for owner occupation, as well as local service provision.

Identifying the specific skills which are in demand will help public sector agencies to focus their investment where it is most needed and employers should be encouraged to identify the skills which they require, and appropriate training provision either made or extended.

There are however relatively low numbers of people registered as unemployed, and a much larger group of economically inactive in receipt of Incapacity Benefit. In the latter category, many will need additional support to return to the labour market. In summary, there is not a large pool of untrained labour, ready to take up new opportunities, and a major priority will be up-skilling those already in employment and increasing the participation rates of women.

Reason for having problems with recruiting

| | Frequency | % |
|---|---|---|
| Shortage of skills | 101 | 19.7 |
| Nobody wants to work/lack of interest | 85 | 16.6 |
| Rate of pay | 36 | 7.0 |
| Lack of applicants | 26 | 5.1 |
| Finding right person | 24 | 4.7 |
| Lack of commitment/attitude | 22 | 4.3 |
| Lack of experienced staff | 18 | 3.5 |
| Hours of work | 16 | 3.1 |
| Lack of qualifications | 13 | 2.5 |
| Specialist skills/technical | 13 | 2.5 |

*Source: SMSR (2005) Current and Future Skills Survey*

Skills lacking overall

| Responses | Frequency | % |
|---|---|---|
| Attitude/commitment to work | 40 | |
| Experience | 39 | 8 |
| Trade | 33 | 7 |
| Basic skills | 29 | 6 |
| Common sense | 24 | 5 |
| Knowledge/experience | 23 | 5 |
| Agriculture/farming | 23 | 5 |
| Qualifications | 19 | 4 |
| Joinery/carpenter | 13 | 3 |
| Don't know | 12 | 2 |

*Source: SMSR (2005) Current and Future Skills Survey*

Implications of skills gaps (employer base)

| | Percentage |
|---|---|
| Increased workload for other staff | 49% |
| Increased operating costs | 22% |
| Difficulties meeting quality standards | 21% |
| Difficulties introducing new working practices | 18% |
| Loss of business or orders to competitors | 16% |
| Delays developing new products or services | 14% |
| Need to outsource work | 4% |
| None | 41% |

*Source: NESS 2005 - Devon & Cornwall LSC*

## Job Related Training

Skills gaps are seen as one of the major barriers to business growth. Therefore, workforce development is one of the key factors underlying business competitiveness.

A survey of Devon and Cornwall businesses[38] concluded that businesses employing between 100 and 199 (63% of workforce) were more likely to train their employees. Those less likely to receive any training were those working in small businesses (between 1 to 10 employees) or those working in much larger organisations (200 or more).

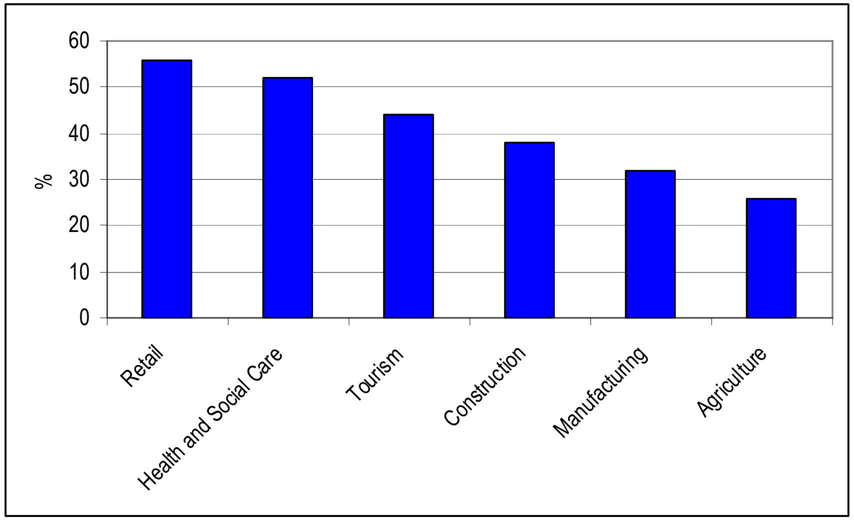
Within this trend it is interesting to note that a higher percentage of supervisory management training can be attributed to small scale employers. Similarly, employees in businesses employing fewer than 10 people (13%) were found to be more likely to be studying towards a formal qualification than those working in businesses employing more than 200 (7%).

In terms of training undertaken by sector, the retail sector performs particularly well with 56% of employees receiving training. Similarly, over 50% of the health and social care workforce received job-related training in 2003. In contrast only 26% of employees in the agriculture sector received job-related training in 2003. This is however unsurprising as businesses in the agriculture sector reported low skills gaps. The sector reporting the highest skills gap in 2003 was the manufacturing sector. Only 32% of those employed in manufacturing were receiving training in 2003.

### Policy Pointers

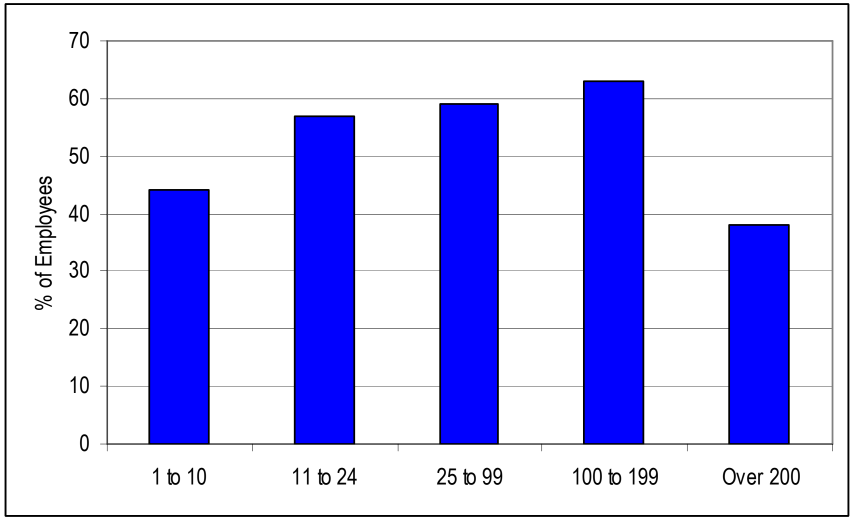
Employers need to be supported to understand and identify the skills needs which are affecting their businesses. Many employers work round skills deficiencies amongst their workforce with resultant reductions in productivity and income generation in the area. Raising the demand for skills, as well as the supply, is crucial in increasing wealth levels in Cornwall and the Isles of Scilly. Wherever possible, agencies need to encourage smaller companies in particular to increase their commitment to training as a means of improving productivity and profitability.

Proportion of Employees Receiving Training




*Source: Learning Skills Council for Devon & Cornwall 2003*

Proportion of Employees Receiving Training, by Firm Size




*Source: Learning Skills Council for Devon & Cornwall 2003*

## Educational Attainment

### GCSE

In 2005 GCSE attainment levels in Cornwall were slightly below those recorded at the South West and national level. In 2005 just over 57% of candidates attained at least five A to C grades across England. The South West dropped behind the national average at just over 56% and Cornwall fell under again at 55.8%.

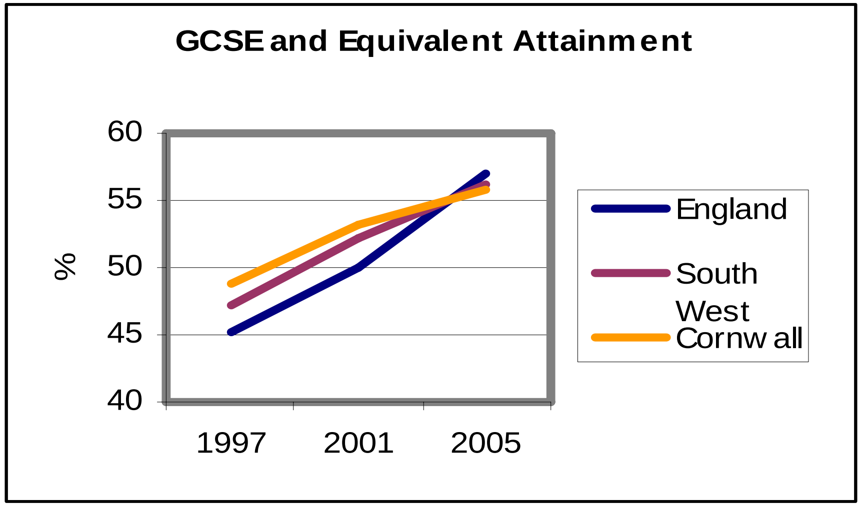
There has been a steep rise in attainment levels between 1997 and 2005. The South West has achieved a 9.2% rise in the number of pupils achieving five or more A to C grades. This rise is also reflected in a 7% increase in Cornwall. However it must be noted that in 1997 Cornwall's attainment stood at almost 2% above the South West (47.1) average and almost 4% above the average for England (45.1%). Therefore, although GCSE attainment levels have risen in Cornwall, they have not risen as fast as those recorded at the national level.

### A Level

Although the difference in A Level attainment levels between Cornwall and England as a whole are not as marked as those recorded at GCSE level, there is still a gap in achievement. The average points score in Cornwall in 2004/5 was 76.7. In contrast, the average points score at A Level across both the South West and England as a whole was 79

### Policy Pointers

Raising the attainment of those coming through the statutory education system will have a direct impact on the skills and qualifications available to employers in Cornwall. It will also increase the likelihood of young people making a successful transition into work or further education, and eventually progressing into Higher Education.




*Source: DfES, GCSE and Equivalent Results 1997/2001/2005*

Average GCE VCE A/AS Examination Results for Young People in England 2004/05

| | Average Point Score by Achieving GCE/ VCE A/AS and Key Skills at Level 3 Qualifications Per Candidate | Average Point Score by Achieving GCE/ VCE A/AS and Key Skills at Level 3 Qualifications Per Entry |
|---|---|---|
| England * | 277.6 | 79.9 |
| South West | 270.4 | 79.4 |
| Cornwall | 255.4 | 76.7 |

Source: DfES, GCE VCE A/AS Examination Results for Young People in England 2004/05 (Table 9) January 2006

## Future skills needs/demands

The main reason given by employers for hard-to-fill vacancies in Cornwall was the low number of applicants with required skills. This is particularly the case for occupations considered to be 'professional' (64%), skilled workers (65%), machine operatives (59%) and managers (50%).

These findings are reflected in the number of employers reporting skills shortages within their existing workforce. Particular skills shortages are reported in skilled trades people and professionals.

The impact of skills gaps upon business performance can be significant. Approximately 49% of employers reporting a skills gap stated that it had resulted in increased workload for other staff. Other employers reported an impact on business performance in terms of increased operating costs, difficulties meeting quality standards and a loss of business to other competitors.

### Policy Pointers

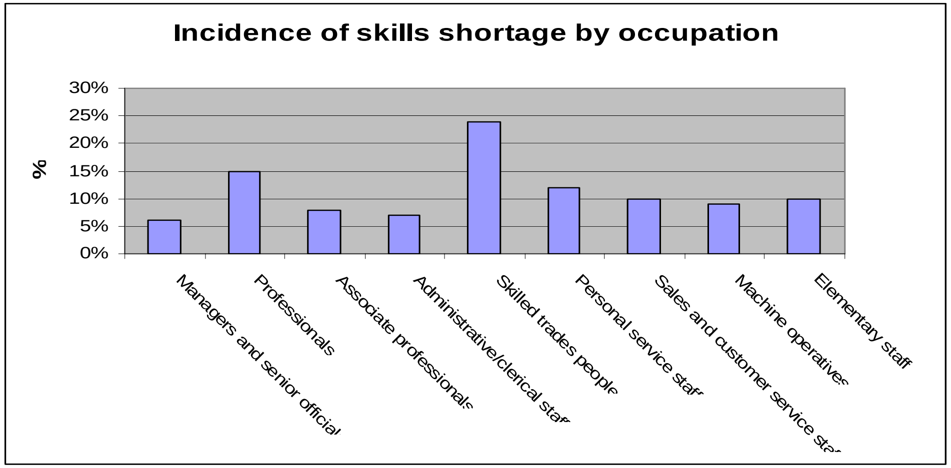
The issues identified with regard to hard to fill vacancies highlights the challenge of addressing the issue – with a lack of skills and experience being the main factors. At the same time, the effects on business of skills gaps is considerable with operating costs, quality standards and delays in introducing new work practices impacting directly on value added and profitability. This makes addressing skills and recruitment issues one of the most important challenges for key stakeholders.

Implications of skills gaps (employer base)

*Source: NESS 2005 - Devon & Cornwall LSC*

Source: NESS 2005 - Devon & Cornwall LSC - Data Tabulations - IFF Research, January 2006

| | Total | Percentage |
|---|---|---|
| Increased workload for other staff | 3737 | 49% |
| Increased operating costs | 1699 | 22% |
| Difficulties meeting quality standards | 1622 | 21% |
| Difficulties introducing new working practices | 1373 | 18% |
| Loss of business or orders to competitors | 1196 | 16% |
| Delays developing new products or services | 1093 | 14% |
| Need to outsource work | 336 | 4% |
| None | 3136 | 41% |




Main causes of having a hard-to-fill vacancy (%)

| | Managers & senior officials (%) | Professionals (%) | Associate professionals (%) | Administrative/clerical staff (%) | Skilled trades people (%) | Personal service staff (%) | Sales & customer service staff (%) | Machine operatives (%) | Elementary staff (%) |
|---|---|---|---|---|---|---|---|---|---|
| Low number of applicants with required skills | 50 | 64 | 15 | 31 | 65 | 27 | 41 | 59 | 9 |
| Low number of applicants with required attitude, motivation or personality | 7 | 4 | 15 | 13 | 26 | 18 | 26 | 25 | 27 |
| Not enough people interested in doing this type of job | 18 | 8 | 12 | 4 | 28 | 25 | 34 | 13 | 25 |
| Lack of work experience | 13 | 58 | 28 | 16 | 15 | 16 | 3 | 14 | 6 |
| Lack of qualifications | 13 | 26 | 62 | 7 | 11 | 18 | - | 29 | 2 |
| Remote location/poor public transport | 29 | 36 | 9 | - | 9 | 2 | 3 | 6 | 22 |
| Poor career progression / lack of prospects | - | - | 1 | 37 | 19 | - | 12 | 9 | 15 |

The most recent evidence and analysis made available by the Learning and Skills Council confirms the persistence of trends in relation to learning, skills and participation. In 2004/05 there was a reduction in the proportion of economically active adults qualified to level 4, from 25.7% to 22.8%, well below the national figure of 30.3%.

Work undertaken for SWERDA (South West of England Regional Development Agency) has identified a relationship between productivity and skills levels, making this shortfall a serious concern for key stakeholders. In numerical terms there are 60,000 economically active adults without a Level 2 qualification, which will not only impact on their employment prospects but also on their likely incomes.

The employment rate in Cornwall for economically active adults with no qualification is only 57%, compared to a rate of 86% for those qualified to level 4 and 81% for those qualified to level 3.

In terms of appreciation in learning, the figures for both any learning and taught learning in Cornwall are above the national average. There has however been a marked decline in participation in taught learning. In terms of taught learning, numbers declined from 195,000 in 2003/04 to 154,000 in 2004/05.

The latest analysis of issues with regard to young people provides more information with regard to those in and out of employment and training. There are now a growing number of young people in Devon and Cornwall in employment where no training is provided. In July 2004, this cohort was estimated at 5,812, a significant group, and this is a marked increase from July 2003 when the number was 3,993.

The numbers involved in the NEETs category (Not in Education, Employment or Training) appears to be stabilising, although numbers vary over the course of each year. The Cornwall NEETs figure is lower than Plymouth and Torbay, and also lower than the national figure.

An IER forecast on future employment and skill needs has forecast an increase of 35,000 jobs for Devon and Cornwall up to 2012. The forecast suggests that full time employment will decline and part time employment will increase. Growth is expected in those sectors which have driven the economy over the last five years – retail, hotels and restaurants, education, health and social work.

In the forecast for the occupational growth there are a substantial number of higher skilled jobs – over 7,000 corporate managers and a significant number of professional and skilled trade jobs (although these figures also include Devon).

In addition to the growth in the employment numbers, there is also considerable forecast demand from employers and their existing workforce. In terms of key sectors the LSC has found that:

| Manufacturing | |
|---|---|
| Employers expecting employment to increase | 36% |
| Companies with a vacancy | 21% |
| Companies with a skills shortage vacancy | 9% |
| Employees who have received training in past 12 months | 37% |
| **Hotels and Restaurants** | |
| Employers expecting employment to increase | 48% |
| Companies with a vacancy | 32% |
| Companies with a skills shortage vacancy | 7% |
| Employees who have received training in past 12 months | 47% |
| **Health and Social Care** | |
| Employers expecting employment to increase | 21% |
| Companies with a vacancy | 30% |
| Companies with a skills shortage vacancy | 6% |
| Employees who have received training in past 12 months | 88% |
| **Construction** | |
| Employers expecting employment to increase | 36% |
| Companies with a vacancy | 28% |
| Companies with a skills shortage vacancy | 10% |
| Employees who have received training in past 12 months | 42% |
| **Retail** | |
| Employers expecting employment to increase | 33% |
| Companies with a vacancy | 16% |
| Companies with a skills shortage vacancy | 3% |
| Employees who have received training in past 12 months | 47% |

## People: Conclusions

The performance of Cornwall and the Isles of Scilly's labour market has improved considerably in recent times – unemployment claimant counts are at their lowest levels in decades whilst economic activity rates are on a par with the national average. In addition, the area has a relatively good record on basic skills, which augurs well for efforts to embed participation in lifelong learning.

With more people in work than ever before, Cornwall and the Isles of Scilly could have been expected to have narrowed the economic gap with other parts of England. However increasing participation rates and higher average earnings elsewhere has meant that there has been only a marginal improvement in the area's relative position.

Whilst educational attainment has improved dramatically in Cornwall over the past decade, in line with national trends, this has not fed through into a step change in the qualifications and skills of the workforce. The key workforce supply issues in relation to skills are:

- 2 in 5 of the workforce were qualified below Level 2 or possessed no qualifications.
- Too few people qualified to degree level or above.
- A large proportion of workers with no or few qualifications in key sectors which are predicted to grow, such as tourism and retail.

The more general issue in relation to supply is that the number of people registered as unemployed at circa 6,500 is very low, and a major source of working aged adult without employment are on Incapacity Benefit. While many could return to work, they are likely to require support.

At the same time, the demand for labour has been increasing as many sectors continue to grow, a result of both sustained growth in the national economy and some notable Cornish success such as the CUC and the Eden Project. As a result, there are significant mismatches between the demands and requirements of employers and the supply of skills, specifically:

- Skills gaps across all sectors, but particularly acute in manufacturing and tourism.
- In spite of low wages, a lack of skills highlighted as the single most important factor in recruitment problems.
- An increasing number of employers reporting hard to fill vacancies, even for semi-skilled and elementary positions.

A temporary solution has been in-migration, some of which has been on a temporary or seasonal basis.

Investment in training is a key issue and the constraints facing many Cornish businesses result in a vicious circle of low margins, insufficient workforce training, poor workforce skills and ultimately skills shortages and recruitment difficulties which undermines productivity and growth. Breaking this cycle is one of the biggest challenges for the regeneration of Cornwall and the Isles of Scilly.

Whilst the fall in claimant unemployment is positive and welcome, this reduction masks the bigger challenge of enabling the workless population (one in seven) to (re)enter employment where they are in a position to do so. Rates of worklessness are particularly high in the west of Cornwall. There is a danger that there is an entrenched core of both young people and older adults who are disengaged from the labour market.

Given the nature of the skills shortages, and the requirement for both qualifications and experience, there is not a simple solution of matching workless people to job vacancies. Rather, for some elements of labour demand, the solution is likely to involve up-skilling those already in employment. There is also likely to be a continuing need to important labour. In the longer term, the low rates of labour market participation amongst women suggest that the potential of women to meet the skills and employment needs of the local economy is to a degree still untapped, as it is nationally.

Looking forward, the number of jobs in Cornwall is forecast to grow and the long term shift away from skilled trades, semi-skilled and elementary occupations is likely to continue as part of the move to a knowledge based economy. A number of opportunities to exploit and strengths to build upon are evident:

- The establishment of CUC and the expansion of both FE and HE which can help increase the pool of highly qualified people.
- High rates of participation in out of work learning.
- Relatively good attainment levels amongst young people at school.

If existing businesses are to remain competitive and new higher value added businesses are to be attracted to and grown locally, then it is essential that the weaknesses in the labour market are addressed. Without a step change in the skills and qualifications base of the residents of Cornwall, then the area will struggle to make significant in roads into the disparities in productivity and incomes which exist with other regions in the UK.

Efforts to move to an economy where a higher proportion of workers are higher paid and higher skilled and to develop a truly knowledge based economy across a broad range of sectors are currently being undermined by a shortage of skilled and experienced people able to take up new opportunities and assist local companies to grow.

# Chapter 3: PLACE

## People and Households

Population growth in Cornwall and the Isles of Scilly is a key issue that has been managed with mixed results to date and is set to continue; bringing with it both opportunities and challenges. Cornwall & the Isles of Scilly is now home to more than 517,500 people, an increase of 47,000 people since 1991 alone – or equivalent to two new Truros.

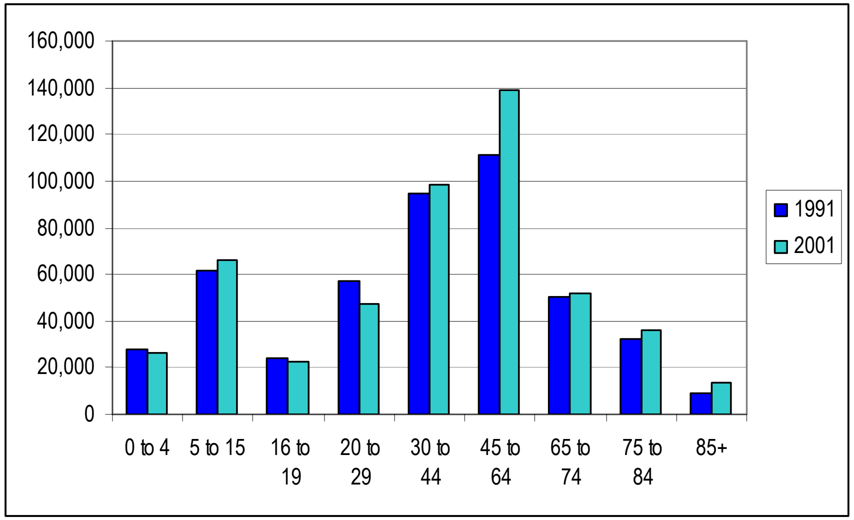
Cornwall and the Isles of Scilly has experienced one of the highest rates of inward migration in the UK outside of London, with anything from 20,000 to 25,000 people moving into the area, with about 15,000 to 20,000 leaving. Up until recently the largest net increase was in older working age people, this profile is getting younger (ONS NHSCR data). An expansion in the HE infrastructure and better job prospects, are crucial to continuing the retention and attraction of younger people.

Although the various forecasts differ in the scale of change envisaged, there is a consensus that the local population will continue to grow rapidly. In 20 years time, Cornwall and the Isles of Scilly is likely to be home to more than 600,000 people. This growth is going to consist of ongoing changes to migration flows as well as local household and population change. Cornwall and the Isles of Scilly will remain a popular destination to people relocating from other parts of the UK to take advantage of the area's lifestyle offer.

Cornwall and the Isles of Scilly's population - in line with national trends - is also getting older as average life expectancy continues to rise. Over the next 20 years, the number of retirees is projected to increase. Cornwall and the Isles of Scillymust prepare and plan for the opportunities and challenges this demographic change will present.

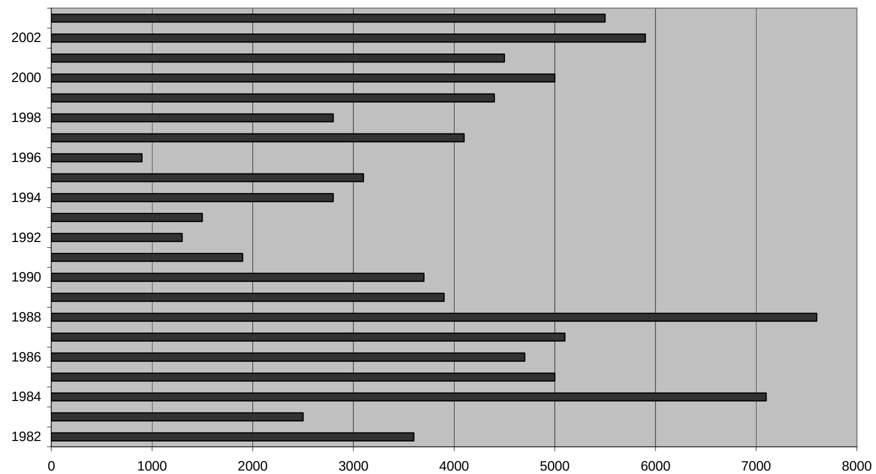
The other major change at work in Cornwall and the Isles of Scilly is the growing number of households, driven not just by more people but also by societal changes such as fewer and later marriages, and divorces. The number of single person households is set to soar, accounting for more than 1 in 2 of the extra households. The ability of the area to accommodate and harness this growth will be instrumental in addressing the weaknesses in the economy.

Cornwall and IoS Population Structure, 1991 and 2001




Source: Census 2001

Annual Population Growth



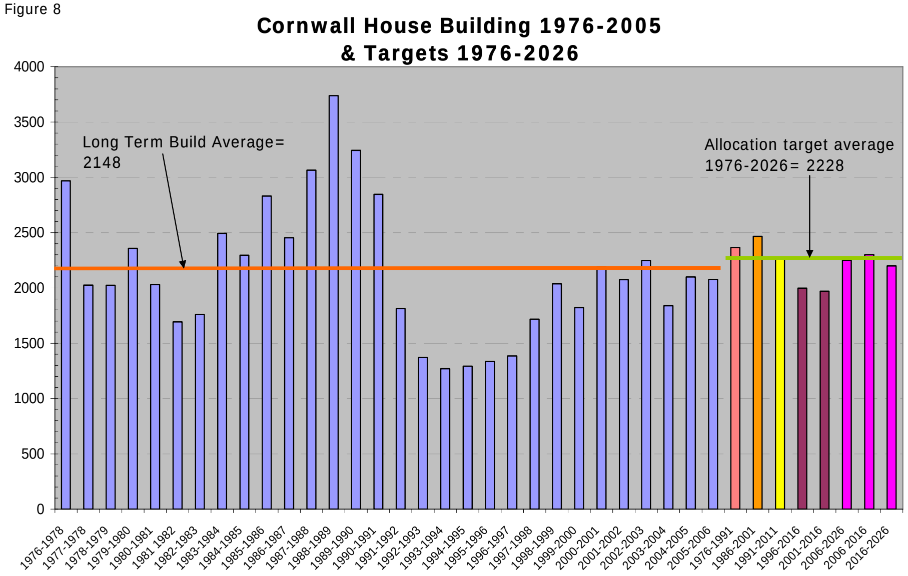
# Demographic Change & Housing

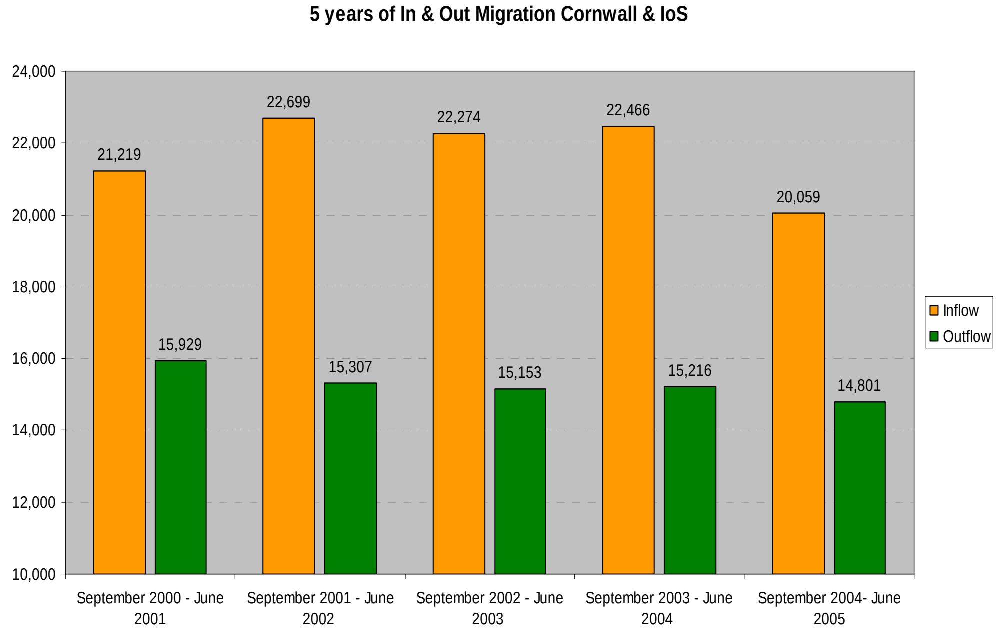
A separate study was undertaken to aid the understanding of demographic change in the context of the overall review of the evidence base. This was called Demographic Change in Cornwall (September 2006).

The key findings of this were:

- Cornwall has been growing.
- Migration patterns and flows are subject to rapid changes.
- It is difficult to see circumstances, in keeping with other key policy aims, where in migration could be significantly reduced without parallel increases in out migration.
- The positive changes in out migration flows, and the age structure of in migration will continue to add pressure on the housing market.
- The housing Market (made up of many individual smaller geographic areas) is incredibly complex. Price rises, demand and supply issues are influenced by a myriad of issues and factors.
- The evidence is mixed with regard to the relationship between in migration, population growth and housing demand and house price increases.
- Growing evidence of lifestyle, economic and entrepreneurial pressures on the existing housing market.
- It is a major challenge to understand these factors and manage growth
- House-building in Cornwall has been broadly in line with established targets

Figure 8



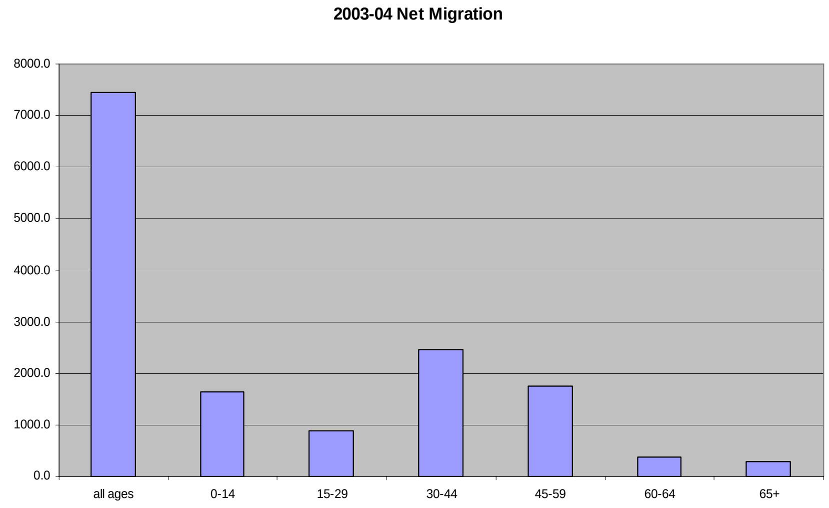
## Housing

The growth in the local population has fuelled/been accompanied by a booming housing market, with house prices now above the UK average at more than £200,000. With household incomes growing more slowly, and remaining amongst the lowest in the UK, affordability ratios have risen dramatically, making it more and more difficult for first time buyers and other residents to enter home ownership.

Part of the explanation for the boom in house prices has been the lag between housing supply and population growth. The increased number of people has consistently exceeded the assumptions used to inform the allocation of new housing through the Structure Plan, with those districts seeing the biggest population changes experiencing the highest levels of house building.

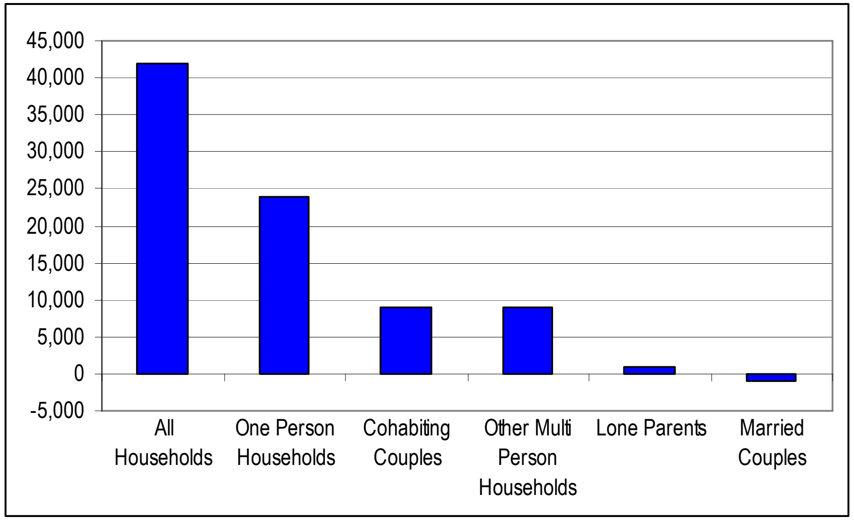
The emerging Regional Spatial Strategy identifies a net dwelling requirement of 2,250 homes per annum in Cornwall and the Isles of Scilly over the 20 years to 2026, with a focus on the growth of a core group of three areas – Truro, Falmouth/Penryn and Camborne/Pool/Redruth. Provision is made for growth in all of the districts, as part of a strategy to boost the economy, address social inequalities and improve affordability across the area.

The recent boom in house prices in Cornwall, part of which has been driven by demand for second and holiday home purchases, means that housing now plays a bigger role in influencing local growth and regeneration than ever before. Trends in house-building show established targets/allocations have been broadly met. Going forward, the provision of more market housing can potentially help to secure a more sustainable housing market, including additional affordable housing options.




Source: ONS (2006) Migration Statistics

Projected Household Growth, 2001-21



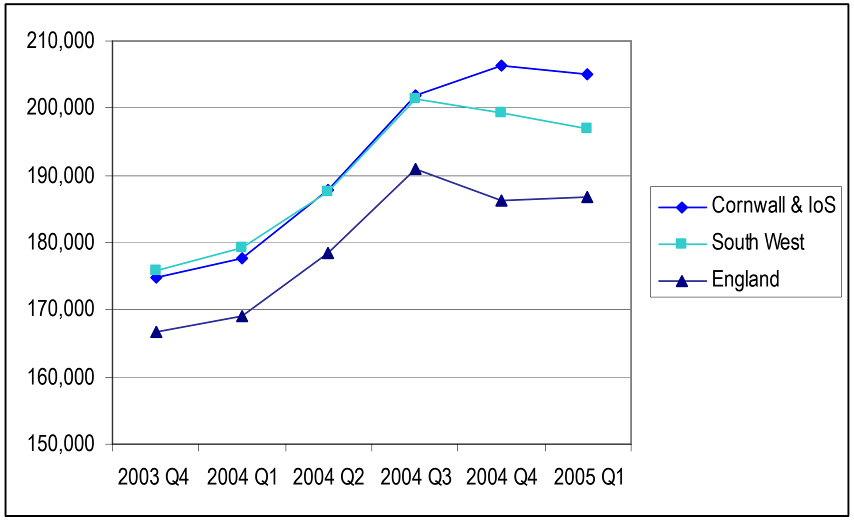

ONS Population Projections

## Policy Pointers

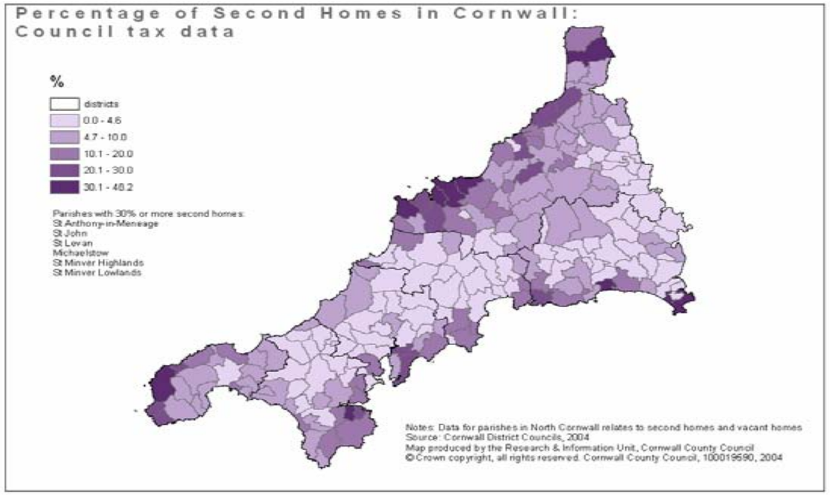
The recent reversal in the out migration of young people highlights the role which specific interventions can play (in this case CUC) in influencing demographic and economic change. Encouraging younger people to remain/return and move to Cornwall and the Isles of Scilly continues to be a challenge.

A growing and ageing population will generate significant numbers of new households in Cornwall and the Isles of Scilly over the next 20 years, which will place significant demands on the already inflated housing market. There is a need to ensure that housing allocations and other policies are sufficiently flexible to support the growth of the economy, whilst not reinforcing disparities between areas within the County.

Quarterly House Prices




Source: ODPM - SW Regional Development Agency Sub-regional indicators July 2005



## Environment

The quality of the environment is one of Cornwall and the Isles of Scilly's unique assets, generating considerable benefits for residents and providing a major draw for economic migrants and businesses to the area. Natural resources provide the bedrock of a large part of the Cornish economy, whether it is agriculture, fishing or tourism. The area also faces a number of environmental challenges, however, not least in dealing with large areas of brownfield land, much of which is the legacy of mining, china clay and other extractive activities.

The most recent comprehensive audit of Cornwall and the Isles of Scilly reinforced the breadth and depth of the area's environmental assets, including an outstanding natural, built and historic environment, large areas of which are protected through National, European and International designations. In Cornwall alone, the AONB (Areas of Outstanding Natural Beauty) covers 27% of the total area. SSSIs (Sites of Special Scientific Interest) and SACs (Special Areas of Conservation) also cover large areas of the County.

More than a tenth of Cornwall's land however is derelict, 70% of the regional total and the highest proportion of any County in England. The rehabilitation of this land for both hard and soft end uses remains a key priority in order to address both the adverse impacts and secure economic, social and other benefits.

Cornwall is at the forefront of climate change, with evidence of rising sea levels and coastal erosion posing threats to the coastal communities of Cornwall. In addition to conserving assets and addressing environmental problems, climate change, resource depletion and waste present significant challenges for the area. In some areas, such as household waste recycling, the County is ahead of the UK average, albeit there is still some way to go to reach the national targets.

### Policy Pointers

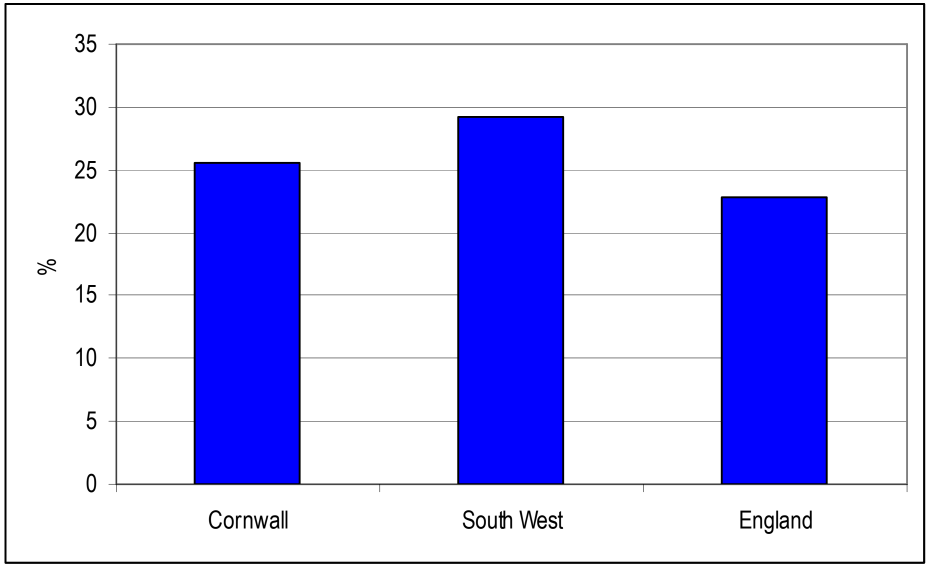
Cornwall and the Isles of Scilly's environment plays a key role in the area's economic and social well-being and there are a range of opportunities to secure greater economic benefits from, amongst other things, the growth of the environmental technology business sector. With further population and business growth anticipated, there will be a range of issues e.g. Brownfield vs. Greenfield, to be tackled to meet the aspirations and challenges of sustainable development.

Derelict and Contaminated Land Key Indicators

| Indicator | 2002 Value |
|---|---|
| Derelict land as a % of all land in Cornwall | 10% (highest in England) |
| Ha of derelict land | 3,871 ha (70% of the SW total) - 2,262 ha justifies reclamation |
| Metalliferous spoil heaps<br>Excavations and pits<br>Derelict railway land | 2,207 ha<br>757 ha<br>298 ha |
| China clay – degraded due to open cast mining | 86 $km^2$ |
| Mineral types | 440 (15% of World total) |

Source: Spatial planning, Minerals Waste Strategy, Planning, Transportation and Estates Department, Cornwall County Council in State of the Cornish Environment 2002 Baseline Edition, CCC.

Recycled Waste as a Proportion of Total Waste




Source: Cornwall County Council 2004/5

## Energy

In 2005 Cornwall and the Isles of Scilly had the capacity to produce almost 50mw of renewable energy, enough to supply 43,747 homes, and amounting to 41% of the region's total capacity. Within Cornwall, wind farms account 78% of the total renewable energy capacity. Cornwall's capacity is expected to increase further in 2006 with the construction of the 1.8MW Roskrow Barton wind cluster, which was approved in 2004.

In addition to renewable energy schemes, the County has a total of 71 heat schemes, with a current capacity of 3.43MW and the highest number of heat pumps installed, with a current capacity of 1.48MW.

More locally, both the Eden Project (which uses solar PV panels on its education centre to promote renewable energy practices) and the Regen South West's Wave Buoy, off the Cornwall's North Coast (which is measuring wave activity and may speed up the installation of the world's first wave farm) have been singled out for special praise by the DTI's top ten list of green energy projects in 2005.

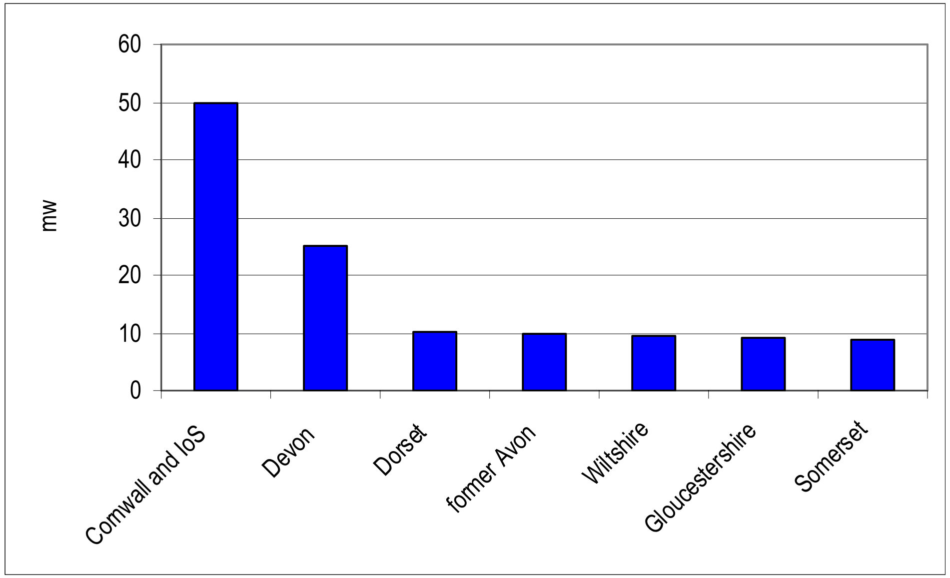
Concerning total energy consumption, in 2002, Cornwall's estimated energy bill was £579 million, of which 98% left the local economy. It is expected that due to rising energy process this bill will now exceed £1 billion.

### Policy Pointers

The Government now produces statistics for each local authority areas of the amount of $CO^2$ emission by source. Given the importance of reducing $CO^2$ emissions, while at the same time promoting sustainable economic growth, these figures pride a benchmark against which to measure future progress.

Environmental concerns will ensure that the issues surrounding sustainability are maintained as a policy making priority. However, more recent issues surrounding rising world energy prices and concerns regarding oil dependency have also promoted the sustainable agenda. Local energy initiatives, including commercial ventures such as wind farms, in addition to micro-generation facilities will held counter each of these issues, in addition to reduce the proportion of the energy bill that leaves the local economy.

Installed Renewable Electricity Capacity




Source: Cornwall County Council (2004/5), Regen South West 2006

CO2 Emissions (tonnes) 2003

| | Industry | Domestic | Transport | Land Use | Total |
|---|---|---|---|---|---|
| North Cornwall | 272 | 240 | 309 | 59 | 881 |
| Restormel | 360 | 246 | 190 | 24 | 824 |
| Carrick | 391 | 241 | 204 | 34 | 679 |
| Kerrrier | 185 | 273 | 179 | 29 | 665 |
| Caradon | 154 | 222 | 194 | 38 | 608 |
| Penwith | 95 | 168 | 109 | 21 | 394 |
| Isles of Scilly | 4 | 5 | 2 | 0 | 11 |
| Total | 1,366 | 1,395 | 1,187 | 205 | 4,062 |

## Fuel Poverty

The map of fuel poverty in the South West clearly highlights a clear pattern where individuals are at greatest risk in the South West of the Region (Cornwall and parts of Devon) and at less risk as we move towards the North East (Avon and parts of North Somerset). Within Cornwall the majority of wards fall into the above average risk category, with less than ten wards falling into the least at risk category.

On a local authority basis, the proportion of households falling into the at risk category ranges from just under 22% in Caradon to 29% in Penwith. Penwith is the only local authority area where over a quarter of households are at risk of fuel poverty; however the proportion is high amongst all areas. The total number of households at risk of fuel poverty stands at 45,500, or 24.4% of all households.

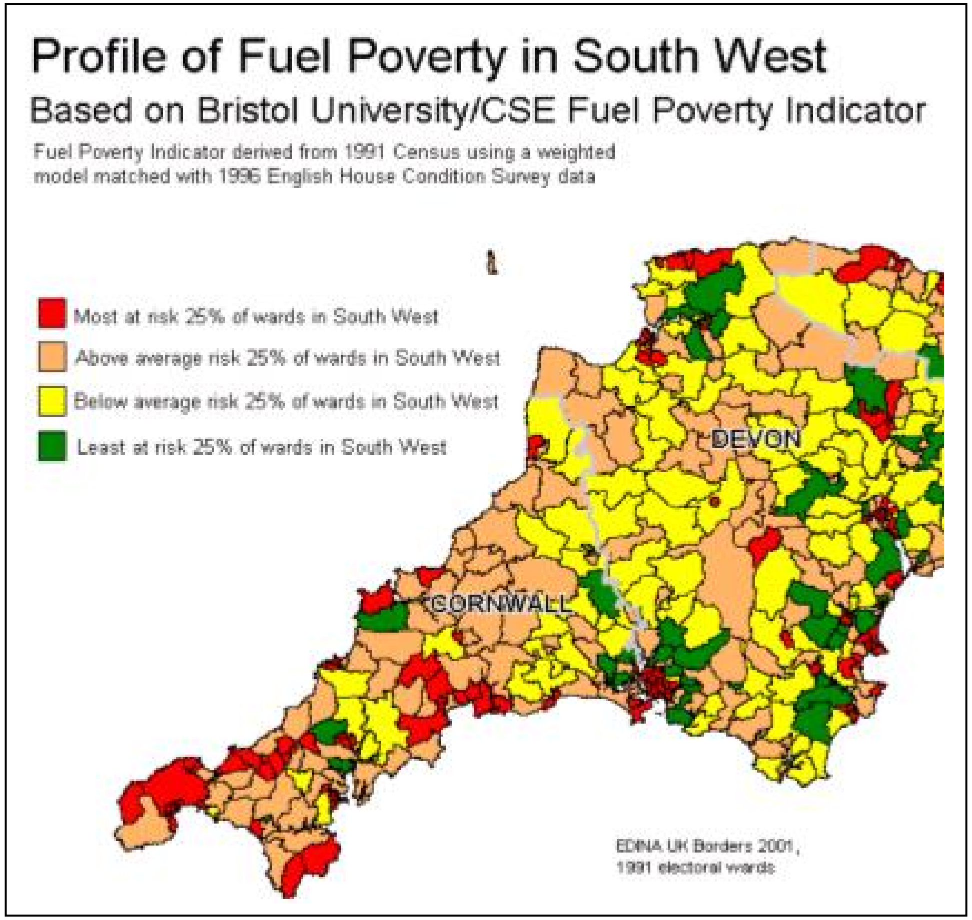
Cornish households at risk of fuel poverty, (based on 1991 Census and EHCS 1996)

| | Number of households | Number of households at risk | % of households at risk |
|---|---|---|---|
| Penwith | 24,436 | 7,099 | 29.1 |
| Kerrier | 34,707 | 8,618 | 24.8 |
| Carrick | 33,938 | 8,342 | 24.6 |
| Restormel | 33,896 | 8,343 | 24.6 |
| North Cornwall | 29,191 | 6,485 | 22.2 |
| Caradon | 30,175 | 6,602 | 21.9 |

Derived from data from CSE/Bristol University 2003

### Policy Pointers

A significant proportion of households within Cornwall are at risk of fuel poverty, and this situation is likely to be exacerbated further by the trends in world energy prices. This provides the area with an additional incentive for increasing the local generation of energy through sustainable means, and potentially creates an argument for the increased use of micro-generation.



## Quality of Life and Incidence of Deprivation

Since the current Objective One programme was developed, a much more comprehensive approach has been pursued by Government to measuring quality of life or well-being in local areas. The recent Audit Commission report identifies a comprehensive set of 45 indicators across 7 themes, some of which are dealt with more fully elsewhere in this report such as economic well being.

Unsurprisingly, Cornwall and the Isles of Scilly's scorecard is mixed, with significant inequalities on some indicators as well as variations between groups and communities within the area:

- Health – measures of infant mortality, youth pregnancies, accidents, circulatory disease and cancer are all below the national average. Life expectancy is high. Pockets of health deprivation are evident, however, in parts of Penwith and Kerrier in particular, where incidence of limiting long term illness is considerably higher than the national average.

- Housing – whilst the housing market has been booming, Cornwall and the Isles of Scilly possesses a significant number of poor quality properties in both the social rented and private sectors. In 2003, 8% of homes were considered unfit compared to 5% in the South West as a whole.

- Availability of facilities and services: more than a third of residents consider that facilities for young people have worsened in the past 3 years, whilst 1 in 5 think that sports and leisure facilities have not improved. Satisfaction with the County's parks and open spaces is much higher, although still below other counties in the South West.

The 2004 Index of Multiple Deprivation (IMD) provides a snapshot of the economic and social well being of Cornwall and the Isles of Scilly across a basket of indicators. Overall, the area is ranked at the mid point of the local authorities in England (75th out of 148), although this hides significant internal differences – Penwith is amongst the 20% most deprived of districts nationally and is the most deprived local authority area in the South West region, whereas Caradon is ranked outside the worst 50%.

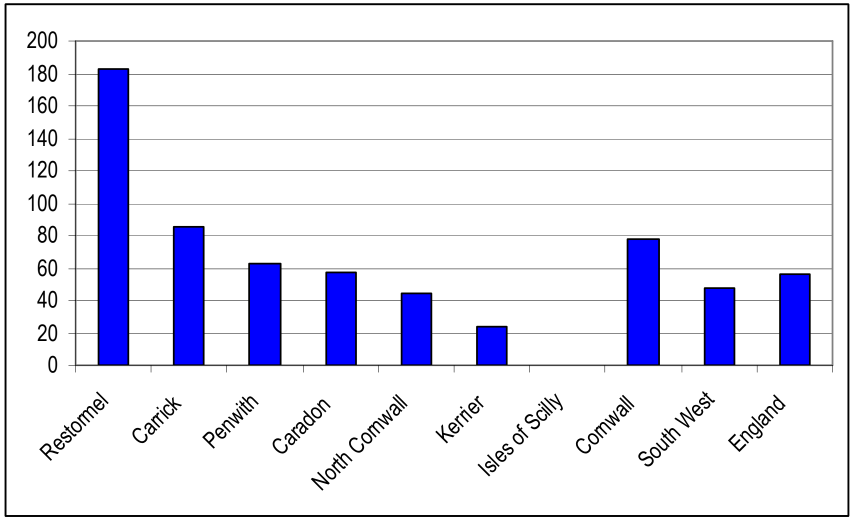
The overall IMD rankings mask considerable differences on each of the domains, reinforcing some of the key challenges facing the County:

- 1 in 5 of Cornwall's "super output areas" (SOAs - statistical areas smaller than wards) are ranked in the 15% most income deprived areas in England.

- Employment deprivation which captures all of those not in work, not just those registered as unemployed, is most severe in Restormel and Penwith.

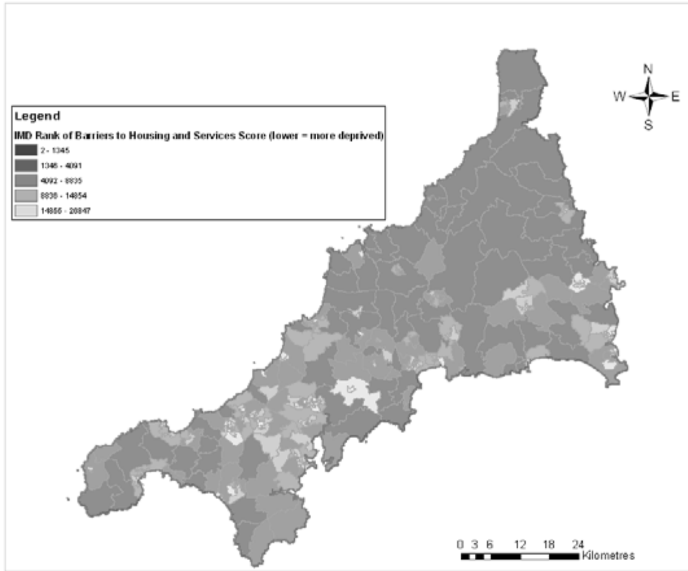


Number of Unfit Homes per 1,000 Dwellings




Source: Office of the Deputy Prime Minister/Housing Investment Programme 2003

Distribution of Housing Deprivation



On health deprivation, the area's rankings are good relative to the other domains, reflecting lower than average mortality rates. Incidence of the major diseases has, however, increased since 2000.

- The Barriers to Housing and Services domain (which captures indicators such as distances to key facilities such as a post office) shows a worsening position with more than half of the area's SOAs ranked in the 20% most deprived in England. The loss of services and facilities in many rural communities as well as the worsening of housing affordability ratios. Particular problems are evident in North Cornwall where 4 SOAs are within the 1% most deprived nationally.

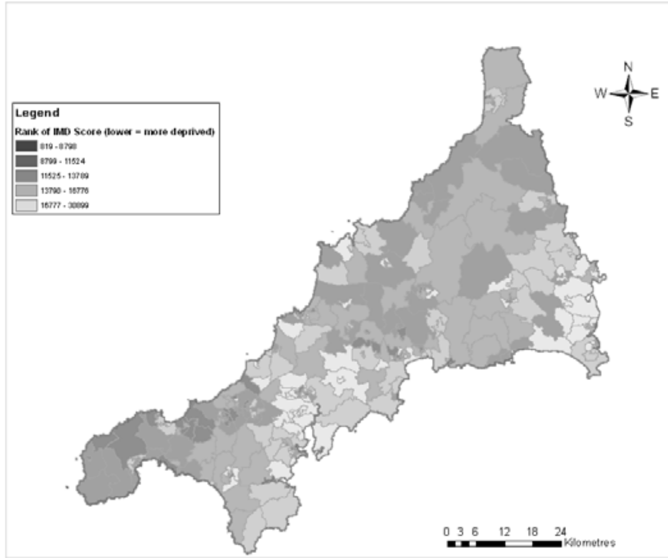
Although not directly comparable, the relative position of the Cornish districts has by and large improved between the 2000 and 2004 rankings – only North Cornwall is ranked as being more deprived in 2004 than in 2000. Whilst this is positive in principle, the rankings reinforce the east-west split within the County, with the most severe disadvantage found in Penwith, followed by Kerrier and Restormel.

## Policy Pointers

The latest IMD rankings reinforce the spread of deprivation across the County, with particular concentrations in West and North Cornwall. It will be important to ensure that interventions to secure new growth and investment are complemented by support measures so that all of the County's communities benefit and disparities narrow rather than widen.

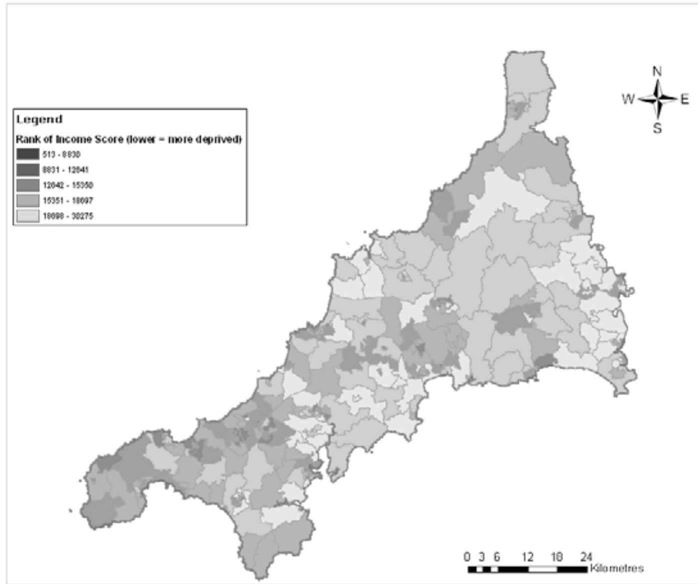
This will include targeted interventions at those parts of the County where levels of deprivation are high, and where intensive efforts are needed to address what are long standing and deep seated issues of social and economic exclusion.

### Distribution of Overall Deprivation






### Distribution of Income Deprivation



# Transport

## Air

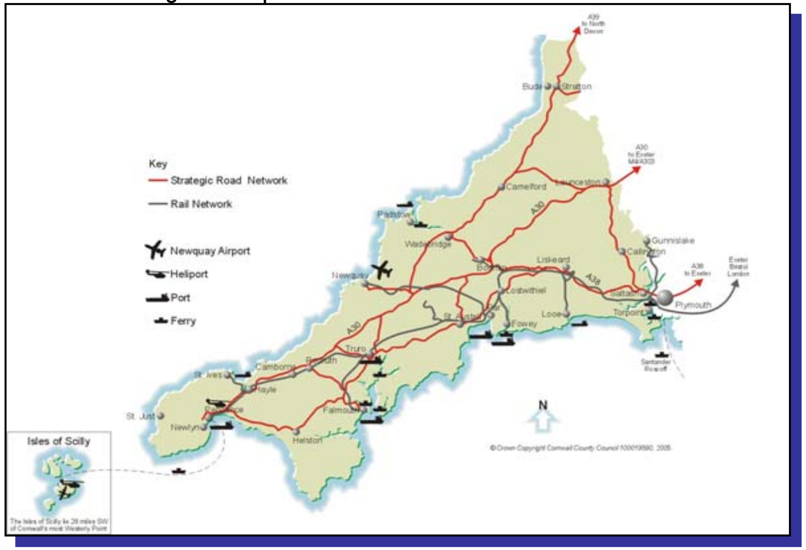
Newquay Airport is Cornwall's primary external link, providing connectivity for businesses, visitors and residents. The airport has grown rapidly in recent years and in 2004 handled approximately 280,000 passengers. Nine UK destinations are now served by three airlines, with the greatest number of passengers on the route to London Stansted currently provided by Ryanair. Given Cornwall's peripheral location and the extended journey times to reach the County by road or rail from outside the South West, the growth of the Airport has provided a major boost to Cornwall's image and helped develop new commercial and tourism opportunities.

The provision of a number of scheduled passenger services is a relatively recent phenomenon at a facility which has a well-established RAF base. Future operation of the airport is currently being reviewed following the decision of RAF St. Mawgan to withdraw airside facilities and commercial operations and an Airport Development Fund has been set up to help generate the required levels of investment. A range of ownership and management options are being explored as part of the review.

Newquay Airport is now a key economic driver in the County, with the potential to handle at least 1.2 million passengers per annum in 20 years time. It is currently estimated that the Airport directly and indirectly supports 610 jobs in the Cornish economy and makes a contribution to GVA of £18.2m per annum, excluding benefits from military personnel and civilian jobs at RAF St. Mawgan.

| Policy Pointers |
|---|
| Given the predicted growth in air travel, the retention and development of the Airport for commercial services is a critical element in the strategy to re-orient the Cornish economy. Elsewhere in the UK, Airports are now key drivers of regional economies and the growth of Newquay Airport can generate substantial direct and indirect benefits in the medium to long term. The Airport is integral to improving the image of the County as a visitor and business destination. |

Cornwall Strategic Transport Network




Source: Crown Copyright Cornwall County Council 100019590. 2005

Newquay Airport Masterplan Forecasts

| Sector | Route | Service Type | 2010 | 2020 | 2030 |
|---|---|---|---|---|---|
| International Scheduled | Dublin | Small Regional | | | |
| | | Large No Frills | 76,905 | 113,648 | 170,123 |
| | Cork | Small Regional | 23,660 | 35,023 | 51,842 |
| | Frankfurt | Large No Frills | | 104,418 | 123,833 |
| Domestic Scheduled | Stansted/Luton | Large No Frills | 171,071 | 253,227 | 374,838 |
| | London | Small Regional | 60,153 | 69,888 | 69,888 |
| | Isles of Scilly | Small Niche Existing | 23,687 | 35,062 | 51,901 |
| | Scotland | Regional | 20,360 | 46,005 | 68,099 |
| | | Regional | 19,577 | 44,236 | |
| | Belfast | Large No Frills | | | 70,809 |
| | Northern England | Large No Frills | 48,807 | 72,246 | 106,942 |
| International Charter Outbound | Palma | Charter | 26,366 | 35,931 | 49,296 |
| | Tenerife | Charter | 16,625 | 22,276 | 29,945 |
| | Lanzarote | Charter | 6,480 | 20,498 | 30,342 |
| | Las Palmas | Charter | | 16,848 | 24,939 |
| Charter Inbound | Austria | Existing Charter | 1,974 | 2,922 | 4,325 |
| Total | | | 495,664 | 872,229 | 1,227,122 |

Source: Newquay Cornwall Airport Master Plan Variant Statement 2005

## Rail

Travel by rail into and within Cornwall has expanded significantly over the past decade with an extra 1 million trips in 2004/5 in comparison to 1996. Rail accounts for only 4% of passenger trips in the County, however, reflecting in part the limited coverage of the rail network – there is only one main train line through the County, with five branch lines from it serving Gunnislake, Looe, Newquay, Falmouth and St Ives.

The main line provides an important strategic link to the rest of the UK, particularly Plymouth, Bristol and London, and services are generally well utilised in spite of the long journey times. Whilst the growth in passenger numbers in the County has been positive, this increase corresponds to the trend nationally. Rail patronage continues to be constrained by a history of under-investment in the core infrastructure, long journey times, and infrequent and sometimes unreliable service provision. Given further improvements, there is potential for the rail network to account for a larger share of passenger trips, particularly between the key towns, thereby alleviating some of the congestion on the County's roads.

## Road

The rural and semi-rural nature of much of Cornwall means that the County's roads take the strain for the bulk of trips. With a patchy bus network, car usage has been growing, both amongst residents and by visitors to the County.

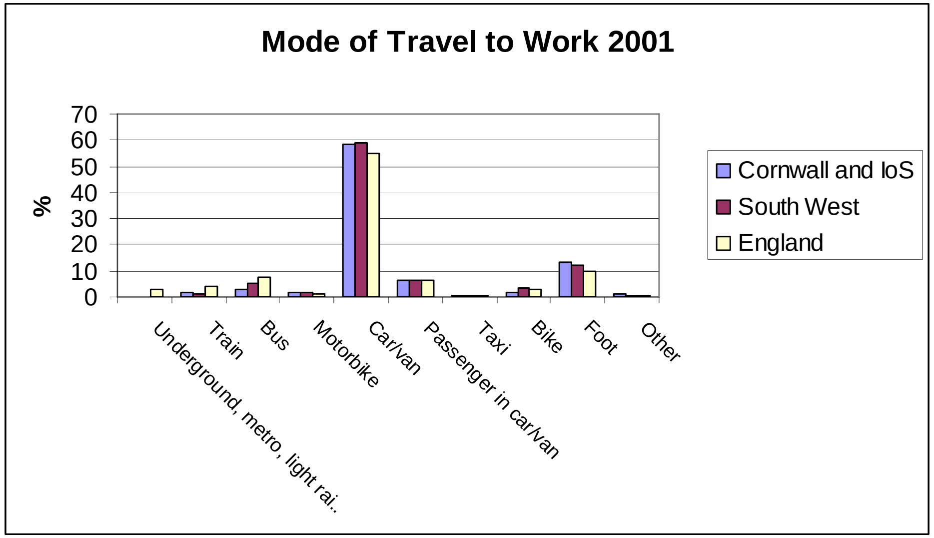
There are now 66% more vehicles located in Cornwall than there were 20 years ago, and the number of multiple car households has shot up. Whilst this growth is partly explained by the increasing population, it also reflects changing lifestyles and the weaknesses in the County's public transport networks. The growth in car ownership has not been uniform across the County, however, with low incomes contributing to low levels of car ownership in some communities. Transport inequalities appear to be growing rather than narrowing.

Congestion has worsened considerably on Cornwall's roads, with unsurprisingly, large seasonal variations resulting from the 5 million visitors the County now receives annually, the vast majority of whom arrive by road. As well as the strategic roads such as the A30 being increasingly affected by congestion, the growing number of vehicles is also adversely impacting on access to Cornwall's key towns, employment sites and visitor destinations – travel to work distances in Cornwall are significantly higher than the UK or even South West average. Measures to increase public transport patronage and restrain the growth in car usage are essential as part of a sustainable transport strategy for the County.

Rail – Total Trips 2004/5

| | Origin | Destination |
|---|---|---|
| Truro | 245,000 | 469,000 |
| Penzance | 205,000 | 200,000 |
| St. Austell | 151,000 | 124,000 |
| Liskeard | 167,000 | 66,000 |
| Redruth | 138,000 | 81,000 |
| St. Ives | 60,000 | 160,000 |
| Bodmin | 86,000 | 72,000 |
| Falmouth | 40,000 | 46,000 |
| Newquay | 17,000 | 67,000 |
| Looe | 34,000 | 42,000 |

Source: Cornwall County Council 2005

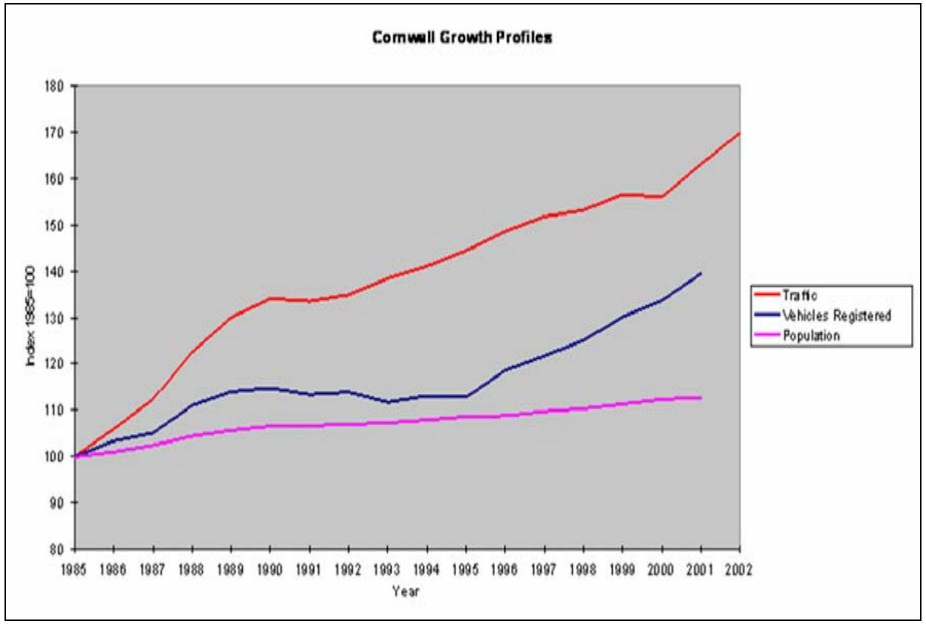



Source: Census 2001

Ports & Harbours

Cornwall has a wide range of ports. The major ones are located at Fowey and Par (serving the china clay industry), Falmouth, the 3rd largest natural deep water harbour in the world, (marine industry, ship repair and freight handling), and Truro (freight handling). Other secondary ports include Penzance, with its important sea connections to the Isles of Scilly, Newlyn, the principal fishing port, and Hayle, Looe, Padstow, Mevagissey, Newquay and St Ives being locally significant for the fishing and marine industries. These and other smaller harbours, important in the past for fishing, are now more of a focus for local tourism from both land and sea visitors. Cornish ports handling freight can play an important role in the development of a sustainable freight solution. The port of Fowey is the fourth most important port in the South West region in terms of freight handled, with over 1.5 million tonnes of port trade. Fowey is particularly significant in European terms, as one of the ports identified as part of the transport “Trans European Networks” (TENs). Par Docks handles over 0.6 million tonnes. The port of Falmouth handled about 1.00 million tonnes, mainly consisting of imported petroleum products. The port of Truro, although a smaller operation, handles over 50,000 tonnes per year and is looking to expand. Government and EU policies are encouraging short sea shipping solutions.

At present, the only public service by sea from the mainland is the service to the Isles of Scilly that operates for freight throughout the year from Penzance and for passengers in the summer months.
There has also been a significant expansion in the number of cruise liner visits to Cornish Ports (Fowey, Falmouth and Penzance) with Falmouth becoming the 4th most popular UK cruise destination, reflecting the new tourism attractions (National Maritime Museum, Tate St Ives and Eden Project) and Cornwall’s changing tourism market.




## Policy Pointers

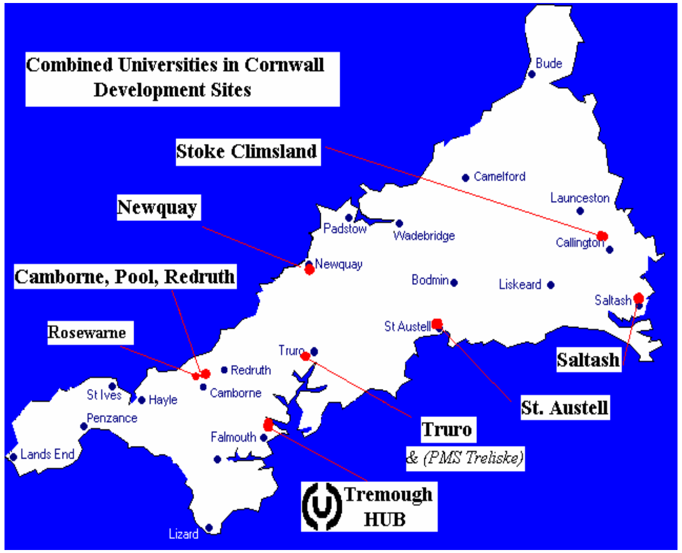
The growth in population and economic activity envisaged over the next decade or so will place increasing pressure on the local transport infrastructure. A range of solutions are required in order that congestion does not significantly worsen, and that public transport becomes a more attractive and sustainable way of accessing employment and services around Cornwall and the Isles of Scilly. The scale of population, household and employment growth indicate that the internal moment of people and goods is a high priority for the County.

## Strategic Infrastructure

### Higher Education

The lack of a major HE institution in Cornwall has historically been a major brake on the area's growth – resulting in the out migration of educated young people, contributing to poor workforce skills and holding back the growth of knowledge based industries. As the analysis of the County's competitiveness identifies, growing more knowledge based businesses is key to creating more sustainable jobs and incomes.

The Combined Universities in Cornwall initiative is seeking to deliver a step change in HE provision in the County, and become a key driver for growth and regeneration. Being established in two phases, the Initiative involves the creation of a 'hub' campus at Penryn and new or improved HE facilities at a dozen of Cornwall's further education colleges (see map right), and will cost £623 million up to 2025.




Phase 1 has now been completed and has delivered a step change in academic provision and enhanced the County's research base and links between academia and business through incubator space, knowledge transfer and graduate placements.

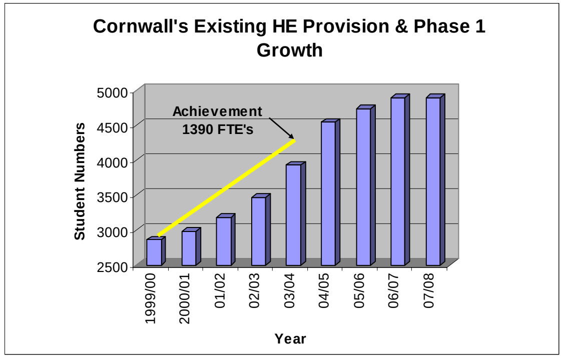
Around 430 new teaching and support jobs have already been created as a result of the CUC initiative. In the longer term, the Phase 2 element is estimated to generate 2,480 jobs and £120m of GVA, excluding the benefits from incubation, knowledge transfer and other activity. The recent reversal in the net out migration of young people from Cornwall is being linked partly to the CUC initiative.

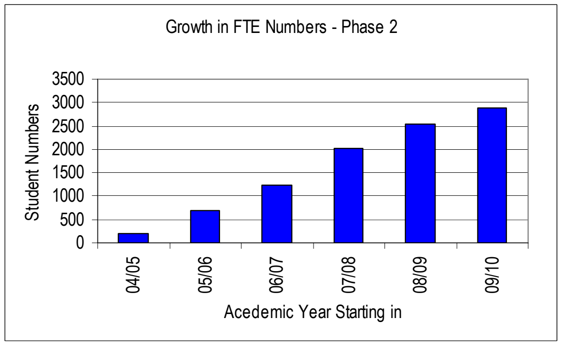
### Further Education

There are three main providers of FE within the county with over 8000 full time students: the Cornwall College group, (with centres at Camborne, St Austell, Saltash, Falmouth, Stoke Climsland and Rosewarne), Penwith College, and Truro College. Alongside the developments in the HE student provision, research capacity is also being enhanced, particularly in the creative (Falmouth College of Arts) and environmental technologies (Camborne School of Mines), but also in the other emerging sectors and research fields. To ensure that business benefits flow from the CUC partnership, a business outreach co-ordination service is being established. There is a need also to focus high growth knowledge intensive business activity in new innovation and Incubator Centres and Science Parks.

### Policy Pointers

The CUC initiative has already begun to have a positive impact on the Cornish economy, through both increasing learning opportunities and also enhancing the area's research base and business/academic links. In the medium term, CUC can provide a key source of knowledge based activity and help to attract and retain people and businesses locally. The development of networks and engagement with businesses will be critical to maximising the benefits of the capital investment being delivered through Phases 1 and 2 of CUC. In the longer term, however, additional mechanisms for delivering HE provision within the County may be developed, perhaps in unison with the CUC. The CUC will provide substantial benefits to Cornwall and the Isles of Scilly, but this does not mean that the Country cannot strive for a 'University of Cornwall' in the longer term.




*Source: CUC (2004) Phase 2 Business Plan*

## Sites and Premises

Over the past five years, a number of developments, some of which have been supported by the Objective One programme, have begun to address the mismatches in demand and supply for high quality sites and premises in Cornwall and the Isles of Scilly. Of the total stock of employment land, it is estimated that 60% is occupied. The majority of this land is in Restormel (150 ha), North Cornwall (135 ha) and Kerrier/Camborne, Pool and Redruth (101 ha). Approximately 50 out of the 577 hectares has been developed but is vacant.

In addition to the existing commercial land, a further 62 hectares of land is serviced with planning permission and 23 hectares is allocated as un-serviced without planning permission. A total of 135 hectares has been allocated as employment land, the majority of which is in Kerrier/ Camborne, Pool and Redruth (52 ha) and Restormel (37 ha).

Recent studies have shown demand amongst businesses in a range of sectors for accommodation, although the market has not yet grown sufficiently to witness substantial private or speculative investment. Much demand is perceived as latent and there is a belief that public sector intervention is required to support new development. There are increasing examples of successful speculative developments, such as Tolvaddon Energy Park in Redruth.

As well as growing overall, the type of accommodation being sought is evolving. A snapshot of 1 month of property enquiries during 2005 showed a majority of enquiries were for office rather than industrial space, with almost half coming from RES priority sectors – IT, software, business services and creative industries.

A comprehensive audit is currently being completed of available sites and premises. In addition a demand assessment is being prepared, which will include the results of economic model based land and premises forecasts, These two stages will be combined in a gap analysis. This research will provide the context for the development of a specific Sites and Premises strategy, and an appropriate delivery plan.

| | Penwith | Kerrier / CPR | Carrick | Rest'mel | North Cornwall | Caradon | Cornwall |
|---|---|---|---|---|---|---|---|
| Occupied/developed | 40 | 101 | 81 | 150 | 135 | 70 | 577 |
| Vacant developed | 3 | 8 | 9 | 4 | 4 | 22 | 50 |
| Under construction | 0.0022 | - | - | 0.6 | 2 | - | 3 |
| Serviced land with PP | 5 | - | 13 | 16 | 12 | 16 | 62 |
| Accessed with PP[1] | - | - | - | 6 | - | - | 6 |
| Un-serviced with PP | - | - | 10 | 4 | 9 | - | 23 |
| Serviced without PP | - | - | - | - | - | - | 0 |
| Accessed without PP | - | - | - | 0.6 | 12 | - | 12 |
| Un-serviced without PP | - | - | - | 0.5 | 7 | - | 7 |
| Allocated | 9 | 52 | 18 | 37 | 19 | - | 135 |
| TOTAL | 57.0022 | 161 | 131 | 218.2 | 200 | 108 | 875 |

### Policy Pointers

Whilst recent investments have begun to tackle the shortage of high quality sites and premises in Cornwall, there remains an unmet demand for high quality accommodation of a range of types and sizes. Market conditions are such that in the vast majority of locations, however, development will not come forward without an element of pump priming from the public sector. Further consideration needs to be given to the public sector sharing risks and rewards in terms of development, rather than merely continuing to provide subsidy. In a growing economy, the levels and scale of public sector intervention should be diminishing.

Meeting the needs of micro and other growing businesses remains a key priority, and further research to establish the scale of demand and best means of stimulating supply would be useful in preparing for the new Convergence Programme.

## Rural Areas

### Rural Classification

Cornwall is predominantly rural in nature. Based on the DEFRA classification of urban and rural areas, only Kerrier is classified as having as 'urban population'; accounting for 43.1% of its total population. However, all of the Local Authority areas, besides the Isles of Scilly have large market town populations, ranging from 13% in Kerrier to 55% in Carrick.

Excluding Large Market Towns, rural areas still account for a significant proportion of the County's population, ranging from 44% in Kerrier to 100% of the population of the Isles of Scilly. These figures compare to 34% for the South West and 19% across the UK. The rural population is predominantly located in rural towns or villages; however a sizable proportion of the population is classified as 'dispersed'. For Cornwall this ranges from 10% (Kerrier), to just over 20% of the total population (North Cornwall). The dispersed population of the Isles of Scilly is broadly in line with the regional average (6.8% and 6.4% respectively), however is a reflection of the high proportion of the population that reside in villages (93.2%) and may be a reflection of the area's land constraints.

### Summary of Rural Cornwall

The Cornwall and the Isles of Scilly Rural Economic Strategy (2003) highlighted some of the key contributions that rural Cornwall can make to the overall economy, in addition to highlighting the areas key challenges. It notes that:

- There is a predominance of micro-businesses (less than 10 employees) throughout Cornwall and the Isles of Scilly, in large part reflecting the number of life-style businesses. However, despite studies suggesting that there is a willingness to grow amongst these sorts of businesses, many operate below the VAT threshold level and do not expand above this.
- Agriculture is the predominant land use within Cornwall, with almost 80% of the Cornish land area being farmed (including woodland, predominantly grassland for grazing).
- Tourism plays a major role in the Cornwall and Isles of Scilly economy, however the employment it generates is often seasonal and lower paid.
- Declining employment in the land based industries has had a large impact on rural communities, whose economies have historically relied heavily on these sectors. The recent emergence of other industries in rural areas, such as business services, is helping to create diverse local economies, however these business do not necessarily contribute to local employment, by often employing people from other areas.

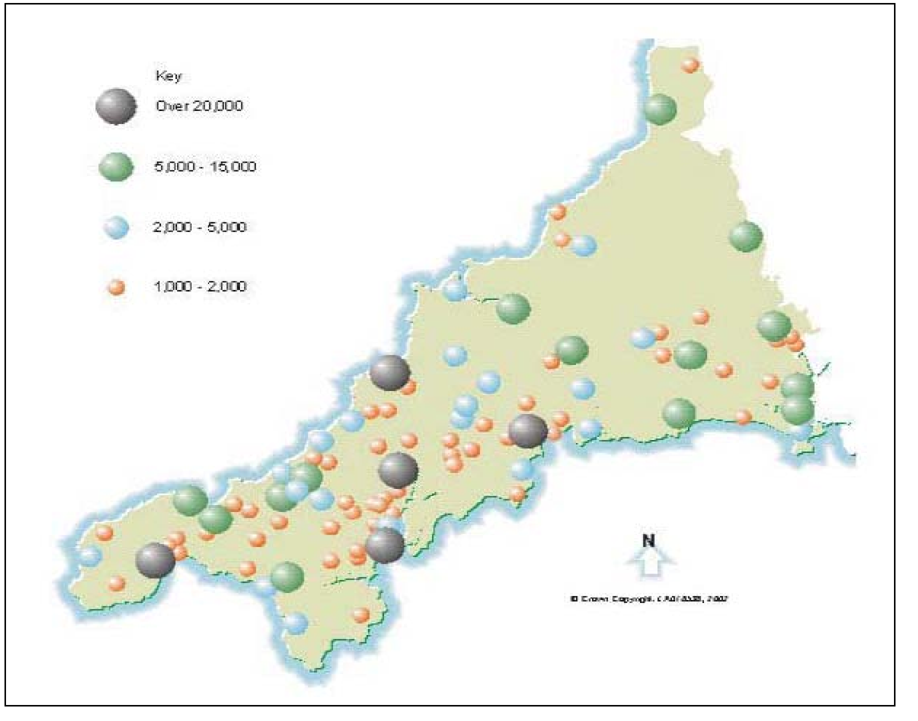
The Cornish Population, by defra rural classifications

| Name | Total Pop (000s) | Total Urban Pop | Large Market Town Pop | Rural Town Pop | Village Pop | Dispersed Pop | Total Rural (excluding Large Market Towns) |
|---|---|---|---|---|---|---|---|
| Isles of Scilly | 2.1 | 0.0% | 0.0% | 0.0% | 93.2% | 6.8% | 100.0% |
| North Cornwall | 80.8 | 0.0% | 15.9% | 31.2% | 32.7% | 20.1% | 84.1% |
| Caradon | 79.7 | 0.0% | 17.8% | 42.8% | 25.3% | 14.1% | 82.2% |
| Penwith | 63.1 | 0.0% | 32.2% | 32.7% | 21.5% | 13.6% | 67.8% |
| Restormel | 95.5 | 0.0% | 44.0% | 27.5% | 17.7% | 10.7% | 56.0% |
| Carrick | 87.8 | 0.0% | 54.5% | 12.2% | 22.5% | 10.7% | 45.5% |
| Kerrier | 92.5 | 43.1% | 13.3% | 11.8% | 21.7% | 10.1% | 43.6% |
| South West | 4,928 | 50.6% | 15.3% | 13.9% | 13.8% | 6.4% | 34.1% |
| England | 49,142 | 73.1% | 7.6% | 9.1% | 7.2% | 3.1% | 19.3% |

*Source: DEFRA*

N.b. People living in the Large Market Towns are defined as Urban in the Rural Definition. For the purposes of classifying Local Authorities these towns are considered to be Rural.

Settlement Size



## Cornwall Towns Study

The Cornwall Towns Paper covers 18 towns and 12 Travel to Work Areas (TTWA), which vary widely in size. For example, the towns' populations range from 7,137 in Launceston to 45,749 in the urban area of Camborne, Pool, and Redruth. In total the 18 towns account for 140,000 jobs (including 120,000 employee jobs), almost two-thirds of the county total, with almost 50,000 people living outside of the towns work within them. While Camborne, Pool, and Redruth is the largest 'urban area' as defined by population, Truro is the largest area in terms of employment.

There are six towns within Cornwall with a population of over 20,000, which reflects the peripheral and rural nature of Cornwall. These towns (Truro, Camborne/Pool/Redruth, St. Austell, Falmouth-Penryn, Penzance, and Newquay) are distinctly larger than the other settlements, and this is reflected in the size of these towns' economies and the roles and functions they accommodate. These towns tend to include particular concentrations of population-driven functions such as retail, education, health, public administration.

### Specialisms

Taken as a whole, the 18 towns are a focus of manufacturing industries, which accounts for 13.1% of total employment across the towns. The towns are also a focus for distribution and retailing, with retailing accounting for one in six of all jobs within the towns. The towns are not, however, a focus for banking, finance and business services, with a greater proportion of employment in this sector being in the rural areas. The sector employs less that 8% of the Cornwall and Isles of Scilly economy, and is weighted to activities such as 'real estate', which has a greater rural representation.

Truro is a major centre for health employment, with 40% of the town's employment being in the education and health sector. Some of the towns reflect their coastal resort and tourism status; for example over one-third of Newquay's employment is in the Hotels and Catering Sector, and Falmouth-Penryn also has strong representation in this sector.

### Employment Flows

Few of the towns can be considered to be 'self contained', however employment flow data does illustrate an aspect of self-containment within each of the towns. Truro is particularly strong in drawing employment into the town, with an economy much larger than any other Cornish town, relative to its population. Other towns that are strong in attracting employment include Penzance, Bodmin, Falmouth-Penryn, Launceston, Helston, and Bude, however in some instances the large inflow reflects the small population base, not the size of the economy.

### Strategic Issues

The following are key issues common to each of the towns:

- The towns have witnessed employment growth, and positive changes regarding diversification, stability, and increasing earnings.
- There is now concern over the tightness of the labour markets, with employers and agencies reporting increasing difficulties in filling 'hard-to-fill' vacancies.
- The Cornish towns have relatively low skills levels, impacting on the town's potential for growth.
- There are issues to address in most of the town centres, evident through either regeneration programmes or proposals, which often includes problems regarding traffic congestion. Across the towns more widely, there are issues concerning the availability of suitable sites and premises to accommodate employment growth.
- Given the low levels of 'self-containment', much of the Cornish Workforce travel by car to work, with environmental considerations. Increasing the degree of self-containment may generate environmental improvements.
- While a few of the towns are regarded as having strengths in the areas of productivity, innovation and enterprise, this has not yet translated to robust improvements to the local economy. In addition these strengths, particularly in manufacturing, may be vulnerable to decline.

These issues were again reiterated as future policy issues facing the towns.

### Forecasts

The Cambridge Econometric forecasts predict a net growth of 31,083 jobs between 2006 and 2026, representing an increase of 22% on the current stock of 140,269. This increase would generate an additional £1.438bn annually.

Employment is forecast to decline across all of the primary and secondary production sectors, besides the Printing and Publishing. Overall the towns have a focus of employment in manufacturing, but in particular, this will affect Bodmin, Camborne, Redruth, St Austell, and Falmouth.

The growth sectors are predicted to be the service sectors, including Distribution, Retail, Hotels and Catering, Professional Services, Education, Health, and miscellaneous services. The will benefit Truro particularly, which is well represented in each of these sectors.

The employment forecast (2006-26) illustrate that while the largest quantities of growth are to be found in the larger towns, only Truro and Newquay are expected to see employment growth that exceeds the Cornwall average of 22%.

Forecast Employment Growth, 2006-26

| | Absolute Increase | Proportionate Increase |
|---|---|---|
| Truro | 7,167 | 26% |
| Camborne, Pool, Redruth | 4,415 | 20% |
| St. Austell | 2,738 | 18% |
| Newquay | 2,525 | 26% |
| Falmouth-Penryn | 2,449 | 19% |

*Source: Cornwall Towns Study Issue Paper, August 2006*

However, it is notable that a number of the mid-sized towns provide the highest proportionate rates of growth.

Forecast Employment Growth, 2006-26

| | Absolute Increase | Proportionate Increase |
|---|---|---|
| Bude | 1,440 | 36% |
| Hayle | 646 | 26% |
| Halston | 1,055 | 27% |
| Liskaerd | 1,277 | 30% |
| Saltash | 1,294 | 24% |
| Torpoint | 623 | 29% |

*Source: Cornwall Towns Study Issue Paper, August 2006*

The towns with large manufacturing bases are expected to show lower than average employment growth over this period. In particular, Bodmin is forecast to lose over 1,000 manufacturing jobs over the period 2006-26, this caps the net growth of jobs to 688, or 7% over the 20 year period.

## General Issues

It is predicted that the future economies of the Cornwall Towns will be extensively be based on distribution, retail, business services, education, health, and miscellaneous services, with the towns experiencing a consequent decline in manufacturing sectors. In general the towns are well placed to accommodate these sectors, however a number of factors must be taken into consideration. A summary of these issues are highlighted below.

- Some of the larger towns are traditionally based on manufacturing industries and it will be important to consider whether measure can be taken to redress the possible decline in manufacturing industries, and to position the towns more effectively for service based sectoral growth. This issue will particularly affect Bodmin, in addition to Camborne, Redruth, and St Austell.
- The towns, in particular Truro, currently suffer from low skills and an increasingly tight labour market. These issues may constrain growth in important sectors and increase the problems associated with commuting and congestion as more labour is drawn from other towns; which in turn will effect the potential growth of the surrounding towns. Consequently, there is a need to attempt to balance employment and workforce at the town level.
- The challenge posed by the potential for congestion to increase will adversely affect the ability of businesses to recruit enough staff with appropriate skills, restrict business contact with suppliers and customers, and adversely affect the ability to deliver goods and services effectively.
- In the face of restructuring, there is a need to ensure higher skills levels in the towns, to ensure the employability of residents and to maximise the ability of the local economies to take advantage of opportunities for growth in employment and output.
- There is a clear need for the better availability of sites and premises, particularly premises that serve the sectors of distribution, retail, hotels and catering, office based employment, education and health.
- There is an identified need for appropriate town centre improvements that provide the range of sites and premises demanded and a suitable environment and setting for business growth.
- Some towns, notably St. Austell, require improved strategic transport links in order to benefit from economic growth.
- The combination of sectoral change and the availability of suitable communications infrastructure and site and premises in rural areas may affect the balance between the towns and rural areas. The need to balance employment and housing between towns and the other areas needs further consideration.

## Towns and Settlements

### Overview

In the absence of a larger urban area, a group of towns act as key centres for employment, retailing, service use and social activity in Cornwall. Comprising 44% of the County's population and more than half of its employment, these towns will provide a key focus for achieving sustainable regeneration in the future.

The key towns and their relative significance are:

- Regional Strategic Significance – the network of Truro, Camborne-Pool-Redruth, Falmouth-Penryn;
- Sub-Regional Significance – St Austell, Newquay, Penzance
- Local Service Centres – Bodmin, Wadebridge, Helston, St. Ives, Launceston, Liskeard, Bude. Saltash and Torpoint.

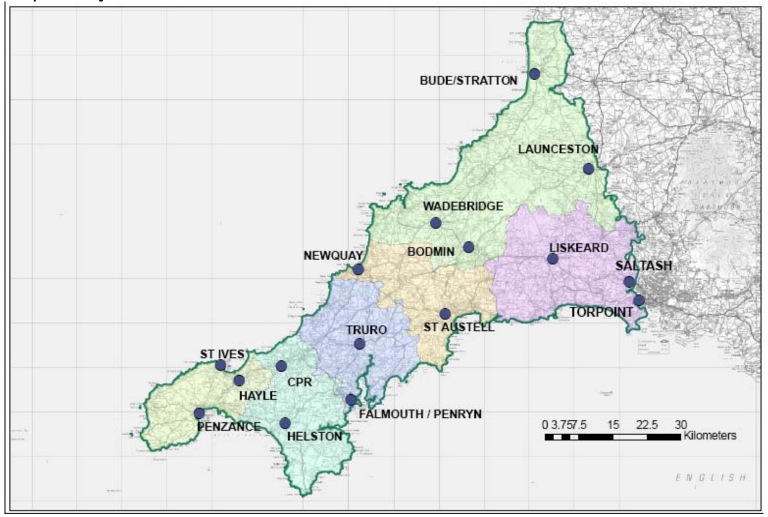
Each town has a distinct set of characteristics, functions and opportunities. These were explored in a recent major assessment, the Cornwall Towns Study[17], the conclusions of which are informing the emerging RSS and LDFs (Local Development Frameworks) for each of the six districts.

Whilst the County has seen a significant population increase overall, this growth has not been experienced in all of its key towns. The three strategic centres and Newquay have all seen their populations rise substantially in the past decade; a much more static picture is evident in St Ives, Bude and Bodmin. Whilst growth has also occurred elsewhere in the County, achieving sustainable development will depend upon concentrating new investment and people in the key towns.

As well as being population centres, the key towns accommodate a significant and growing proportion of Cornwall and the Isles of Scilly's employment and business base, particularly in the tourism and professional services sectors. In spite of the area's rural characteristics, more than half of all businesses are in the key towns. The concentration of activity in the towns is being reinforced by the continuing rationalisation of the primary sector and manufacturing (largely out of town activities) in Cornwall and the Isles of Scilly and the growth of the service sector (much of which is in town).

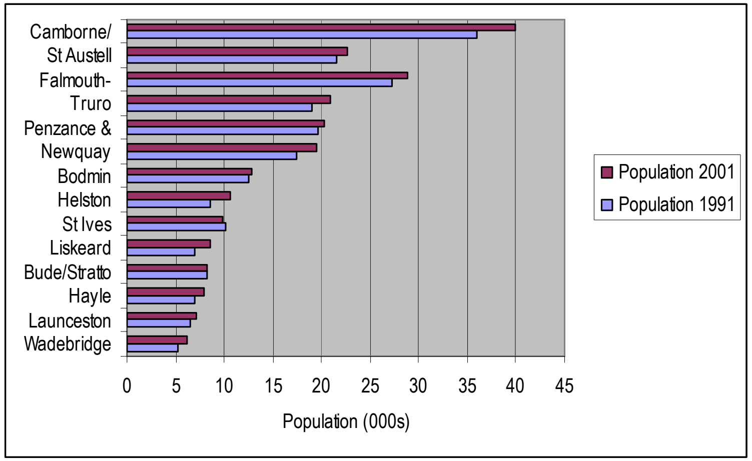
Cornwall's towns are also increasingly important retail and service delivery centres. Four of the County's towns are now categorised as regional towns for retailing, and the majority of towns have seen an expansion in their retail floorspace, spend and yields.

Map of key towns




*Source: LUC, Roger Tym and Partners* & TRL (2005) The Cornwall Towns Study

Population Change in Cornwall's Towns




| Policy Pointer |
|---|
| Cornwall has a substantial number of key towns as well as a considerable number of other settlements which reflects the rural nature of the economy and the sheer size of the County. While significant employment is located in the key towns, a large part of the employment base is based in smaller settlements. Managing both growth and development in these areas is an important challenge. |

## Regional Strategic Significance

### Truro

Truro is the County town for Cornwall, bringing with it a number of administrative and other functions. The town's role as an employment, retail and service centre far outweighs its population of approximately 21,000.

Significant numbers of people travel into Truro each day for work, shopping and leisure activities. Only 3 in 10 of Truro's workforce are residents of the town, with a net inflow of almost 12,000 people per day, a very large number in the context of the Cornish economy. Truro is also the primary destination for non-food retailing in Cornwall, assisted by its strategic location – recent retail studies highlight the town's increasing status as a comparison shopping destination.

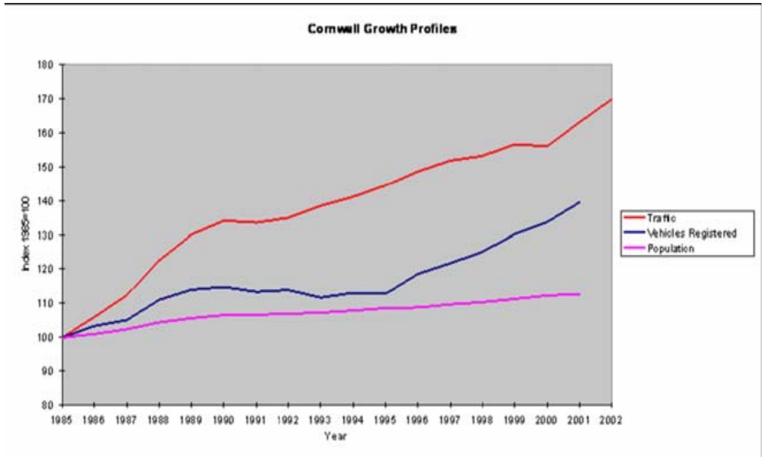
Going forward, Truro is well placed to increase its role and contribution to the development of Cornwall and Scilly. The town has a good representation, relative to other parts of the County, in finance and business services, and other sectors predicted to grow.

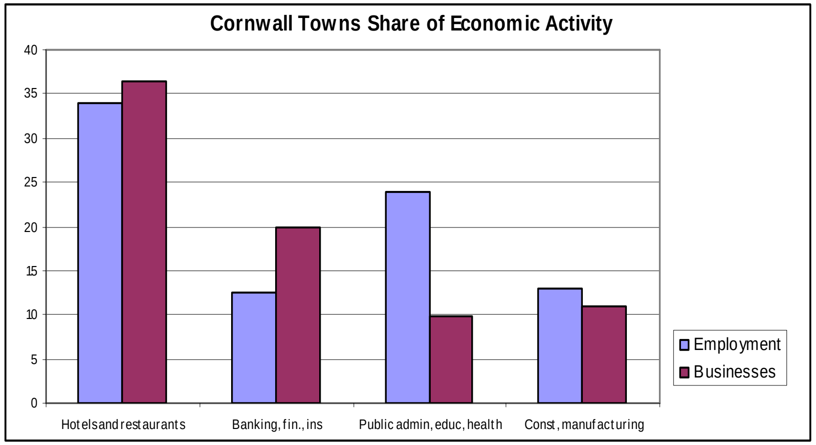
### Camborne, Pool and Redruth (CPR)

In 2001, Camborne, Pool and Redruth had a combined population of 40,000 making it the largest urban area in Cornwall. Traditionally the industrial core of Cornwall and a mining area, Camborne, Pool and Redruth is still home to a broad base of engineering and manufacturing companies. Having already gone through a period of restructuring, the town's business and employment base remains vulnerable to competition and further consolidation.

Linked to the decline in its employment base, Camborne, Pool and Redruth under-performs as a retail and leisure destination, capturing only 16% of spend in its retail catchment. Its proximity to Truro has meant that it has increasingly lost out to the County town for comparison shopping activity.

Camborne, Pool and Redruth continues to be one of the key regeneration priorities in the County, recognised by the establishment of an Urban Regeneration Company, one of only 3 URCs in the South West, and the only one west of Bristol.

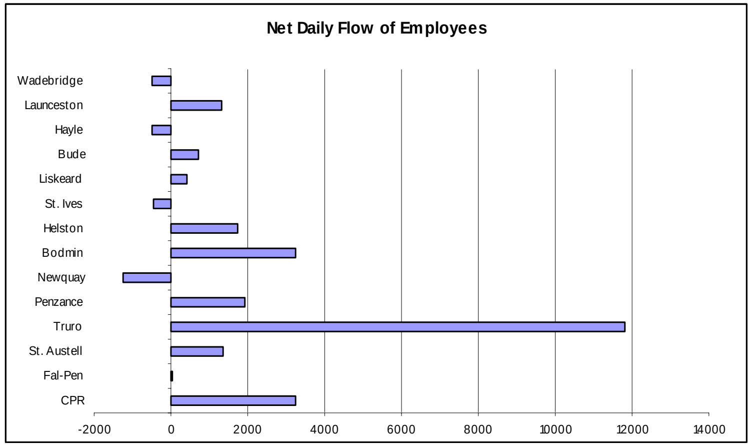


## Falmouth-Penryn

Falmouth-Penryn is a significant employment and retail centre with a population of 28,800. The town has 2 distinguishing features: a major waterfront and port which provides substantial marine-related activity and a substantial HE/FE sector, including the CUC Hub, which is accompanied by a sizeable student population. Falmouth also benefits from being located on the main branch train line.

Tourism is a key source of activity, employment and incomes and the town enjoys a long tourist season. Like many parts of the County, however, the dependence on tourism means the local economy is unbalanced with steep increases in unemployment in the winter months.




### Retail Roles of the Towns

| Town | Major Retail Footprint Class | Market Share of Centre within its Catchment |
|---|---|---|
| Truro | Regional Towns | 21.1% |
| Penzance | Regional Towns | 31.3% |
| Falmouth | Regional Towns | 19.1% |
| St Austell | Regional Towns | 20.2% |
| Newquay | Local Centres | 12.6% |
| Camborne | Rural Centres | 16.2% |
| Launceston | Rural Centres | 23.0% |
| Bodmin | Rural Centres | 15.9% |
| Redruth | Rural Centres | 9.8% |
| Helston | Rural Centres | 12.9% |
| Liskeard | Rural Centres | 20.5% |
| Wadebridge | Rural Centres | 17.7% |
| Bude | Rural Centres | 24.7% |
| St Ives | Rural Centres | 7.4% |
| St Austell | Rural Centres | 5.4% |

## Sub-Regional St Austell

St. Austell is the traditional centre of the china clay industry, which covers an area of 36 square miles to the north of the town. Currently home to 22,700 people, St Austell has experienced only modest growth over the past decade, in comparison to other Cornish centres. Whilst the decline of the China Clay industry and other traditional industries has hit the town hard, it retains a substantial employment base, providing work for almost 12,000 people. There are significant inflows of people into St Austell each day, with traffic predicted to rise by almost 20% in the next decade.

St Austell's recent economic fortunes have been boosted by the phenomenal success of the nearby Eden project which generates approximately 1.5 million visitors per annum, generating considerable benefits for the local visitor economy. In the medium term, further growth in tourism and the rest of the service sector is likely to be required in order to counteract further contraction in industrial sectors.

## Bodmin

With a population of 12,881. Bodmin is one of the fastest growing towns in Cornwall. Located at the intersection of the two main trunk roads, the A30 and A38, Bodmin has developed major industrial estates with majority of the workforce involved in energy and water, manufacturing and construction.

Bodmin has a total of 7,945 employees (6.9%) of the Cornwall town's total. Of these employees, an estimated 5,098 employees travel into the town from surrounding areas on a daily basis. Average earning levels in the town are £428 per week. In terms of housing, there are equal levels of detached and terraced housing making the town affordable.

## Significance

## Newquay

Newquay is the largest town on the north Cornish coast, with a population of 19,600, and the main tourist resort in the County. In total, there were 8,495 employees in Newquay in 2001, the majority of which were in the tourist industry. The town enjoys above average weekly earnings but unemployment is seasonally dependent and is very high in winter.

It has the largest local retail centre in terms of retail footprint, shopping population and retail spend. In 2004 it had a comparison good spend of just under £49 million.

In terms of housing Newquay has the lowest proportion (10.6%) of accommodation that is available to rent from the council or social landlords. Second homes in the town are common at a rate of 2.47%, which is the third highest among the 14 towns.

## Helston

Helston, situated on the A394 between Penzance and Falmouth-Penryn, has a population of 9,780. As the market town for the Lizard Peninsula, Helston displays a high level of self-containment of its resident employees as well as attracting commuting flows from Falmouth-Penryn and Camborne, Pool and Redruth. Helston encompasses a concentration of hotel and distribution sectors. The town is a strong employment centre relative to its size, with high weekly earnings of £453. The town is home to RNAS Culdrose which plays a key role in the town's economy. Second home ownership is low in Helston and it is one the few areas in Cornwall where homes are affordable to those on a median income (£10,000-£14,000).

## Penzance

Penzance is the employment and service centre for the far west of the County. The town is positioned at the end of the mainline railway and is home to the Isles of Scilly ferry service and heliport.

In terms of retail, Penzance is a regional town, taking just over 31% of its market share within its catchments, the highest of the 14 towns.

The town has a total of 8,004 employees. The average weekly income stands at £372.30, 12% less than the average across the Towns. The town is heavily reliant on the hotel and catering sector and the low rates of full-time employment are typical of an economy that is heavily reliant on small and medium sized businesses and on tourism.

The attractiveness of Penzance has resulted in the town experiencing the fastest rise in house prices in the region over the twelve months to September 2005, with a 17% increase. This has widened the gap between earnings and property affordability.

## Wadebridge

Wadebridge is a dormitory town with a population of just 6,351. The town lies north west of Bodmin, at the junction of the A389 and the A39. The town's status is as a rural centre. There are strong links between Wadebridge and Bodmin for a range of services as well as strong flows for work however Bodmin plays takes commanding role. Wadebridge records the highest average weekly incomes of all the Cornish towns at £474

## St. Ives

St Ives is located at the western end of Cornwall and is self-contained, although relies significantly on Penzance for employment as well as other services such as shopping. The St Ives economy depends heavily on tourism and other service activities. The economy of the town has benefited from the opening of Tate St. Ives, which has helped to draw in thousands of additional visitors per year. However, unemployment remains relatively high in the town.

The attractiveness of the town has driven up house prices considerably over the last decade. There is also a very high proportion (15.6%) of houses that are unoccupied second or holiday homes. These trends have resulted in a population structure that comprises high levels of over 60 year olds (30%), in contrast the 20-29 year age bracket is particularly low at 8.74%.

## Bude

Bude is the main holiday resort in North Cornwall and plays an important role as a local employment and service centre – in spite of being a smaller town, Bude retains a significant proportion of its retail catchment. Over the past decade, the town's population has been stable, partly as result of its increasing popularity amongst retirees – almost 3 in 10 of the population are now aged 60+.

Bude plays a modest employment role, with a small inflow of people. This said, Bude is forecast to benefit from growth in the distribution and hotel sector and does not have a high concentration of any declining sectors.
Whilst the town does not experience significant traffic congestion, it suffers from a lack of connectivity to the strategic rail network and a limited bus service. In the medium term, the expansion of the visitor economy is likely to be accompanied by increasing access difficulties.

## Launceston

Launceston is located alongside the A30, east of Bodmin Moor but has no rail connection and so the town is quite isolated in the centre of North Cornwall. As a small centre with a population of 7,135. The historic market town, with a catchment area extending to West Devon, enjoys high employment rates and 20.5% market share of its catchment area. As a rural centre Launceston plays less of an employment role however the town is self-contained for most services such as food shopping, banking and schooling. Launceston has a high concentration in manufacturing which is forecast to decline. Launceston is one of the few areas in Cornwall where property is affordable to those on a median income.

### Torpoint

A small town with a strong sense of Cornish identity, Torpoint is located in the peninsula of East Cornwall, across the River Tamar from Plymouth. Torpoint has grown over the years from 4,268 in to 8,457 in 2001, although there was a decrease from a historical high of 9,505 in 1991.

Although Torpoint has strong historic links to both Plymouth and Devonport, it also has close links to Saltash and other parts of east and central Cornwall. Although close to major City in the west of the region, Torpoint more visible from the Tamar bridges than from within the City

It has a number of areas of architectural merit and heritage value, including the ferry area which was once a strategically important link between the two Counties.

## Liskeard

Liskeard sits on the main railway line into Cornwall and the town centre retains a critical position on a through route. With a population of 8,656. Liskeard is a rural centre and as such attracts employees from neighbouring settlements. However it has a low level of self-containment with high numbers of commuters to Plymouth. The town has good levels of affordable housing and attracts larger numbers of young families with children. Liskeard is forecast to benefit from growth in non-market services and does not have a high concentration of any declining sectors.

## Saltash

Saltash, with a population of some 16,000, is located in the east of the County, close to the Cornwall-Devon boundary, and a short distance from Plymouth. Although there is a significant commuting population in to Plymouth, the town is an important employment/commercial centre in the east of the County.

Saltash has a higher proportion of families with parents of working age and mean household incomes are higher than the County average. The economic activity rates are higher than average and a significant proportion work in urban service industries, including a proportion of the 3,100 residents who work in Plymouth. The town has some small areas of deprivation close to the centre.

The town centre is modern and linear in layout, although vacancy rates are higher than average. There is limited public space in the town centre and few locations for major new investment.

## Isles of Scilly

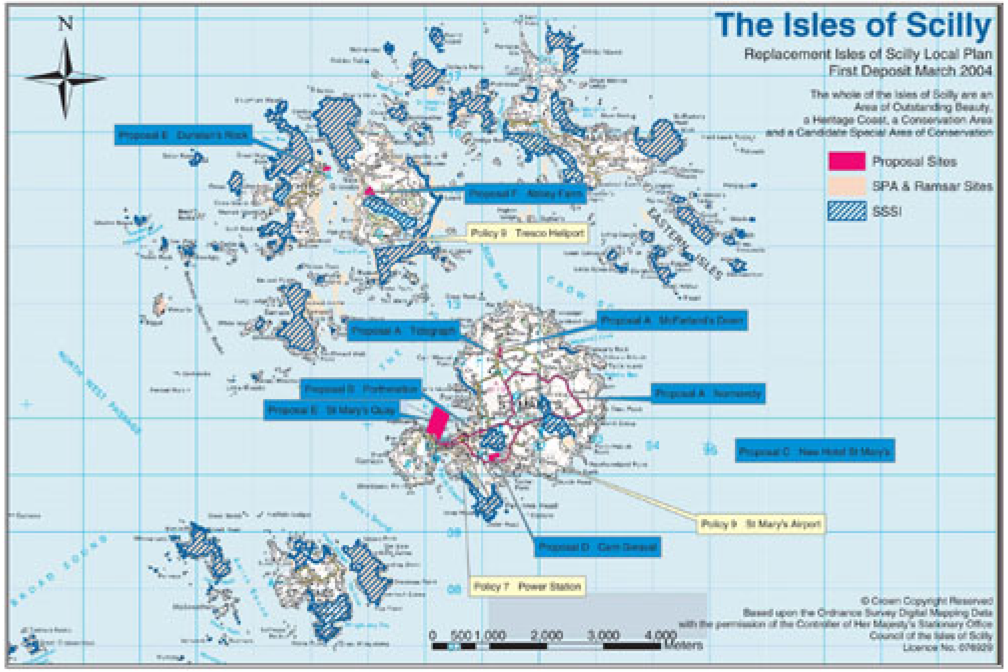
With limited land, a population of just over 2,000 and an internationally acknowledged environment of outstanding quality, the Isles of Scilly is one of the unique communities in the UK. As a small and fragile community, the Isles face a number of challenges around demographics and housing, economy and employment, and transport.

The scope for housing is restricted by finite supply of land (only 1600ha) and the overarching need to safeguard the environment. Many residents who need a home are reliant on local incomes and access to the limited housing stock is prohibitively expensive. This highly restricted housing market limits the available workforce on the Isles and also makes it difficult to retain younger families. This has a knock on effect on the viability of the school and other services. The islands' affordable housing problem is exacerbated by the limited existing stock, over 23% of which are second homes, and generally low incomes.

Tourism dominates the economy and accounts for a significant proportion of income, while the historically dominant flower farming is affected by increasingly competitive global market. This sector requires particular support for diversification activity. There is a strong link between the exceptional environment, tourism and flower farming.

The opportunity to make a living on the Isles and the existence of a range of services are vital components of viable and demographically balanced communities. Business development needs to benefit the overall community and facilitate employment opportunities for those who wish to live within it. This includes supporting businesses based in the traditional sectors, those that make the most of the potential offered by the islands' distinctiveness and diversification. The latter includes small scale ICT activity that overcomes some of the issues relating to peripherality whilst being compatible with the environment.

The Cornwall and Scilly Urban Survey 2003 report on Hugh Town identifies an area on Porthcressa Bank extending from Silver Street to the foot of Buzza Hill as offering a significant opportunity for a new regeneration development. The area contains a mix of housing, employment and leisure uses, and the potential exists for mixed development reflecting this character to meet future needs whilst achieving environmental improvements.




## Transport

Transport is central to the continued viability of the islands. With residents and visitors relying on the air and sea services for travel to and from the mainland for business, holidays, access to specialist services and supplies.

The Isles' Transport Strategy identified several key issues: travel is expensive with only freight transport between the islands benefiting from subsidy; quays on the off islands need upgrading or renewing; car use on St Mary's can cause congestion and conflict with other users; and, most importantly, the infrastructure for the mainland sea link needs modernising to maintain a viable year round service.

There is a need to maintain and strengthen the current air and sea services to ensure the continuing sustainability of the Isles of Scilly. With the dependence on tourism inevitable, given the small population and outstanding natural environment, transport is literally a life line service.

## Place: Conclusions

Cornwall & the Isles of Scilly is a unique place and benefits from an outstanding coastline and natural environment. It has a distributed settlement pattern which is in character with the area's heritage.

The forecast growth in population and households within the are reflects the ongoing trends that have been managed in recent years. However, as with any population change, it presents a number of key challenges to be addressed, to ensure the continuation of Cornwall and the Isles of Scilly's recent economic growth. The challenges are:

- Provide over 50,000 new houses, and affordable housing, while keeping congestion to a manageable level;
- Providing more jobs for a continuously increasing labour force; and
- Provide high quality services in a rural economy, with a rapidly expanding population.

The distribution of housing will have an impact on local economies, creating new opportunities. This will include schools, health and public transport. There is a danger that one of the side effects could be to make some locations less, rather than more attractive, as places to live and work.

There is a clear linkage between the nature of high housing costs, low wages and the consequent constraints of disposable income on the development of the service sector. The access for younger people to housing will be a key determinant in the likely future migration movements.

The increasing population makes the move towards a knowledge based economy more imperative. There is a need to develop modern economic infrastructure which will accelerate and facilitate economic growth, and reduce peripherality. In terms of new investment this is likely to include:

- The removal of key bottlenecks and constraints in the arterial route network;
- Improve access in to and around key employment centres across the County;
- A strengthening of the rail system, with priority for removing single track elements of the network;
- Supporting greater network coverage for Newquay Airport; and
- Further strengthening ICT infrastructure.

Recent research has identified key drivers of economic growth in the knowledge based economy as airports and connectivity, Universities, and a critical mass of knowledge based workers. Cornwall and the Isles of Scilly is fortunate to be in a position to develop all three of these strands, on a scale appropriate to the area. These place-based economic drivers and opportunities can help to address the structural weaknesses in the economy, many of which build on recent achievements. These include:

- The establishment of the CUC, development of the Peninsula Medical School and increase in knowledge based employment, particularly in Carrick – all of which have reputations for research and development, innovation and the transfer of knowledge and may generate further employment growth.

- Newquay Airport and its potential for growth, generating direct and in direct employment as well as improving connectivity.

The towns also have a key role to play, as the expanding population and jobs base means an increasing urbanisation of the area and strengthening of the roles of towns as centres for employment and service delivery. There is a need to define and deliver a distinctive role and function for each centre, based on a shared understanding of how best to exploit the opportunities available to the area, and a desire to avoid a worsening of the disparities which are evident between different communities. The key issues include:

- How to achieve a critical mass of development within the zone of Truro, Camborne, Pool and Redruth and Falmouth/Penryn;

- Securing a new future for Penzance, St Austell and other towns who remain dependent and exposed to sectors which are forecast to decline further; and

- Retaining a sufficiently broad range of services, retail vitality and jobs base in each of the local centres.

In doing all of this, the environment and sustainable development provides both responsibilities and opportunities, so that Cornwall and the Isles of Scilly's uniqueness is not aversely affected. A major challenge exists to meet sustainable development objectives whilst not limiting or restricting the local growth and development.

## Summary

There are a number of major challenges which now face Cornwall & the Isles of Scilly, and these have changed markedly as new trends have emerged which will affect the economy over the next 10 and 20 years.

A growing population will require both new homes and jobs if economic growth is to be maintained at a high level. A failure to meet the housing aspirations of both the resident and incoming population will have both social and economic impacts.

There is an opportunity for the area to increase the contribution to the regional and national economy and to close the gap on a number of key economic indicators. This will, however, require a focused and sustained effort to capitalise on existing strengths and develop new areas where some form of comparative advantage can be developed.

While Cornwall and the Isles of Scilly has an enviable track record in terms of employment growth, the evidence suggests there is a need to accelerate the re-structuring process, and in particular to create new, higher skilled base in sectors where there are long term growth prospects. Linked to this, is the need to identify where the area has a comparative advantage and/or can create the conditions for growth sectors to flourish.

The evidence suggests a need to focus on the types of jobs and new starts, as much as the numbers, with a need to increase the numbers of enterprise in knowledge based sectors and the number of jobs requiring higher level skills.

Cornwall & the Isles of Scilly is already well represented in a number of the key sectors identified by the Regional Economic Strategy as important economic drivers. This includes major employers such as tourism and food and drink, growing and significant sectors such as creative industries, and sectors with long term potential such as environmental technologies.

At the same time as increasing employment, the area needs to focus on increasing productivity as the means by which existing businesses will remain competitive and ultimately be in a position to pay better wages. The evidence suggests that improving productivity is an important objective across all sectors, not just growth or priority sectors.

Although Cornwall & the Isles of Scilly does not have the scale of deprivation prevalent in many urban areas, for a rural area, there is a very high incidence of deprivation.

Unemployment as measured by the claimant count is very low, although this does not reflect the number of people looking for work or who could be supported into the workforce. Worklessness is a major challenge for Cornwall, and the key group in terms of scale are those on Incapacity Benefit. While the number of jobs has increased, and there are a substantial number of vacancies each year, many people will need to be supported back into the labour market, and this will require a multi agency approach.

There is now a serious mismatch between supply and demand in the labour market. Many employers report recruitment difficulties and skills shortages citing lack of qualifications and relevant work experience as major problems. At the same time, there is a limited pool of available labour ready to take up employment opportunities.

Solutions to current recruitment difficulties need to include up-skilling the current workforce as well as support for those not currently in employment. The need to upskill the workforce is also a key element of increasing competitiveness and productivity.

The need to accommodate a growing population and increasing workforce has major implications for the spatial distribution of land for development. The major centres have a key role to play in accommodating new jobs and housing, although this will increase pressure on other infrastructure, including roads and public transport, education and health.

The need to provide accommodation over the next twenty years for between 35,000 and 45,000 additional jobs, and over 100,000 people is a major challenge. There is a real danger that economic growth will be constrained without significant additional investment in the economic infrastructure.

Given the scale of housing and business investment, there will be a major issue of keeping Cornwall and the Isles of Scilly moving i.e. ensuring that growth is not impeded by transport bottlenecks and congestion. Given the importance of the environment to the area, ensuring that new development is located in the most sustainable locations is critically important

Linked to the need to improve internal movement is the need to improve connectivity in to and out of the region. Newquay Airport is an invaluable asset, and further growth in passenger services and numbers will benefit the wider economy.  At the same time the arterial road network and rail line will remain critical parts of the transport infrastructure and there is a continuing need to improve the key arterial routes over the next 10 and 20 years.

Although the growth in employment and population will change the area, a significant proportion of new employment will be in lower paid and skilled sectors. There is, therefore, further investment need in economic drivers which can further stimulate the knowledge based economy, such as CUC, and the process of transformation will be incomplete unless knowledge based growth can be further stimulated above the current economic projections. In short, in spite of the forecast of employment growth, further intervention is required to ensure a sustainable and prosperous economy.

## Long Term Trends for Cornwall and the Isles of Scilly and the UK

### Global Competition Pressures

The global economy is experiencing rapid change, with barriers to international economic activity being reduced through the removal of trade barriers, increased communication flows and lower transport costs. Technological advances and changing patterns of production are leading to major shifts in trading patterns and an increase in the number of goods and services which are traded globally[39]. The emergence of rapidly industrialising countries such as India, China, Russia, Brazil and Mexico and their entry into world trading markets, provides both opportunities and challenges for Cornwall and the Isles of Scilly, and while recent attention has focused on the export of low value production, the industrialising countries are increasingly targeting higher value added good and services.

As a result of these changes, the global economy has undergone a period of rapid expansion, with growth rates forecast to exceed 4% for a fourth consecutive year, according to the International Monetary Fund. The US economy continues to grow quickly despite recent increases in interest rates, and faster growth is also expected in Japan and Europe. The UK economy has benefited from a period of extended macro-economic stability, enabling it to experience steady economic growth in which high rates of employment have been accompanied by low levels of inflation. This has allowed businesses and individuals to plan effectively for the long term, encouraging investment which will raise productivity levels.

Forecasts for the UK economy suggest this period of stability will continue, with steady growth expected in the next five years. Nationally, a number of regions are under-going a period of transition from reliance on traditional industries to an economy which is more diverse. The factors influencing change include:

- Demographic issues such as the ageing population (a particular issue in Cornwall and the Isles of Scilly) and levels of in- and out-migration;
- Technological change including nano- and bio-technologies and the continued development and use of Information and Communication Technologies;
- The increased focus on sustainable development, alongside concerns about global climate change and energy security; and
- Continued changes in trading patterns and the effects of competitive pressures

Over the next 20 years Cornwall & the Isles of Scilly is likely to experience continued population growth as the economy grows and in migration continues (as it will elsewhere in England). The latest forecasts indicate that the population could increase by between 80,000 and 100,000 over the next twenty years, and this continues a long established trend. Up to 45,000 additional houses will be required to cope with an increasing population and lifestyle changes (more people living on their own). The economic forecast indicates that employment will increase by 35,000-45,000, although these forecasts are subject to a number of factors which could result in lower increases in population and employment.

While the main component of change will be in-migration, with many new arrivals of working age, rather than retired, there will be a general ageing of the population over the next twenty years. The result will be significant numbers of people in their sixties, seventies and eighties. This has major implications for health and social services.

These changes continue the long term trend of population and employment growth, evident since the 1950s, and reflect national trends. The major challenge for stakeholders is how to plan for and manage this growth and the demographic changes in a sustainable manner. In particular, it will be important to support social and economic growth which minimises carbon emissions, not only from industrial and commercial activity, but also in terms of housing, transport and land use.

The impact of climate change is already influencing the choices being made in terms of economic growth and its consequences. Increasingly, positive actions which take account of and reduce carbon emission are now a central part of public policy and, increasingly, business life. Cornwall and the Isles of Scilly will not only be affected by the effects of climate change, but is also in a position to play a leading role in developing solutions which reduce the effects of climate.

Given the importance of the environment as the under-pinning asset for the quality of life which makes Cornwall and the Isles of Scilly a special place to live and work, the reconciliation of supporting economic growth and minimising the effects on climate change will be central to the work of key stakeholders. The need to cope with this scale of new housing and business investment will require a clear view of the role of key towns and centres, taking account of sustainable development principles. This is particularly important given the extent to which the environment underpins both the quality of life and a number of economic sectors.

There are a number of lifestyle changes which are already having an effect on the economy in Cornwall and the Isles of Scilly and these are likely to open up new opportunities. These are:

- Lifestyle choices based on flexible working and the availability of broadband.
- The provision of products and services using ICT (reducing some of the effects of peripherality).
- An increase in leisure activity based on more frequent and shorter breaks.
- The increasing accessibility of locations through low cost carriers, representing both a threat and opportunity for Cornwall and the Isles of Scilly.

At the same time as these positive lifestyle changes will present new opportunities for people and business, there are some other trends which present different challenges for key stakeholders. The most important of these is the potential for a widening of the gap between those able to access opportunities in the wider economy, and those on the margins, with poorer prospects and low incomes, leaving people unable to access the housing market and take advantage of other opportunities. Positive actions to reduce factors which widen social divisions will bean important strand in developing an inclusive society.

## Challenges

As with any economic strategy, there is a need to address challenges as well as pursue growth opportunities. While growth opportunities are a key means of transforming the economy, challenges often relate to issues which need to be addressed in terms of safeguarding employment and reducing social exclusion. There are a number of short, medium and long term constraints which could reduce the rate of economic growth. These include the current performance of parts of the business base, recruitment difficulties and skills shortages in the labour market, and the number of workless people.

Raising the productivity level across the business base is a particular priority in an economy where the distribution of employment is important. Many people depend upon and need (for personal reasons) local jobs and these are provided by businesses in every type of sector. Increasing the ability of local business to survive and compete more effectively is an ongoing challenge.

Linked to raising productivity, and responding to changes in globalisation, there is a need for more businesses in Cornwall and the Isles of Scilly to trade with other regions and countries. This outward facing strand will benefit from the increased connectivity provided through high quality ICT. At the same time, there is a need to change the perception of Cornwall as a business investment location, and increase the scale and quality of external investment.

The development of knowledge as the key competitive asset is crucial to raising productivity of the business base. This involves developing knowledge as a key element of competitiveness across the business base, not just in those sectors defined as knowledge intensive. The development on a knowledge society involves all of the business community, but also residents, both as citizens and workers, and also young people, including school students. The integration of knowledge into every aspect of economic life is a major challenge for the key stakeholders.

Linked to the development of the knowledge society, is the need to take a long term approach to workforce development and securing employer support for the upskilling of employees. There is also a need to address recruitment difficulties and skills shortages which are an increasing problem and there is both a challenge and an opportunity to work with local companies to find solutions to persistent problems.

There is an ongoing challenge to support people to realise their full potential. This includes within the workforce, where many people have qualifications above the level of their current job, and with young people, where there is a need to raise ambitions and aspirations of all young people, not just those who are academically successful.

Reducing the number of workless people is one of the most immediate challenges. The numbers of workless people is substantial, and the numbers on long term Incapacity Benefit is considerable. In many cases, individuals can be supported into employment, provided appropriate support is available. There is an opportunity to make a significant reduction in worklessness through a co-ordinated and well resourced programme based on a multi agency approach. Securing a significant reduction is likely to be a medium term objective.

The forecast population and employment growth presents a further challenge in terms of the location of additional employment, and the functioning of the economy in terms of moving in and around the area, taking account of travel to work patterns and the potential impact of congestion on both key towns and the wider tourism economy. Intra-County infrastructure will be important in successfully accommodating economic and population growth in a sustainable manner. A pressing challenge is the extent to which the County has the employment locations to take advantage of economic and employment growth.

Constraints in the housing market are already evident and, unless addressed, are likely to have an impact on economic growth. The provision of affordable housing is an important issue facing the area, and this includes homes for rent and affordable home ownership. Historically, the sub region has benefited from being able to attract people from the South East, able to buy a more attractive home in Cornwall and the Isles of Scilly for the same or less money. This advantage has now been eroded, and it is unclear to what extent this will impact on the ability of businesses to attract staff from outside the sub region. The cost and availability of housing will also make it difficult for local young people to stay in or return to the area.

Cornwall and the Isles of Scilly remains constrained by the poor functioning of markets with regard to parts of the industrial and commercial property and investment finance. These reflect a number of factors including scale of opportunity and distance from major markets, including investment markets. Allied to these market failures, are constraints arising from limiting infrastructure with regard to transport and utilities. These constraints need to be addressed to help realise the potential of the economy and build upon recent progress.

An accompanying challenge relates to the Isles of Scilly, a small, fragile and very special community where opportunities need to be balanced with the need to safeguard the exceptional environment. There is a need to continue to invest in securing a sustainable future for the Isles, taking account of the appropriate scale of development and the skills and knowledge of local people.

## Drivers

While there will be growth across a broad range of sub sectors, a significant proportion of growth will relate to local service provision. There is also likely to be some growth within sub sectors of manufacturing, although overall employment levels are likely to decline. Of particular significance are a limited number of economic drivers which are likely to make a significant contribution to economic and employment growth. These drivers are assets/sectors of regional importance, with the potential to support further growth.

The key major sectoral drivers are: creative and cultural industries (focusing on higher value added); higher education (building on the recent employment growth and the long term prospects of CUC); marine industries, an acknowledged regional, and specifically local, strength; and tourism (with a need to modernise the industry and continue the move to the higher value end of the market).

Although these are major sectoral drivers, there is a danger that some of the new employment will be in lower paid and lower skilled jobs. There has to be an emphasis on the quality of both new and existing jobs. The new and emerging sectoral drivers with the long term potential to support significant employment are: environment technologies and health science/biotechnology.

There are a number of other sectors which are already important to the economy, a priority at the regional level and where there are some acknowledged strengths, such as food and drink. At the same time as supporting growth sectors, there is a need to address issues facing the land management and agricultural sectors, key employers in the rural economy, and to work towards a sustainable future for the many businesses involved in the management of the natural and managed environment.

In addition to an outstanding coastal environment, Cornwall & the Isles of Scilly has a number of economic assets, of regional and national significance, which will drive economic growth. These are:

- Combined Universities in Cornwall.
- Eden Project.
- ICT infrastructure.

These assets have the potential to provide a significant number of new jobs and business opportunities over the coming years and in many cases a large proportion of new employment will be in higher paid and higher skilled jobs.

A more intangible asset is the very positive image which Cornwall and the Isles of Scilly have nationally and internationally, based on its environment and culture, which provides its distinctiveness. As a brand it generates considerable loyalty, and there is scope to further extend this loyalty beyond the visitor market.

The positive image is under-pinned by the coastal, natural and built environment, which is linked to a healthy product and healthy lifestyle image. Further developing sustainable economic opportunities from the environmental assets can be a powerful economic driver for the business community.

The opportunities which can support and drive economic growth include:

- The development of Newquay Airport as an employment hub as well as a key connection for visitors and businesses.
- Further developing the research and knowledge capital through the development of Higher Education.
- Falmouth Docks and other coastal infrastructure which are likely to offer significant development opportunities.
- ICT (provided the area can continue to upgrade its infrastructure and maximise the use of the technology).
- Renewable energy and micro energy production.
- Vibrant towns (benefiting from further population and employment growth, and based on a retail, commercial/service and leisure/evening economy).

These trends, assets, drivers and opportunities present key stakeholders with a set of challenges which can produce a transformational change for Cornwall and the Isles of Scilly.

## Endnotes (references, notes and hyperlinks)

- All sector and district Gross Value Added estimates presented in this document are derived from the LocalGVA model © Nankivell 2006, commissioned by Local Intelligence Network Cornwall (LINC).
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