

NEW FRONTIERS

# ECONOMIC GROWTH TO 2030



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## Context

Cornwall and the Isles of Scilly's economic journey and trajectory are articulated in Vision 2030, our Strategic Economic Plan<sup>8</sup>. We have a fantastic opportunity to be at the forefront of a new economy, one that prospers in a unique creative, entrepreneurial and productive landscape. The connection of business, people and place is at the heart of our strategy.

Cornwall Council and the Cornwall & Isles of Scilly LEP play a pivotal role in local economic leadership - as well as securing and delivering economic development funding for Cornwall and the Isles of Scilly. Whilst significant progress has been made regarding our relative economic performance, we still lag behind the rest of the UK and much of Europe.

In 2016, GVA per head equalled  
**64.8%**  
 of the UK average

**47%**  
 of the population live  
 in settlements of  
 less than 3,000

Historic economic underperformance below the UK average dictates a need to ensure that productivity occupies our future approach as much as possible: we need to become a high productivity/high employment economy. Poor productivity and consequent low wages make it hard for businesses, and the region, to compete nationally and internationally. In 2016, GVA per head equalled 64.8% of UK average, the third year of an increase within the context of a significantly growing population. Add to this our dispersed rural settlement pattern (47% of the population live in settlements of less than 3,000), average annual earnings significantly below the UK average (77.4%) and lower than average number of residents with NVQ4+ and above - the future challenges are clear<sup>9</sup>.

Cornwall Council estimates that two-thirds of our exports go to the EU: maintaining and growing these markets will remain important. Maritime, tourism, agri-food and logistic sectors (for example) will continue to have a strong trading relationship with other European regions. At the same time, a UK outside the EU can enable Cornwall and the Isles of Scilly to expand relevant markets elsewhere in the globe.

While nominal/relative GDP for Cornwall and the Isles of Scilly (in comparison with the EU average has relatively declined since 2003 (market value) the purchasing power per inhabitant has increased, as has the total value of the economy to over £11bn per annum: an annualised growth rate of 1.8%. Annual average growth rates for Cornwall and the Isles of Scilly have been impressive because of access to markets. Further devolution and economic innovation exploiting our unique assets can continue to add value.

<sup>8</sup> 'Vision 2030 - Strategic Economic Plan, CIOS Local Enterprise Partnership,' <https://www.cioslep.com/strategy/vision-2030>

<sup>9</sup> "State of the Economy 2017", Cornwall Council Economic Intelligence Service, <https://www.cornwall.gov.uk/business/economic-development/economic-intelligence/>

The challenge for Cornwall and the Isles of Scilly is attracting evolving investment that can sustain this success. Despite progress made to date, it is becoming clear that if the UK had remained in the EU and the EU's Cohesion Policy retains its objective of economic cohesion, Cornwall and the Isles of Scilly would have expected to continue to receive funding as a 'Less Developed Region' in the 2021 to 2028 programme period. The estimated budget for this would have been in the region of c£500m of investment<sup>10</sup>.

We are not strangers to our historic economic challenges and we've committed to focus on our opportunities. There were 33,000 more jobs in Cornwall and Isles of Scilly in 2014 than 2004. In 2014 over 105,000 working age adults held degree level qualifications, 43,000 more than 2004. Cornwall has a dynamic and thriving business community. Most of our businesses are SMEs with nearly 90% of them employing less than 9 staff. That means there is a lot of innovation, creativity and enterprising potential harnessed within our region.

The support that EU programmes and Government investments such as Regional Growth Fund, Growth Deal, Coastal Communities etc have given to Cornwall and the Isles of Scilly over the last two decades is a firm foundation to build upon and lessons learned can inform a successful UK wide succession programme.

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The challenge for Cornwall and the Isles of Scilly is ensuring the continuation of economic growth in the context of the economic uncertainties facing the private sector as a result of Brexit negotiations, global uncertainties and reduced public sector funding at a time when we need to encourage greater business rate income to replace the ending of block grant from Government. The social benefits of growth must also not be underplayed, and we need to ensure that our natural capital grows with it. We have a cohesive geography, a cohesive narrative and clear leadership. Our opportunity is to make that as inclusive as possible.

Ensuring a continuation of Cornwall and the Isles of Scilly's economic journey through an investment programme that delivers a whole system approach to economic development; increasing productivity and encouraging prosperity through a sustainable and inclusive approach to growth. Vision 2030 establishes a set of economic ambitions against six strategic drivers which provide the catalyst needed to continue our economic journey.



10 EU Commission EUROSTAT database

## Unlocking barriers

### The rationale for change

Current European and UK Government economic growth programmes are siloed into programmes/funds/activity designed to produce outputs (e.g. number of business supported) rather than outcomes (e.g. productivity improvements in the supported business and progression for individuals), and historically it has been difficult to align separate programmes/funds at place or business level (e.g. a linked capital investment and associated skills provision). In order to maximise the collective impact of the support and to reduce delivery costs we believe a different approach is required.

Fund structure, eligibility and overly complex reporting mechanisms do not allow for a whole system or investment by investment approach. In Cornwall and the Isles of Scilly, this has resulted in an often disjointed approach, with projects that have been recognised as highly successful in meeting intended outputs remaining disconnected from the people that live and work in the vicinity, creating a perception that the impact has not reached those who need it most.

The complex process of reporting and audit often stifles innovation and ultimately distorts implementation, resulting in sub optimal, inefficient and ineffective delivery.

In a post-Brexit UK, the availability of economic development investment to act as a long-term economic catalyst is vital in securing the future growth of one of the UK's poorest regions at a time when it is critical to maintain investment and business confidence.

### Our ask

To avoid stalling or reversing our growth trajectory and preserve investment confidence, we are seeking to continue our planned investment programme according to four key principles:

- 1 A single pot programme from 2023-2030 comparable with other EU Less Developed regions as the most efficient and effective way to achieve an integrated approach to economic development and growth.
- 2 A multi-annual (10 year) programme design focused on local accountability (within a locally agreed framework) that builds on our current Intermediate Body status as this will ensure that it is better targeted, more easily accessed by local beneficiaries and is owned and recognised by stakeholders and partners.  
  
Robust sanctions to drive good delivery against a structured but simplified audit regime will ensure compliance without overburdening.
- 3 Measurements of success to be linked to the quality of outcomes achieved in order to ensure a whole system approach to sustainable and inclusive economic growth.
- 4 Adopt an inclusive growth approach to the delivery of the UK Shared Prosperity Fund (SPF) and other UK economic development funding as this will help to rebalance the economy and deliver shared prosperity.

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## Our offer

Cornwall and the Isles of Scilly have been involved in the administration of Government, European Structural, rural development and fisheries funds for over 20 years. We are already operating Intermediate Body status for ERDF and ESF, which provides more local discretion over the allocation of structural funds than many other parts of the UK. In addition, via Cornwall Development Company (our arm's length economic delivery company), Cornwall Council also acts as the "accountable body" for EAFRD and EMFF funds.

Over the last 20 years we have learned lessons on what works well, what does not work well, and how funding can best be managed at programme level and administered at project level to deliver better outcomes for local people and business. Well structured, targeted and locally controlled and informed regional economic development programmes can act as a catalyst for growth, and the transitional arrangements for post-EU funding need to be cognisant of lessons learned and build value onto existing investments.

We will use all the levers available to us to further increase our contribution to UK economic productivity. We aim to reduce the amount of economic development funding we receive from UK PLC over time, eventually becoming a net contributor through increasing the number of high growth and innovative businesses, improving the productivity of our business base, increasing skills levels, encouraging economic inclusion and reducing deprivation.

### We will support:

- The strategic delivery of investment according to two clear agendas – Competitive Cornwall and Isles of Scilly and Prosperous Cornwall and Isles of Scilly.
- An 'inclusive growth' approach to the delivery of the UK SPF and other economic development programmes as this will help to rebalance the economy and deliver shared prosperity across our region. We now have an opportunity to capitalise on the legacy of previous investments to become a thriving sustainable economy that not only delivers sustainable inclusive growth but that also contributes to the economic position of UK PLC and the reduction of welfare need.
- Private sector involvement in driving and delivering the programme to increase private sector match which will exceed HMG investment by 2030.
- The investment of legacy receipts and repaid loans as match funding to continue delivery of our ambitions for proposed financial instruments.
- Match fund capacity and expertise required to run the programme and act as the accountable body.
- Development of a Cornwall and the Isles of Scilly community development programme by investing in programme delivery and providing a cash flow facility to speed up investment.
- Development of an integrated growth and environmental skills and work hub to drive effective and agile private sector engagement and support.
- Alignment of a Cornwall and the Isles of Scilly investment programme with our local strategies, policies and funding including our Strategic Economic Plan, Environmental Growth Strategy, growth deal, Enterprise Zones, public and private sector match funding and skills, housing investment, employment and inclusion activity.
- Piloting approaches to SPF before launch in 2021/22 as an early test bed for fully integrated, locally delivered mechanisms and systems.

## Benefits

Cornwall's 2030 Local Plan ambition is to create at least 38,000 new jobs, 52,500 new homes and 704,000 sqm of employment space. This proposal represents a key piece of the jigsaw in achieving that ambition. Our Vision 2030 and Local Plan targets were set in the context of delivering the current EU programmes unchanged until 2023 and the likelihood of a further EU investment programme until 2030.

Over recent years, our GVA has begun to converge with the rest of the UK and productivity levels and average earnings have also increased. We now have an opportunity to capitalise on the legacy of previous investments to become a thriving self-sustaining economy.

Peripheral, coastal and rural economies such as Cornwall and the Isles of Scilly can make a significant contribution towards the UK economy, through an increased focus on digital connectivity and high value sectors, but the extent to which this is achieved as part of a wider re-balancing of the economy will depend on how future funds are structured around the needs of local people and economies. The Cornwall and Isles of Scilly LEP has just published its "10 Opportunities" document<sup>11</sup> which is its pre-cursor for a local industrial strategy and once finalised we would use this document to direct future economic development activity.

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<sup>11</sup> '10 Opportunities, CIOS Local Enterprise Partnership' <https://www.cioslep.com/strategy/10-opportunities>