



House of Commons
South West Regional
Committee

**Prospects for the South
West Economy**

Second Report of Session 2009–10

*Report, together with formal minutes, oral and
written evidence*

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The South West Regional Committee

The South West Regional Committee is appointed by the House of Commons to examine regional strategies and the work of regional bodies.

Current membership

Alison Seabeck MP (*Labour, Plymouth Devonport*) (Chair)
Mr David Drew MP (*Labour, Stroud*)
Roger Berry MP (*Labour, Kingswood*)
Kerry McCarthy MP (*Labour, Bristol East*)
Dr Doug Naysmith MP (*Labour, Bristol North West*)

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Committee staff

The current staff of the Committee are David Slater (Clerk), Duma Langton (Inquiry Manager), Dr Timothy Phillips (NAO Adviser), Emma Sawyer (Senior Committee Assistant), Ian Blair (Committee Assistant) and Anna Browning (Committee Assistant).

Contacts

All correspondence should be addressed to the Clerk of the South West Regional Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 0654; the Committee's email address is regionalcommittees@parliament.uk

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Summary

This report follows up on our first inquiry into the South West economy in the summer of 2009. The region is showing signs of recovery and we found evidence of positives steps to assist this progress. However, we also found some issues that gave us cause for concern.

Small and micro businesses, and social enterprises, are very important to the region's economy and have shown remarkable resilience through the recession. Business support initiatives need to be flexible enough to help even the smallest businesses expand and export.

Lending to small businesses remains still a problem. The Government needs to maintain pressure on the banks to help small and medium sized businesses through the Enterprise Finance Guarantee Scheme. The region needs to ensure that the transitional relief for business rate re-evaluation is applied effectively across the region. SWRDA need to continue to review its work against the Government's Business Support Simplification Programme.

We want businesses in the region to expand and grow, we want rural and peripheral areas to be competitive, and we want to help reduce the distance between the South West and important markets. Broadband is a crucial part of achieving this.

There is considerable potential in a future economy based on green industries, and the opportunities this might provide for jobs, skills, supply chains, investment, environment and the quality of life for the people of the region. The new National Composites Centre is an example of the possible benefits. However, there needs to be effective co-ordination and leadership at a regional level in order to realise the full benefits.

Similarly, if the region is to develop a future economy based on green industry, advanced manufacturing, the digital economy, creative industries and life sciences it needs to continue to increase the take up of science, technology, electronics and maths subjects at all levels of education and retain graduates in the region. Joint working between employers and educational institutions must be encouraged at all levels. We need to ensure that opportunities brought through the Future Jobs Fund and public sector investment bring opportunities to tackle the problem of youth unemployment.

Another crucial issue for the region is retaining jobs and skills. We are pleased that employers, universities, Jobcentre Plus, the regional development agency and others in the South West are working together to try to keep people in work and uplift their skills. The Regional Minister needs to do all he can to ensure that both cuts in public spending, and reorganisation to bodies involved in skills provision, do not impact upon this good work.

There is a vital need for leadership in the South West to address issues concerning the future economy of the region. How the public sector spends its money can have a considerable effect on the regional economy. Local authorities need to support the prompt payment scheme and show they are leading from the front in supporting business and jobs. We would want to see the Smith Review into civil service relocation bring more public sector jobs to the region and urge regional bodies to press its case with central government.

1 Introduction

1. This Committee published a report on the effects of the economic downturn on the South West region and on the actions the Government had taken to alleviate those effects in July 2009.¹ We made a number of recommendations, to which the Government responded in November 2009.²

2. This report looks ahead to the future prospects for the South West Economy. In it, we examine the region's economic performance over recent months; re-examine some of the issues raised in our first report and focus on a number of specific sectors within the region. A call for evidence was issued asking for responses on the following points:

- a) the prospects for the regional economy;
- b) what the region is doing to promote the five sectors identified in the Government's Partnership for Growth document: digital economy, low carbon technologies, life sciences, advanced manufacturing, and the creative industries; and
- c) the effectiveness of regional bodies in supporting rural and remote economies in the region.

This report has three parts.

- In Part 1, we give a brief overview of the region's economic performance;
- In Part 2, we examine some of the regional strengths and opportunities identified by our witnesses; and
- In Part 3, we lay out the key risks and issues facing the regional economy in the immediate future.

1 First Report of Session 2008–09, *Impact of the economic downturn on the South West and the Government's response*, HC 392

2 First Special Report of Session 2008–09, *Impact of the economic downturn on the South West and the Government's response: Government response to the Committee's First Report of Session 2008–09*, HC 1092

2 Recent Economic Performance

3. At the time of our last report the course that the recession would take in the South West was still unclear. Eight months on, we are pleased to see that the regional economy has responded more resiliently than might have been expected, though many individuals and companies have suffered personally. Recent evidence from a number of different sources contributes to this picture.

4. The main indicator of regional economic growth is the Gross Value Added (GVA) Headline Workplace measure.³ There is a long lag on this, with data for 2008 only becoming available in December 2009. Nonetheless, it provides a guide to the early part of the recession, which commenced in the second quarter of that year. The performance of the South West was encouraging: GVA increased by 3.6% year-on-year, to reach £97.8 billion in 2008. Only London and Scotland experienced faster growth.

Unemployment

5. The most up-to-date indications of economic performance come from employment data and from surveys of business professionals. In the three months to September 2009 the seasonally-adjusted unemployment rate in the South West was 6.6%, lower than the rate for the United Kingdom as a whole of (7.8%), and the third-lowest for any English region (Figure 1). In terms of the percentage increase in unemployment, however, the South West has fared worse than every other region except the West Midlands.

Figure 1. Unemployment rate by region, April–June 2008 and July–September 2009.

April-June 2008		July-September 2009			
Region	Unemployment rate (%)	Region	Unemployment rate (%)	Region	Increase (%)
North East	7.5	West Midlands	10.0	West Midlands	3.9
London	6.7	North East	9.5	South West	2.8
North West	6.4	London	9.0	Yorkshire and the Humber	2.7
West Midlands	6.2	Yorkshire and the Humber	8.7	London	2.3
Yorkshire and the Humber	6.0	North West	8.6	North West	2.2
East Midlands	5.6	East Midlands	7.5	North East	2.1
East	4.6	South West	6.6	East	1.9
South East	4.1	East	6.5	South East	1.9
South West	3.8	South East	6.0	East Midlands	1.8

Source: Labour Force Survey.

6. The other major measure of unemployment—the number of people claiming Jobseeker's Allowance—also increased in the South West over the same period. In April 2008, there were 38,000 claimants (1.3% of the resident population), whereas by September 2009 there were 97,000 (3.0% of the resident population). Although a substantial increase, this represents a smaller percentage change than in any other English region, apart from London and the South East. By November 2009, the rate had dropped slightly to 2.9%, the

³ Gross Value Added is a measure of economic value and is used in the estimation of Gross Domestic Product (GDP). It measures the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used in production.

lowest of any region or nation of the UK.⁴ The proportion of claimants on Jobseeker's Allowance for more than 12 months is lower than in any other region or part of the UK—9.9% of claimants in November 2009.

7. In terms of potential for growth, the number of vacancies in the regional economy is a key indicator. Here the news is positive. The vacancy rate—at 73 unfilled jobs per ten thousand resident population—is higher than anywhere else apart from the East Midlands, and had declined by less over the preceding eighteen months. The most encouraging news of all is that the number of claimants per vacancy in the South West is lower than anywhere else (4.1 claimants per vacancy in September 2009).⁵

Business Surveys

8. Evidence from more up to date surveys reflects the mindset of key players in the regional economy. The main surveys are the Purchasing Managers Index; the British Chamber of Commerce Survey; the Bank of England's Regional Agents' Survey; the Manpower Outlook Survey; and the CBI Industrial Trends Survey.

9. The Purchasing Managers Index shows their view that regional output grew for eight consecutive months to the end of 2009. Nonetheless, the rate of growth is below the average for the country as a whole.⁶

10. The British Chamber of Commerce Survey—whose coverage in the South West region is a little patchy—showed that the recovery was sustained through the third and fourth quarters of 2009. Peter Scott, from Dorset and South West Chambers of Commerce, told us that while they smelt the emergence of the green shoots of recovery he did not think Dorset had “fields of green shoots to wade through yet.”⁷

11. The Bank of England's Regional Agents' Survey, in January 2010, showed that they were more positive across the board than a year earlier on exports, consumption levels, jobs and investment. Manpower's Outlook Survey for Quarter 1 2010 showed general uncertainty about the hiring climate across the country, but, within that, the South West performed best, and the CBI Industrial Trends Survey for the three months to January 2010 recorded regional growth in manufacturing output for the first time since January 2008. Vivienne Rayner from the Federation of Small Businesses (FSB) reported that their most up-to-date survey information, gathered from September to October 2009, had found a mood of moderate optimism: “30% thought things were actually going to get better over the next 12 months, compared with 28% across the UK, and 48% thought things would remain stable, compared with 46% [nationwide].”⁸

12. While overall, the statistical picture indicates that the South West is back on the path to growth, it suggests that the rate of growth will be slow. Indeed, experts we took evidence

4 South West Regional Economic Indicators, October 2009, see www.swo.org.uk. Accessed 21 March 2010.

5 South West Observatory, *Recession Briefing*, January 2010

6 PMI South West Report, December 2009, <http://bem.swo.org.uk/publications/business-surveys>. Accessed 21 March 2010.

7 Q 3

8 Q 5

from were concerned that the rate of growth might be slower than before the recession and slower than the national average for the foreseeable future. This is partly based on their analysis of the South West's performance after previous recessions, and partly on their concerns about the specific risks facing the region, chief among them the likely reductions in public spending (see Part 4 below).

13. The South West Regional Development Agency's (SWRDA) Chief Economist, Nigel Jump, said:

If you think of the pre-recession period, most of the jobs created in the South West in the previous 10 years were in the public sector, in property, or in related business services. We have to work on the assumption that we are not going to get that growth in the next 10 years unless we get some inward investment of the kind you are talking about. Yes, it would be very welcome, because it would offset some of the dire assumptions we have to make. Obviously, we would hope that the private sector and some of the export sectors I talked about in a previous answer might compensate for the losses in the public sector, but at this point we have to be concerned.⁹

14. The potential opportunities and risks facing the region are considered in more detail in the two sections below.

3 Strengths and Opportunities

Advanced manufacturing

15. One of the South West's greatest areas of strength is advanced manufacturing. The Regional Minister, Rt Hon Jim Knight MP, described it as "the second most important region anywhere in the world" in aerospace.¹⁰ Both the Regional Minister and Regional Development Agency were keen to support advanced manufacturing in the region. The creation of the Advanced Composites Centre in Bristol was cited as an example of this support.¹¹

16. We heard during our previous inquiry that the full impact of the recession on industries such as aerospace might not be felt for sometime because of long-lead times. There continues to be some concern about this. Terry Slater Regional Director of EEF in the South West told us:

If, on the other hand, you're in the aerospace sector, you may actually be wondering why you had such a good 2009, because other parts of the manufacturing sector clearly weren't, and whether you have some difficulty still to come in 2010, because of the length of your order books; and I know some aerospace companies in the region are seeing forward order books start to diminish as we look at 2010 and 2011.¹²

17. However, sections of manufacturing with shorter lead-times were showing signs of, if not recovery, at least improvement:

If you've been heavily involved in an automotive supply chain then you probably started to feel things becoming extremely difficult towards the end of 2008, and had a very difficult 2009, but you're probably looking at a position that's flattening, now.¹³

David Rosser, Regional Director of the CBI, agreed. He observed that industries, such as automotive, that had suffered most during the recession now appeared to be seeing measurable improvements.¹⁴

18. Several witnesses stressed the lengths that manufacturers had gone to in order to retain their skill bases during the recession. Manufacturers already facing skill shortages at Level 3 [roughly equivalent to A-level] and in technical skills were keen to ensure that such skills were permanently not lost through redundancy. Efforts to achieve this have included short-time working arrangements and using 'down-time' to train staff.¹⁵ The West of England Aerospace Partnership has also been delivering a Talent Retention Scheme on behalf of the Regional Development Agency. The EEF and Federation of Small Businesses

10 Q 138

11 Ev 57

12 Q 4

13 Q 4 [Terry Slater]

14 Q 10

15 Q 1 [Terry Slater]

both told us the scheme had got off to a rapid and successful start.¹⁶ Nonetheless, there are concerns that reductions in public spending, particularly in defence, could hit aerospace and other manufacturing industries hard.¹⁷

'Green' industries

19. In our first report we recognised the extent of the region's aspirations in 'green' industries and looked forward to concrete proof of the viability of this sector within the South West economy.

20. The region has a number of key advantages in this sector. Its existing strengths in advanced manufacturing provide a strong base, with many of the skills involved in the two sectors being broadly comparable while more traditional industries, such as automotive, are looking to increase their green credentials.¹⁸ The region's long coastline offers significant opportunities for offshore renewable energy and it has particular strengths in marine energy.

21. These strengths have been recognised in a number of ways. The South West was named as a Low Carbon Economic Area in July 2009. This has been accompanied by £19.5 million of central government investment in marine energy in the region, including the Regional Development Agency's Wave Hub programme, as part of the government's Low Carbon Industrial Strategy.¹⁹ Subsequent announcements have included capital investment of up to £5 billion for the Bristol Channel and West of Wight offshore wind zones. Other possible low carbon energy projects include two nuclear power stations, at Hinkley Point and Oldbury, and a variety of options for tidal power on the river Severn.

22. The Regional Minister saw the combination of expertise in advanced manufacturing and these developments in green energy as key to a potential future growth strategy for the region:

it is investment in things such as the national composites centre in Bristol, in partnership with the familiar partners from the aerospace industry—Rolls-Royce, Airbus, GKN Westland and so on—and with Vestas on the wind turbine side, that enables us to grow real expertise in carbon fibre technology and turbine manufacture.

That then feeds into the importance of Government investment and of stimulating investment in the Atlantic Array wind farm and the West of Wight wind farm, which in turn will potentially create thousands of jobs—and a world-beating industry, if we can get everything aligned properly. That mixture of investing in science, advanced manufacturing and technology, and green is an example of playing to our strengths

16 Qq 21–22; Ev 68

17 See Q 11 and Q 112

18 Q 31

19 Q 138 [Jim Knight]

and why getting the low-carbon economic area designation was a really important part of our growth strategy.²⁰

23. This is a considerable undertaking, but the potential rewards are high. As the TUC argued in their submission:

The South West is set to change from a net importer of electricity to one of the country's generators. The geography of the region provides for considerable potential for renewable energy but not without controversy, huge investment, innovation and skills.²¹

24. Our witnesses identified three areas where they believed work was needed to fully realise these benefits:

- a) Leadership. The TUC argued that there needed to be clear planning at a regional level to ensure that skill needs were being met and that the various projects being undertaken—some by competing private sector companies—were co-ordinated in a way that delivered permanent benefits to the region and ensure the most effective use of labour.²² EEF and the FSB's concern was leadership at a national level, arguing that there needed to be a clear and consistent national energy policy and that National Policy Statements should be secured as quickly as possible;²³
- b) Greater awareness. In our first inquiry we heard about efforts to help regional suppliers' access opportunities within the aerospace industry and the NHS.²⁴ However, EEF told us that awareness among manufacturers of the opportunities in the expanding green technology sector was surprisingly low considering its potential importance. Companies who had won some major contracts were unaware of potential suppliers in the region, whilst potential suppliers were unaware of the large-scale projects that were planned;²⁵ and
- c) Skills. The Chief Economist for the Regional Development Agency observed that the region's green industries would provide significant employment opportunities in the region.²⁶ However, our witnesses agreed there was work to do to ensure that the prospective work force had the skills to take up these opportunities.

25. Green industry provides an enormous opportunity for the region in terms of jobs, investment and the environment. There needs to be a degree of co-ordination and co-operation across the region to ensure regional businesses can take advantage of the supply chain opportunities. The tendency to set up numerous initiatives and bodies should be avoided—public sector involvement should be overseen by an authoritative

20 Q 113

21 Ev 76

22 Q 45 [Nigel Costley]

23 Q 31, Ev 42

24 First Report of Session 2008–09, *Impact of the economic downturn on the South West and the Government's response*, HC 392

25 Ev 50; Q 31

26 Q 103

single body with the involvement of all the key players from both the public and private sectors.

Tourism and the Creative Industries

26. The South West's prominent tourist attractions are well known. Hopes had been high for a bumper year in 2009 with tourists choosing to stay in the UK because of the weakening of sterling and reductions in household disposable income. Indeed, the overall picture for leisure tourism in the region was encouraging compared with previous years, with both the number of visitors and overall spend in the region up:

trips are up, overnight stays are up and spending is up [...] caravan parks and those kinds of facilities did very well; we know some of the middle-market hotels didn't do so well; we know the top end [...] did okay. It was a better year than the previous two years.²⁷

27. However, such increases had been lower than hoped for—in particular, the number of business travellers was down and tourist businesses continue to face the same pressures as those in other sectors. Peter Scott told us:

The alleged staycationers—to use that terrible expression—did not materialise in droves [...] There were price pressures on all establishments, from hotels through to leisure attractions; margins horribly squeezed, as everywhere; and intense competition from other regions within the UK and outside.²⁸

28. We were told that tourism has a symbiotic relationship with the regions' creative industries, which is a priority area for the future in *New Industry New Jobs*.²⁹ The region boasts some of the best creative businesses in the world, including Aardman, Twofour and Endemol West. Primarily through the BBC, 25% of global wildlife film and television output is made in Bristol. Nationally the creative industries are one of the UK's highest growth sectors, with predicted Gross Value Added growth of 4% between 2009 and 2013.³⁰ In general, the creative industries were relatively resilient during the recession and evidence suggests that consumption of its outputs remained constant and is actually higher in the South West than the UK average.³¹

29. The Regional Development Agency has supported the sector through a number of initiatives, including a talent retention scheme similar to that in the advanced manufacturing sector and delivered by Bristol Media. However, there has been some criticism of the RDA from the creative sector. In particular, it has been suggested that decisions have been made using out-of-date information and there had been a “discontinuity of support in the sector and a confusing, disjointed picture for businesses.”³²

27 Q 93

28 Q 4

29 Ev 65

30 Ev 44

31 *Ibid.*

32 Ev 65

In addition, the high proportion of micro-businesses in the sector meant that business support was not always tailored their needs.³³

Small and micro-businesses

30. This latter point was echoed by a number of witnesses, in particular the Federation of Small Businesses, who drew attention to the large number of micro-businesses in the region and the difficulties they have in engaging with business support initiatives (and vice versa).³⁴ These problems are by no means unique to the South West; indeed they are a long-standing challenge facing any form of business support.³⁵

31. Despite these difficulties, and the specific issues we discuss in the next Chapter, we heard that small businesses had proved remarkably resilient. For example, we were told that micro-businesses supplying large manufacturing firms had weathered the recession surprisingly well.³⁶ Similarly, we discussed above how the creative sector—dominated by small and micro-businesses—fared less badly than expected. The Regional Minister said that this had given the region a degree of “robustness”.³⁷

32. The experience of social enterprises is another area where smaller businesses seem to have been resilient during the recession. The South West has 12% of all social enterprises in the United Kingdom: some 7,500 of 62,000. These are businesses which are run for social or environmental purposes first and for profit only secondarily. Profits are typically reinvested in the businesses. Whilst some social enterprises are very large, the majority are small or micro businesses. In evidence supplied by RISE, the industry body for social enterprises, reported that:

despite the recession [...] they [social enterprises] are nearly twice as confident of future growth as traditional SMEs [Small and Medium Enterprises] [...] additionally, since the economic downturn began, 56% have increased their turnover from the previous year whilst less than 20% have seen it go down.

By comparison, across the UK, only 28% of conventional SMEs had seen their turnover increase. As with the creative sector, there was some concern that business support did not appreciate the unique challenges of the sector—in particular tending to treat social enterprises as primarily charitable organisations.

33. Although small and micro businesses have faced significant problems during the recession, overall they have shown remarkable resilience. Providing support to smaller businesses is an enormous challenge and one that is particularly important in the South West. Business support initiatives appear to have been increasingly successful at connecting with small businesses, the next challenge is to connect with the very smallest.

33 Ev 65

34 Q 39 [Vivienne Rayner]

35 See, for example, Trade and Industry Select Committee, Fifth Report of Session 2006–07, *Better Skills for Manufacturing*, HC 493

36 Q 77 [Tim Carroll]

37 Q 107

34. **Social enterprises are likely to become more important to the regional economy. We urge the regional bodies to ensure social enterprises receive appropriate support as businesses and not charitable organisations.**

Developing exports

35. In the written evidence we received from the SWRDA, there was a reference to 'moderate aspirations' as one of the reasons why the regional economy might find it difficult to recover from the economic downturn:

The prospects are that the structural weaknesses in the South West economy, which were partially 'hidden' by the recent 'boom', will be more evident. These include some aspects of the region's engagement with international trade, skills mismatches, infrastructure gaps, and moderate aspirations as manifested by under-investment.³⁸

36. We explored this matter further when we took oral evidence from the Agency. Nigel Jump, explained that:

this is one of the reasons why we are not an export area. Quite frankly, many businessmen in the region say that they do not want to be exporters. That is a logical, straightforward position from their point of view, but if our aim is to develop the region and create growth and jobs for the future, we should try to get more people with higher aspirations in terms of business growth.³⁹

37. He went on to give some specific examples:

From the region's food and drink sector, I have heard comments such as, "It's hard enough competing in Devon, so I don't want to compete in France." That decision is made on a logical and practical basis from those points of view, but that is not what the region needs if it is to be more competitive and productive.⁴⁰

38. The South West has a contradiction in that it contains a high amount of small and micro businesses, but also an apparent resistance to increasing this into a larger amount of medium sized businesses. As the market conditions allow we would obviously like to see more small businesses expanding and consider this to be an opportunity for the region. **SWRDA and Business Link, along with UK Trade and Investment, should maintain their work to increase awareness of the export potential of South West business. We recommend that SWRDA commission in-depth research into what blockages there are to small businesses in the region expanding into larger businesses.**

38 Ev 57

39 Q 81

40 Q 82

Prompt payment

39. Prompt payment is an issue of particular importance to small businesses and was something we had raised in our first inquiry on the impact of the downturn. The commitment by public bodies in the South West to a prompt payment code is welcome.⁴¹ The Regional Minister told us that just under a third of local authorities had signed up to the code and that he and was trying to persuade more to do so, for example all of the South West's NHS Trusts had signed up to the code, but not all NHS Foundation Trusts.⁴² By contrast only 29% of the region's local authorities in the region had done so.⁴³ He also said that there was scope to extent the scheme to private sector firms in receipt of public contracts. The importance of prompt payment was emphasised by the FSB in their evidence, which drew attention to intentional late payment by some large construction firms and the difficulties faced by small firms in getting them to honour their debts.⁴⁴ **A more serious approach to prompt payment by the public sector is to be welcomed. However, we are disappointed that only 29% of the region's local authorities have signed up. We urge local authorities who have not yet signed up to demonstrate local leadership and support for small businesses by signing up to the prompt payment code. We are encouraged to hear that the Government is looking to extend the code to cover contractors and urge it to examine how it can be made easier for small companies to take action against larger ones who do not pay their debts.**

Broadband

40. The region's infrastructure was seen as a major constraint on its potential future growth. Jane Henderson, the Chief Executive of the Regional Development Agency, identified it as one of the two most important issues facing businesses in the region.⁴⁵ Our recent report on *Transport in the South West* identified many of the problems facing the region's infrastructure and the problems caused by the region's geography and under-investment.⁴⁶

41. The provision of fast broadband offers a significant opportunity for the region to overcome some of these difficulties. Faster broadband access is clearly important for businesses, but it would have a particular benefit for the region in allowing rural and peripheral areas to compete in larger markets, expand distance learning and provide public services more efficiently. There was a consensus among our witnesses that providing fast broadband across the region should be one of its highest priorities, if not the highest.⁴⁷ The Regional Development Agency has described it as "a critical piece of infrastructure", and

41 <http://www.promptpaymentcode.org.uk>. Accessed 21 March 2010.

42 Q 133; see also Ev 31

43 Q 133

44 Ev 42; and Qq 7–10

45 Q 80

46 First Report of Session 2009-10, *Transport in the South West*, HC 146-I

47 For example, Q 32 [South West Chambers of Commerce and Federation of Small Businesses]

expressed concern that the region could lose out on investment if its broadband was slower than elsewhere.⁴⁸

42. Broadband coverage varies across the region. Cornwall and the Isles of Sicily have 99% coverage as a result of European Union funding and the actnow programme. Weymouth and Portland are likely to benefit from broadband investment as a result of their role in the 2012 Olympics.⁴⁹ However, serious concerns were expressed to us about the speed and coverage of the broadband that is available. The FSB argued that coverage in the region was 80%, the worst of the English regions, saying that:

This particularly affects small businesses involved in the digital economy and creative industries where the speed and capacity of broadband generally available is so poor that a creative business in Cornwall is better served by putting a staff member on a train carrying a memory stick, than trying to email their work.⁵⁰

43. The CBI stressed the importance of broadband access, but they stressed that the private sector alone could not provide it to the entire region:

The point about public spending is very real. The private sector has invested in getting on for 90% coverage to the current 2 megabits broadband speed. Will it do the last 10%? No [...] When you get to the next generation of broadband, it will be even more of an issue.⁵¹

The Regional Minister agreed:

Nationally we look at the delivery of broadband as being something that the market can do about 70% of and there is a 30% gap in delivering on the universal commitment in the “Digital Britain” document, and obviously much more so in respect of next generation broadband. In our region, that percentage becomes over 50% because of its rural nature.

As I said in my presentation to the Cabinet, the potential for a region to transform how it delivers public services and to transform its economy through better access to broadband is much greater for a rural area. That is why I am a strong advocate of the broadband levy.⁵²

44. It is interesting to note there appears to be some disagreement about what level of coverage of broadband the private sector can provide. There is, however, agreement that the rural nature of the region means that this percentage is likely to be lower than in more urban areas. There is also agreement that the private sector alone cannot provide 100% coverage. It is likely that there will be public spending cuts in the near future. However, it should be born in mind that broadband can provide much greater access to peripheral and rural areas, leading in turn to growth that could otherwise only be provided by expensive

48 Ev 57; Q 89

49 Q 32 [Dorset Chamber of Commerce]

50 Q 36; Ev 42

51 Q 36

52 Q 135

transport projects. **High-quality, fast broadband is a powerful and cost-effective way of allowing rural and peripheral regions to grow. Given its importance to the region there is a strong case for continued, even accelerated, public sector investment in this area. However, businesses and the public must be aware that such a decision may be made at the expense of cuts elsewhere.**

4 Risks and Issues

Public spending cuts

45. The current economic conditions have focused debate on future public spending and the impact this will have on jobs in the region. Any future cuts will have implications for the public sector itself and those who provide services and goods to the public sector.⁵³ Councillor Tim Carroll, Leader of South Somerset District Council and Deputy Chair of the Strategic Leaders' Board, said that local authorities recognised there would be “leakage of jobs from the local government sector” and that these would be “highly significant in many places”. He added that there had been a general and gradual recognition from local government that something has to be done to manage the impact, such as cooperation between authorities.⁵⁴

46. We discussed the potential costs and benefits of reducing public spending in the short and medium term with witnesses from the business community⁵⁵ and with the Regional Minister.⁵⁶ Mr Knight said that the Regional Economic Task Group (RETG) had discussed how the public sector might become more flexible before making redundancies, and he had taken up matters such as the level of defence spending in the region with Treasury Ministers.⁵⁷

47. As witnesses had previously suggested capital spending on education, transport and broadband,⁵⁸ we asked the Minister where the impact per pound spent would be greatest if funding was limited. The Minister suggested that the region needed to focus on its growth strategy and continue to invest in science, advanced manufacturing, technology, and how this contributed to the region's strengths, particularly with regard to the low-carbon economic area designation.⁵⁹

48. We welcome proactive work by local authorities in the region towards collaboration and efficiency savings, and support the Regional Minister's use of the RETG as a forum to discuss how to lessen the impact of reductions to public sector funding.

Public sector jobs

49. Following on from the Lyons review on relocating public sector which led to nearly 21,000 posts being moved out of London and the South East,⁶⁰ the Government asked Ian Smith (former CEO at Reed Elsevier), to explore the possibility of relocating a further 10%,

53 Q 10 [David Rosser]

54 Q 78 See also <http://www.southsomerset.gov.uk/media/pdf/6/s/7.pdf>. Accessed 21 March 2010.

55 Qq 11–16 [David Rosser]

56 Qq 109–111

57 Q 112

58 Q 13 [David Rosser]

59 Q 113

60 HM Treasury, *Well Placed to Deliver?—Shaping the Pattern of Government Service*, (the Lyons Review), 15 March 2004. See HC Deb, 10 Mar 2010, Col 332W

potentially moving nearly 15,000 staff to other parts of the country.⁶¹ We expect his report to have been published as part of the Budget 2010, prior to the publication of this report.

50. The South West has had limited success in attracting public sector employers to the region compared to elsewhere in the UK. The Meteorological Office moved to Exeter in 2004, the Defence Procurement Agency moved to Bristol in 2007 and the Environment Agency National Office will be moving to Bristol in 2010.

51. Nigel Jump, pointed out that most of the jobs created in the region in the last ten years had been in the public sector, property or related business services; and that growth was unlikely to be replicated without inward investment from the public sector.⁶² Some parts of the region have a heavy reliance on the public sector, particularly further into the peninsula, which made them vulnerable to reduced public spending.⁶³ Jane Henderson said:

[...] some of the rural counties that are more dependent on public sector jobs have so far held up better than our cities, but that position may change if public sector jobs are reduced significantly, taking income out of those areas. It is indeed a concern, and, clearly, more public sector jobs moving into the region would have an offsetting effect that would be very welcome.⁶⁴

52. Both the SWRDA and the Strategic Leaders' Board agreed that public sector jobs were good for the region.⁶⁵ We asked the Regional Minister what he would do to ensure the South West benefitted from any expansion of public sector jobs to the regions. He agreed that it was:

important that we as a region get our fair share. [...] I am conscious that there are certain parts of the region that might not have fared so well in terms of some of the consequences of loss of head count in areas such as land registry and HMRC. We need to identify those areas to see whether we can ensure that any jobs that migrate out of the South East can come to those sorts of areas.⁶⁶

53. In addition to public sector employment, the region also contains sectors that rely heavily on government business. These include aerospace and construction. We were told that reduced public sector spending in these sectors might have knock-on effects on employment:

Our concern is that capital spending, because it is politically easier to cut, will bear the brunt of that and we won't have the infrastructure of the South West region going forward, and that certainly will harm the construction industry. Clearly,

61 The Guardian, *Fresh move to drive more civil servants out of London*, 16 March 2010. The relocations will form part of the Budget 2010.

62 Q 78

63 Qq 77–79

64 Q 78

65 Q 79

66 Q 108

companies in the defence sector are looking ahead to a defence review with great interest.⁶⁷

54. Public sector employment is very important to the South West, and many of its key sectors benefit from government business. Further public spending cuts could have a particularly harmful impact on the region. On the other hand, there is the potential for the region to benefit from relocation of central government posts out of London. We urge a fair distribution of public sector jobs arising out of the Smith Review and possible further relocations.

Universities

55. Secretary of State for Business, Innovation and Skills, Lord Mandelson, announced the government is to reduce university funding in England by £398 million between 2009–2010 and 2010–11. The reduction is a result of efficiency savings of £263 million, with a further loss of £135 million budget. This would have consequences for universities in the region.

56. Universities South West said that they had been at the heart of the region's recovery through their work supporting the Regional Economic Task Group, and positive initiatives in the region between the NHS and universities, such as the Collaboration for Leadership in Applied Health Research which is attracting £10 million into the South West over the next five years, and drew attention to a number of initiatives and projects in life sciences.⁶⁸ Dr Deborah Watson, from Universities South West, also told us that Universities were taking a greater interest in corporate social responsibility, and interacting with social enterprise work.⁶⁹

57. Evidence to the Committee gave a mixed response to how effective joint working between universities and business was. The Federation of Small Businesses said the receptiveness of the Universities to engaging with small businesses was something that could be improved.⁷⁰ However, the potential for success existed, as Exeter University had approached them recently looking for opportunities for their third-year mechanical engineering students.⁷¹

58. The CBI admitted that, while they strongly supported good working relationships between business and universities, links could be better and both universities and businesses were not always aware of the opportunities or able to make the most of their relationships. David Rosser was particularly keen to see science protected and said:

I think the question was: do we have enough links with universities? Clearly the answer is no, and probably always will be.⁷²

67 Q 11

68 Ev 53; Q 71, Qq 72–74

69 Q 65

70 Q 23–25

71 Q 25

72 Q 26

59. Dr Watson said universities were receiving increasing numbers of applications, from both school leavers and older people returning to education from work, but they were unable to increase numbers without some way of funding the students. She also commented that cuts to their budgets would put various initiatives at risk, such as the partnership working between University medical schools and the NHS.⁷³

60. The Regional Minister said the cuts had to be seen in the context of twelve years growth in funding, and that discussions between Ministers and the universities on efficiency savings would be ongoing.⁷⁴ Jane Henderson told us that the RDA was investing in getting graduates into business, and they have been, “frankly leaning on universities to ensure that those investments result in a reach-out to business, because that is what they are for—they are there to help the economy primarily, rather than simply create more higher education for its own sake.”⁷⁵

Graduates and professionals

61. Universities in the region had received an increase in applicants among the young but also an increase in the number of older people moving into education from the work force.⁷⁶ With university places capped and a record number of young people applying to university there is a risk that many 18-year-olds will be adding to the jobless figures.⁷⁷

62. We heard of various initiatives aimed at addressing the needs of redundant professionals including joint working between Jobcentre Plus and the region’s Higher Education Institution careers services.⁷⁸ Dr Watson described their relationship with Jobcentre Plus as working both regionally, on marketing and publicity across the region, and locally between individual universities and their immediate jobcentres, and these relationships were developing.⁷⁹

63. We were also told about joint working between Universities, SWRDA and the National Council for Graduate Entrepreneurship (NCGE) to encourage unemployed graduates to become self-employed, the Knowledge Escalator which helps fund graduate entrepreneurial activity, and initiatives to encourage graduates to think broadly about what opportunities, training and support might be available if they wanted to set up a small business or social enterprise.⁸⁰

64. SWRDA works with the Universities and the Higher Education Careers Service to produce the Gradsouthwest website which advertises graduate jobs, internship opportunities and relevant events held at Universities.⁸¹

73 Qq 72–74

74 Q 128

75 Q 100

76 Q 57

77 Ev 43

78 Ev 53, Q 60

79 Q 62

80 Qq 63–65

81 Ev 53, www.gradsouthwest. Accessed 21 March 2010.

65. We support the joint working between Universities, Jobcentre Plus, SWRDA and various bodies that might provide ideas and support to help graduates think creatively about what employment options might be available to them. This should be encouraged, successes should be advertised and best practice publicised where it works. We welcome the gradsouthwest website, and efforts should be concentrated on ensuring that it is both widely known and a central point of access for initiatives aimed at graduates.

Skills

66. The *New Industry, New Jobs* White Paper states that, “any constraint on the ability of UK-based businesses to exercise comparative advantage on the basis of high levels of skills or knowledge must be regarded as a serious impediment to the UK’s economic success.”⁸² Retaining and building a workforce with a high level of skills is essential for the future well being of the South West economy, and some employers have been quite creative in designing short-time working arrangements.⁸³

67. This is particularly important in those areas that are likely to experience early growth, i.e. those industries and sectors where the region has strengths. However, among the structural weaknesses identified in the SWRDA evidence was a mismatch between the skills the region possess and the skills it needs.⁸⁴

Train to Gain

68. EEF welcome the increased flexibility and additional resources available through Train to Gain. However, concerns remain over the restructuring in April 2010 when the Learning and Skills Council will be replaced with a Skills Funding Agency and a National Apprenticeship Service. The restructuring has introduced some uncertainty among the business community as to how plan long term, particularly when planning lengthy commitments like apprenticeships. Witnesses told us they wanted a system that was more responsive to the demands of employers,⁸⁵ less bureaucratic and simpler so it did not deter staff from taking up training opportunities, and their employers from not taking up the funding.⁸⁶ In addition, Skillset pointed out that changes to the priorities of Train to Gain Management & Leadership training will make access more difficult for smaller, but growing, businesses.

69. The Regional Minister admitted there had been problems around matching Train to Gain funding with demand, and that there would be challenges for the new Skills Funding Agency to take on.⁸⁷ He went on to explain that the population of the South West, in

82 HM Government, *New Industry, New Jobs*, April 2009, para 2.15

83 Q 1 [EEF]

84 Ev 57

85 Ev 50

86 Q 127

87 Q 127

comparison to other regions, had a higher average skill level but lower than average productivity.⁸⁸

70. Business support for skills, including Train to Gain, remains complex, despite the efforts of the Government following the Leitch Report to simplify the system and introduce more employer involvement. The dismantling of the Learning and Skills Council may add to this complexity as businesses have to adapt to new organisations and a new system. We recommend that the Regional Development Agency and Sector Skills Councils work to make this transition as seamless as possible and involve the minimum of disruption.

STEM

71. The Government's priority sectors for growth: in areas such as advanced manufacturing, life sciences, and low carbon technologies all require a healthy number of workers with the requisite skills in the STEM subjects (Science, Technology, Engineering and Mathematics). However, we were told the region has a shortage of engineers, mathematicians and scientists,⁸⁹ and a shortage of level 3 qualified engineers, manufacturers and construction workers.⁹⁰

72. Research carried out by SWRDA shows that students leave these subjects at every available stage in the education system, from age five, 11, 14, and 16 up to when they are in university.⁹¹ We were warned of the danger of allowing this situation to remain:

It may look now as if skills are not a big issue, but if we are to get big investment in nuclear power, tidal energy and the industries of the future, such as composites technology, aerospace or new renewable energy, we will need people with skills that we don't currently have. Broadly, those will be skills in technology, construction and science. Not to invest in those skills would pose a threat to the future jobs that we want to create in the region.⁹²

73. Dr Deborah Watson told us:

There was discussion earlier about the need for STEM skills. A gap was identified at level 3, but we believe from the university perspective that it is at level 3 and above. There are high-level skills needs in the region as well. You have an outflow of graduates from the South West region, particularly to London and the south-east, so you have a graduate retention issue. We need to use graduates better in the businesses in the South West region to support the regional economy. So I think that from a skills perspective, yes there is an issue there. It is across a number of sectors, and we need to support them, and support the graduate numbers in the region.⁹³

88 Q 126

89 Q 26 [David Rosser]

90 Ev 42

91 Q 97

92 Q 80

93 Q 43

74. We challenged the Regional Minister as to what he was doing to help support education around the STEM subjects. He replied:

I will make sure that I am, as the voice of the region in government, trying to look after our interests and the STEM subjects in particular, which is where we saw the big expansion of places in the summer. That was very much focused on STEM places for students because, again, governance is of critical importance in looking after that. I have discussed it with Lord Drayson, the Science Minister.⁹⁴

75. We recognise that the Government has made significant efforts to encourage young people to take up STEM subjects and careers. However, there is no room for complacency. The likely expansion of green industry projects in the region offers a major opportunity to promote such careers to young people and the existing workforce. Joint working between employers and educational institutions must be encouraged at all levels.

Apprenticeships and the Future Jobs Fund

76. While unemployment has grown by less than was expected across the UK and, in recent months, has actually fallen, full-time unemployment among men has continued to climb steadily in the South West, and in particular the overall rise in unemployment has disproportionately affected the younger workforce.⁹⁵

77. Those who leave school without higher qualifications or work experience may struggle for jobs in the increased competition for each position. The Government has committed itself to the Young Person's Guarantee, offering a job, training or work experience to young people, aged between 18 and 24, who have been out of work for six months or more.⁹⁶

78. Part of this will be done through the Future Jobs Fund and through increasing the number of apprenticeships. The Future Jobs Fund (FJF) was announced in Budget 2009 with the aim of creating 170,000 additional jobs, primarily aimed at 18–24 year olds who have been out of work for nearly a year.⁹⁷ The Committee welcomed it in its first report.

79. Within this strategy the Government has further challenges, such as the aim to establish 5000 apprenticeships across the creative industries by 2013,⁹⁸ and the inclusion of apprenticeship opportunities as a condition in major public construction projects.⁹⁹

80. The Government Office told us that the region had received twelve successful Future Jobs Fund bids, hoping to create up to 1,885 jobs over the next 18 months,¹⁰⁰ and Tim Carroll from the Strategic Leaders' Board said he felt the FJF had been a success. However,

94 Q 128

95 Ev 31

96 DWP press notice, *Jobs, training and work experience for every young person out of work for six months*, 25 January 2010

97 <http://campaigns.dwp.gov.uk/campaigns/futurejobsfund/index.asp>. Accessed 21 March 2010.

98 HM Government, *Partnerships for Growth*, December 2009, para 5.28

99 New Industry New Jobs, para 4.24

100 Ev 31

he raised concern that the scheme had a termination date and that some employers appeared to be letting older staff go at the same time as employing new young staff under the FJF.¹⁰¹ Nigel Costley from the TUC also pointed out that there was a need to ensure that the apprenticeship opportunities created were not biased towards men.¹⁰²

81. The Minister conceded that he wanted more private sector employers to come forward to offer apprenticeship and internship places because “we cannot tackle the potential problem of long-term youth unemployment on our own.”¹⁰³ The Minister was adamant that granting jobs under the Future Jobs Fund would not be at the expense of older staff being made redundant.¹⁰⁴

82. Apprenticeships provide valuable training and experience for the apprentice and a resource for employers. They help to fill targeted skills gaps especially in those industries that are seen to be instrumental in lifting the region out of the recession, such as the green economy and the creative industries. We recommend that the Regional Minister does all he can to enforce the commitment in New Industry, New Jobs that major public construction projects are allied with a commitment to take on a suitable number of apprenticeships.

83. Concerns were raised that some employers were benefitting from the Future Jobs Fund while simultaneously making redundancies that they would not otherwise have made. We recommend that the Regional Minister investigate these concerns.

Complexity of business support

84. The Government, both regionally and nationally, has attempted throughout the course of the economic downturn to help struggling businesses. To do so, it has put in place a variety of initiatives and frameworks to offer support.

85. While we heard praise for many of the schemes individually, there was also a feeling from business groups that the number and range of different forms of support was confusing. In addition, it was felt that taking such a diffuse approach might reduce the effectiveness of the resources spent. Most notably, EEF recommended that:

rather than relying on multiple yet ineffective mechanisms, the government should consolidate and concentrate its resources. We recommend that the government brings together the various schemes—the new regional venture capital funding, the Enterprise Capital Funds, the Innovation Investment fund, the Grant for R[esearch] and D[evelopment] and the regionally delivered proof of concept funding—into a single and easily accessible source of finance, such as a Bank of Industry.¹⁰⁵

101 Q 99

102 Q 48

103 Q 123

104 Q 101 and Q 124

105 Ev 50

86. Specifically on the creative media, Skillset, the sector skills council, wrote to us that:

Whilst both [the] South West Regional Development Agency's skills and enterprise teams invest in creative industries support, there is a lack of strategic coordination across programmes, leading on occasion to duplication of effort and a confusing array of offers to businesses.¹⁰⁶

87. However, the Government pointed out that, over recent years, there had been a consolidation in the number of sources of help available precisely in order to improve effectiveness. The Business Support Simplification Programme aims to reduce the total number of business support schemes to less than 100. Jane Henderson told us that "there has been a tremendous rationalisation already". She went on to describe how:

the RDAs were charged by the Department for Business, Innovation and Skills with introducing the 30 solutions for business headline products out of what had been hundreds, if not thousands. The South West is regarded as a model of the better practice in all of that in terms of making things simpler and easier for business.¹⁰⁷

88. We recognise the progress made to date in simplifying business support nationally and in the South West. We believe this should be a constant, ongoing, process and that the Regional Development Agency should examine the impact of the Business Support Simplification Programme carefully and consider whether there is further scope to streamline business support.

Finance

89. Access to finance was the main concern from business when we carried out our first inquiry into the impact of the downturn on the region. As part of its response, the Government introduced the Enterprise Finance Guarantee Scheme (EFGS), a facility for small businesses intended primarily to improve the availability of working capital through loans and the ability to consolidate overdrafts. It is also supposed to support lending for business growth, where otherwise funds might not be made available due to insufficient security.¹⁰⁸ In our First Report on this subject, we concluded that EFGS was a welcome addition to the help on offer, but expressed concern that it was not widely known about among small businesses, in part because banks were not doing enough to promote it.¹⁰⁹ Understandably, this meant that take-up of the scheme had been low.

90. In response to our recommendation about increasing visibility of the scheme, the Regional Minister told us that, by 9 September 2009, the EFGS had offered 585 loans to customers, worth a total of £53.23 million. He said that both the number and volume of loans was anticipated to increase as "SMEs become more confident about economic

¹⁰⁶ Ev 65

¹⁰⁷ Q 89

¹⁰⁸ <http://online.businesslink.gov.uk/bdotg/action/gsdDetail?r.s=sl&r.lc=en&type=GSD&itemId=1081834978>. Accessed 21 March 2010.

¹⁰⁹ First Report of Session 2008–09, *Impact of the economic downturn on the South West and the Government's response*, HC 392

prospects, and have viable business plans to help them prosper and grow”.¹¹⁰ By 22 February 2010, the number of businesses helped had increased to only 874, while the total value of loans granted had gone up to £80 million.¹¹¹ This means that the rate at which businesses were helped actually declined during the autumn and winter of 2009–10.

Loans under the Enterprise Finance Guarantee Scheme in the South West, Jan 2009–Feb 2010

	Total no. of businesses helped	Total value of loans granted (£m)	No. of businesses helped per month	Value of loans granted per month (£m)
1 Jan–9 Sept 2009	585	53.23	71	6.5
10 Sept 09–22 Feb 2010	289	26.77	53	4.9

Source: Regional Minister for the South West, Ev 80

91. Vivienne Rayner told us that the scheme to date had disappointed overall, and that this was primarily because of the attitude and behaviour of the banks.

The will was there with the Enterprise Finance Guarantee [...] but I am afraid that the banks really did let us down there. From our point of view, they did not follow through on the spirit of what was on offer, and they focused very hard on absolutely getting the last drop of security out of somebody before they would let the Government guarantee come into operation.¹¹²

92. We note that the Government’s original ambition was to fund £1.3 billion between January 2009 and March 2010. In a statement to the House of Commons on 10 March 2010, however, the Economic Secretary to the Treasury, Ian Pearson, noted that only £605 million of loans had been made to date: less than half of what had been expected.¹¹³

93. The announcement by the Chancellor of the Exchequer in the Pre-Budget Report on 9 December 2009 that the scheme would be extended until 31 March 2011 is, therefore, very welcome. This will give the RDA and banks more time to publicise the scheme and, we hope, more opportunity for small businesses to benefit from it.

94. We welcome the extension of the Enterprise Finance Guarantee Scheme until 2011. Whilst recognising that there may be many reasons why the Scheme has disbursed less funding than expected, we believe that there is still more the Government could do to impress on banks, particularly those who have benefitted from tax-payer support, the importance of helping small and medium-sized businesses. We recommend that the Regional Minister carry out an analysis of which banks are lending less under the terms of the EFGS and investigate why this is the case. We urge him to continue to press the banks both regionally, and nationally via the Regional Economic Council, to lend more freely to small businesses.

110 First Special Report of Session 2008–09, *Impact of the economic downturn on the South West and the Government’s response: Government response to the Committee’s First Report of Session 2008–09*, HC 1092

111 Q 114

112 Q 17

113 HC Deb, 10 Mar 2010, Col 98WH

Revaluation of Business Rates

95. Every five years, all non-domestic properties are assessed and given new rateable values based on rental values. The most recent revaluation has now taken place and its results will be applied to business rates bills from 1 April 2010. It is a principle of all such revaluation exercises that there will be no overall increase in the revenue raised as a result, so there will always be some that win and some that lose, but the proportional change to individual businesses can change substantially.

96. In the 2010 revaluation, businesses in the South West have seen their share of business rates rise. Every other region of England, with the exception of London, saw its share of the rates fall. In some cases bills will increase by two or three times. In one case that was brought to our attention, the rateable value increased from £8,000 at the last valuation to £48,000 this time.¹¹⁴

97. The Federation of Small Businesses wrote to us that changes in the valuation methodology have had a particularly adverse affect on the kinds of businesses in which the South West is strong:

The impact of changes to the valuation system [...] are penalising the most go-ahead businesses. Properties such as rural filling stations, pubs serving food and small hotels or B&Bs have been difficult to value due to the very limited rental market. In the past there has been a valuation per letting bedroom or similar. We have been given to understand that valuations are now based more on turnover.¹¹⁵

98. At a time of economic hardship, when some businesses fortunes have dipped precipitately, such an increase in tax will be hard to shoulder. Again, the FSB stated that “consequential increases would have been hard enough to bear in a growing economy. In the current climate they will act as a strong disincentive to develop a pub or similar business.”¹¹⁶

99. The Government will introduce the new levels of business rates in a phased way over the next five years, with the help of £2 billion of transitional relief.¹¹⁷ Even after this has been applied, however, the tax take from businesses in the South West will increase by up to three per cent.¹¹⁸ The Regional Minister told us he was “well aware of the problems around rates”, adding that he had met the head of the Valuation Office and the responsible Minister in the Department for Communities and Local Government. However, he added that, “without changing the legislation it is very difficult” and that, in sum, “it is not possible for the Government to do anything about it.”¹¹⁹

100. The revaluation of business rates has led the rates paid by South West businesses as a whole to rise considerably. We welcome the fact that the Minister has made

114 Ev 42

115 *Ibid.*

116 *Ibid.*

117 HC Deb, 1 Mar 2010, Col 965W

118 Q 90

119 Q 130

representations to central government on this issue. We recommend that the Regional Minister closely monitor the effectiveness of the transitional relief and raise unresolved concerns in due course with the Department for Communities and Local Government.

Conclusion

101. The future prospects for the South West economy have the potential to be bright. Green industry, particularly renewable energy, has the potential to revolutionise the region's economy. The provision of fast, high-quality broadband may overcome many of the region's traditional weaknesses in infrastructure and build its creative and digital industries.

102. However, these benefits will not simply fall into place. The economic recovery is fragile, with unemployment among the young a particular concern. The concerns expressed by our witnesses reflect long-standing issues with the UK economy—access to business support by the smallest businesses, over-complication of government's interface with business, and skills gaps and mismatches. There is a vital need for leadership in the South West that will address these long standing issues.

103. The region's high dependence on public spending means that future cuts could potentially have a serious impact. It could be particularly harmful for the region if major spending cuts were made too hastily or without thought for their wider consequences. The recommendations of the Smith Review into public sector relocations could give parts of the region an important lift.

104. The Regional Economic Task Group has provided an effective forum for discussing economic issues within the region. However, we remain concerned that there may not be the structures in place to deliver effective regional leadership that translates into local action. Despite his good work and that of his predecessor the Regional Minister's role is limited in what it can achieve in this respect. The Strategic Leaders' Board has an important role to play in this respect and we look to it to work closely with the Government Office for the South West, as well as the Regional Development Agency, to achieve a clear strategic direction for the region.

Conclusions and recommendations

1. Green industry provides an enormous opportunity for the region in terms of jobs, investment and the environment. There needs to be a degree of co-ordination and co-operation across the region to ensure regional businesses can take advantage of the supply chain opportunities. The tendency to set up numerous initiatives and bodies should be avoided—public sector involvement should be overseen by an authoritative single body with the involvement of all the key players from both the public and private sectors (Paragraph 25)
2. Although small and micro businesses have faced significant problems during the recession, overall they have shown remarkable resilience. Providing support to smaller businesses is an enormous challenge and one that is particularly important in the South West. Business support initiatives appear to have been increasingly successful at connecting with small businesses, the next challenge is to connect with the very smallest. (Paragraph 33)
3. Social enterprises are likely to become more important to the regional economy. We urge the regional bodies to ensure social enterprises receive appropriate support as businesses and not charitable organisations. (Paragraph 34)
4. SWRDA and Business Link, along with UK Trade and Investment, should maintain their work to increase awareness of the export potential of South West business. We recommend that SWRDA commission in-depth research into what blockages there are to small businesses in the region expanding into larger businesses. (Paragraph 38)
5. A more serious approach to prompt payment by the public sector is to be welcomed. However, we are disappointed that only 29% of the region's local authorities have signed up. We urge local authorities who have not yet signed up to demonstrate local leadership and support for small businesses by signing up to the prompt payment code. We are encouraged to hear that the Government is looking to extend the code to cover contractors and urge it to examine how it can be made easier for small companies to take action against larger ones who do not pay their debts. (Paragraph 39)
6. High-quality, fast broadband is a powerful and cost-effective way of allowing rural and peripheral regions to grow. Given its importance to the region there is a strong case for continued, even accelerated, public sector investment in this area. However, businesses and the public must be aware that such a decision may be made at the expense of cuts elsewhere. (Paragraph 44)
7. Public sector employment is very important to the South West, and many of its key sectors benefit from government business. Further public spending cuts could have a particularly harmful impact on the region. On the other hand, there is the potential for the region to benefit from relocation of central government posts out of London. We urge a fair distribution of public sector jobs arising out of the Smith Review and possible further relocations. (Paragraph 54)

8. We support the joint working between Universities, Jobcentre Plus, SWRDA and various bodies that might provide ideas and support to help graduates think creatively about what employment options might be available to them. This should be encouraged, successes should be advertised and best practice publicised where it works. We welcome the gradsouthwest website, and efforts should be concentrated on ensuring that it is both widely known and a central point of access for initiatives aimed at graduates. (Paragraph 65)
9. Business support for skills, including Train to Gain, remains complex, despite the efforts of the Government following the Leitch Report to simplify the system and introduce more employer involvement. The dismantling of the Learning and Skills Council may add to this complexity as businesses have to adapt to new organisations and a new system. We recommend that the Regional Development Agency and Sector Skills Councils work to make this transition as seamless as possible and involve the minimum of disruption. (Paragraph 70)
10. We recognise that the Government has made significant efforts to encourage young people to take up STEM subjects and careers. However, there is no room for complacency. The likely expansion of green industry projects in the region offers a major opportunity to promote such careers to young people and the existing workforce. Joint working between employers and educational institutions must be encouraged at all levels. (Paragraph 75)
11. Apprenticeships provide valuable training and experience for the apprentice and a resource for employers. They help to fill targeted skills gaps especially in those industries that are seen to be instrumental in lifting the region out of the recession, such as the green economy and the creative industries. We recommend that the Regional Minister does all he can to enforce the commitment in New Industry, New Jobs that major public construction projects are allied with a commitment to take on a suitable number of apprenticeships. (Paragraph 82)
12. Concerns were raised that some employers were benefitting from the Future Jobs Fund while simultaneously making redundancies that they would not otherwise have made. We recommend that the Regional Minister investigate these concerns. (Paragraph 83)
13. We recognise the progress made to date in simplifying business support nationally and in the South West. We believe this should be a constant, ongoing, process and that the Regional Development Agency should examine the impact of the Business Support Simplification Programme carefully and consider whether there is further scope to streamline business support. (Paragraph 88)
14. We welcome the extension of the Enterprise Finance Guarantee Scheme until 2011. Whilst recognising that there may be many reasons why the Scheme has disbursed less funding than expected, we believe that there is still more the Government could do to impress on banks, particularly those who have benefitted from tax-payer support, the importance of helping small and medium-sized businesses. We recommend that the Regional Minister carry out an analysis of which banks are lending less under the terms of the EFGS and investigate why this is the case. We

urge him to continue to press the banks both regionally, and nationally via the Regional Economic Council, to lend more freely to small businesses. (Paragraph 94)

15. The revaluation of business rates has led the rates paid by South West businesses as a whole to rise considerably. We welcome the fact that the Minister has made representations to central government on this issue. We recommend that the Regional Minister closely monitor the effectiveness of the transitional relief and raise unresolved concerns in due course with the Department for Communities and Local Government. (Paragraph 100)

Formal Minutes

Monday 22 March 2010

Members present:

Alison Seabeck, in the Chair

Roger Berry
Mr David Drew

Dr Doug Naysmith

Draft report proposed by the Chair, brought up and read.

Ordered, That the draft report be read a second time, paragraph by paragraph.

Paragraphs 1-104 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report [together with written evidence reported and ordered to be published on 2 February 2010 and 22 February 2010].

[The Committee adjourned

Witnesses

Tuesday 2 February 2010

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Vivienne Rayner, South West Policy Manager, Federation of Small Businesses, **David Rosser**, Regional Director, CBI, **Peter Scott**, Chief Executive, Dorset Business and South West Chambers of Commerce, and **Mr Terry Slater**, South West Regional Director, EEF. Ev 1

Nigel Costley, Regional Secretary, South West TUC, **Lucy Findlay**, Chief Executive, RISE, **Dawn Neale**, Sector Skills Manager, Alliance of Sector Skills Councils, and **Dr. Deborah Watson**, Deputy Executive Director, Universities South West. Ev 8

Monday 22 February 2010

Councillor Tim Carroll, Deputy Chairman of the Strategic Leaders' Board and Leader of South Somerset District Council, **Jane Henderson**, Chief Executive, Regional Development Agency, **Nigel Jump**, Chief Economist, South West Regional Development Agency and Regional Economic Task Group, and **Adrian Welsh**, Environment, Planning and Economy Manager, Cornwall Council. Ev 15

The Right Hon. Jim Knight MP, Minister for the South West. Ev 22

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Session 2008–09

First Report	Impact of the economic downturn on the South West and the Government's response	HC 392
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First Special Report	Impact of the economic downturn on the South West and the Government's response: Government response	HC 1092
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Oral evidence

Taken before the South West Regional Committee on Tuesday 2 February 2010

Members present:

Alison Seabeck (Chairman)

Roger Berry
Mr David Drew

Dr Doug Naysmith

Witnesses: **Viv Rayner**, South West Policy Unit Federation of Small Businesses, **David Rosser**, CBI, **Peter Scott**, Chief Executive, Dorset Business and South West Chambers of Commerce and **Mr Terry Slater**, EEF South West Regional Director, gave evidence.

Chairman: Thank you all for coming, and apologies for the slight delay. We have a very long report to get through. One Member has to leave to be on the Floor of the House in seven minutes, so when you first speak could you identify yourselves clearly for the purposes of the record?

Q1 Mr Drew: I have a very simple question on something I have spent quite a lot of time on: the arguments over whether or not we should have been paying wage compensation to those people on short-time working, who are of key importance, certainly in some of our manufacturing industries. I wonder what your take is on that, as we are now hopefully coming through into the recovery stage and looking at whether we have managed to retain jobs that we had perhaps feared we would lose. How do we compare with other regions in Europe, particularly those that have arrangements for some form of wage compensation to keep people in work? To me, that is a key issue and always has been. When I talk to people in manufacturing firms in my constituency, they are worried about how they will manage the recovery having lost staff, which is what always does for us. They turned around and said, "Look at our competitors in France and Germany, who are effectively being paid to twiddle their thumbs on the basis that when the recovery comes they will be straight back into work." That is why I argued so hard for some form of wage compensation, which we kind of did get in a pseudo way, but not completely.

Mr Slater: If I may begin, I am the regional director of EEF for the South West, which has approximately 400 manufacturing member companies within the region. One of the things that has characterised this recession more than almost any other is the extent to which manufacturers have been very mindful of the need to retain key skills, and the extent to which they have applied very flexible and innovative practices to try to do that. There have been some quite creative short-time working arrangements. Clearly, the driver for that has been skills retention. Would it have been helpful for them to have received, for example, as in Wales, ProAct arrangements, which you are probably aware of? It would have been extremely helpful, but the main driver was not the

cost but retention—the need to retain key and sometimes scarce skills, as manufacturers worked through and out of the difficult economic climate.

Q2 Mr Drew: Is there now a worry with those companies that have retained staff? You could argue from the Treasury's point of view that that would have been deadweight. We would have been paying money to companies who would retain their staff anyway. Is the problem now that they have had to absorb the costs? We know the recovery is not going to be suddenly a case of putting the flags out, we are all there; it is going to be bumpy. There is a worry that those companies that have retained now turn round and say, "There is actually not much sign of a recovery. We had better lay off those people we hung on to because we dare not keep going as we are, otherwise everybody will be threatened." Is that a reasonable analysis?

Mr Slater: Yes. There has been an impact on both cash flow and margin. It has made the difficulties more extreme.

Q3 Chairman: May I ask each of you whether or not you are seeing within the region evidence that we are coming out of a recession? If so, which sectors are leading and which are still struggling?

Peter Scott: I am Peter Scott, Chief Executive of the Dorset Chamber of Commerce but today I represent all the Chambers of Commerce across the South West region. I will try to address particularly the situation in Dorset and then pick up on some other aspects of the region. Our economy in Dorset is dominated by the financial services sector, advanced engineering, hospitality, leisure and tourism, which to a greater or lesser extent have been victims or beneficiaries of the downturn in the economy. When things begin to pick up—and we believe there is a tendency for that to be the case—what we are smelling in Dorset is the emergence of the green shoots. We certainly do not have fields of green shoots to wade through yet. You will appreciate that, as a region, the South West—from Cornwall in the far west to Dorset in the bottom right-hand corner—is an extremely disparate grouping of counties' economies. Some industries are doing well—in

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Dorset the aviation, air and defence sector has continued to prosper throughout the recession—whereas those who are dependent on the disposable income of people who have been impacted by the recession, such as hospitality, leisure and tourism, have had a hard time and are looking for better prospects through 2010.

Q4 Chairman: So tourism continued to struggle despite evidence that people were holidaying in the UK rather than going abroad?

Peter Scott: The alleged staycationers—to use that terrible expression—did not materialise in droves. The balance between business tourism, if you like, the strict business user and the leisure market is an extremely complex set of interrelationships. There were price pressures on all establishments, from hotels through to leisure attractions; margins horribly squeezed, as everywhere; and intense competition from other regions within the UK and outside.

Chairman: Thank you. Terry, do you have a view?

Mr Slater: If I may, I shall confine myself to manufacturing, as colleagues will know more about other sectors than I do. If you look at the South West in terms of manufacturing and advanced manufacturing, it's got a very different mix from most other parts of the UK, characterised by a larger than average aerospace and advanced engineering component and a larger than average defence component, which means that the picture is extremely mixed at the moment. If you've been heavily involved in an automotive supply chain then you probably started to feel things becoming extremely difficult towards the end of 2008, and had a very difficult 2009, but you're probably looking at a position that's flattening, now. If, on the other hand, you're in the aerospace sector, you may actually be wondering why you had such a good 2009, because other parts of the manufacturing sector clearly weren't, and whether you have some difficulty still to come in 2010, because of the length of your order books; and I know some aerospace companies in the region are seeing forward order books start to diminish as we look at 2010 and 2011.

Q5 Chairman: Was there also a difference, from your experience, within the component manufacturers, between those who were producing parts which were the standard parts that have been used for years within the automotive industry, for example, and those that were at the top end—cutting edge, high precision, perhaps with greener technology being used in automotive production? Was there any difference between the companies that went to the wall and those that survived?

Mr Slater: No. I don't think there's a fundamental difference, but I think there's much more resilience in terms of those companies that can go further up the food chain, in terms of adding value to customers, than with straightforward component manufacturers who are more at the mercy of global competition—and particularly low-wage

economies, because there's limited value that they can add to the services that they provide. I think over the last 18 months, albeit there is a slowdown in investment, in terms of investment in large capital equipment, we've seen a lot of focus on innovation in terms of product, and services, and quality and adding value, and companies trying to make themselves add more value and be more influential in terms of the relationship with customers. So a lot of those top end manufacturers have moved into high added value services, and through-life support, in addition to product.

Viv Rayner: Just to pick up on what Terry was saying, actually, cutting edge is no guarantee of success. We have members who are downsizing fast, who are at the cutting edge, and they've come across subsidised competition from Wales, being just across the border, and it is drastically undermining their businesses; so being cutting edge isn't always the defence one might like to think. We did a major piece of research amongst our members last autumn, between the middle of September and the end of October, and at that stage South West businesses, and certainly our members, were moderately more optimistic than in the UK as a whole: 30% thought things were actually going to get better over the next 12 months, compared with 28% across the UK, and 48% thought things would remain stable, compared with 46%. So on stable or getting better, that's plus 4% for the South West. Since then, however, the revaluation has started to kick in. As we know, the South West and London were the two regions where the total valuation, because of what had happened to property prices, was actually going to go up. I think people are aware that it's hit certain towns much worse than others, but it's also hit certain sectors.

Q6 Chairman: Which ones?

Viv Rayner: Well, again, I'm afraid, rural filling stations with shops attached, and pubs, and restaurants-guest houses. To a certain extent, talking to the valuation people, it's because they've changed their method of valuation for those outlets. They used to have a rough rule of thumb for the smaller guest houses and hotels—so much a bedroom. Now they're basing it much more on turnover. We've seen one guy; he's got a pub restaurant. He's go-ahead; he's built up a business—exactly what you'd want to see in a small business. As a result his rates have gone up from £8,000, pre-2005, to £48,000 from next March. I know that there is transitional relief, but even with that the rates have to be paid. That is a big jump, which comes straight off the bottom line. It does have an impact—why bother if the rates are going to go up? In terms of businesses in general, the picture is mixed. We have had businesses doing well, with something like 30% of members reporting an increase in profits to one degree or another, and we have had 50% reporting a decrease. Margins are being squeezed. The sales volume is up by more than 30% so margins are being squeezed—there is no question about that. We are not sure whether we are hearing about it now because of the problems or

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whether it is having more impact, but we are also beginning to see unacceptable behaviour by some of the large firms.

Q7 Chairman: What sort of unacceptable behaviour? I think that you need to be a bit more specific.

Viv Rayner: Construction companies refusing to pay their subcontractors. A customer saying to their tier 1 contractor, “Do away with your tier 2 and just take on his staff to carry on doing the work.”

Q8 Chairman: Has the FSB filtered that information through to the Regional Economic Task Group?

Viv Rayner: Yes, we are putting the information up but I am citing that as an example to show that cowboy behaviour that we hoped had stopped is starting to re-emerge. Of course, when money is tight a small business does not have the money to go to law, which is what it takes.

Q9 Chairman: Perversely, we had evidence in the last session that larger companies were being supportive down the chain to ensure that it was in place and everything was working.

Viv Rayner: Again, it is different sectors. They were being supportive down the car manufacturing, automotive and aerospace chains, where they are very dependent on their suppliers.

Q10 Chairman: Is it largely construction that you are talking about?

Viv Rayner: Yes. On utilities, we were very pleased to see Kent making use of the permit system on roadworks because that is another area that impacts on our members. If you have a small business in a tourism sector, appearance is very important. If utility works are going on outside and there is an argument between the contractor and the utility company, you are left with a big hole outside your front door. I think there are more instances of that because we are hearing about them a lot more.

David Rosser: I’m David Rosser, Director of the CBI for the South West region, which includes Wales. As I’m from an organisation whose members are mainly medium and large companies I am feeling under attack from my right flank. As to evidence of coming out of the recession, I think that the South West region has probably fared relatively well compared with most other UK regions during the recession, but I think that it is much too early to say that there is widespread evidence that recovery has kicked in. Most companies that I have talked to have had their version of a falling-off-a-cliff moment at some stage over the past 18 months—different trajectories and different rates of decline—but the great majority have stabilised. Most companies looking forward to 2010 think that the market will not be that much better than it was in 2009, but, as businesses, they are probably better placed to deal with it because they have taken, by and large, tough and difficult decisions to size themselves to be better placed to cope. Some of the industries that had the steepest

decline have seen a measureable improvement—automotive is clearly one of those. There is a difference within the automotive sector. If you are producing components that predominantly go into larger vehicles, you are probably not quite as happy as someone who is producing components that go into smaller vehicles. If you are producing components that improve the energy efficiency of vehicles, you are probably feeling happier than if you are not. In house building, we have certainly seen an improvement to levels of activity. We desperately need to see the regional spatial strategy in some shape or another signed off—

Chairman: Because of its impact on construction.

David Rosser: Or we will see it stall. Companies that are heavily exposed to selling to the public sector are probably feeling quite nervous at the moment. Construction companies are concerned that capital investment will bear the brunt of the restoration of public finances, rather than it being split with current spending.

Q11 Chairman: So is there concern about cuts to the public expenditure programme in relation to infrastructure?

David Rosser: I think there is an acceptance that we need to trim back public spending. Our concern is that capital spending, because it is politically easier to cut, will bear the brunt of that and we won’t have the infrastructure of the South West region going forward, and that certainly will harm the construction industry. Clearly, companies in the defence sector are looking ahead to a defence review with great interest. There are certain signs of stabilisation in the region, some signs of improvement, but it will not feel like a recovery for a long time and some threats are on the medium-term horizon.

Q12 Roger Berry: I note that you say that there is a general acceptance of the need for public spending cuts. Do you really mean that, or do you mean that there is an expectation that it might happen?

David Rosser: No, I really mean that.

Q13 Roger Berry: The reason I ask, of course, is that the Regional Development Agency points out that in the 10 years before the global recession, public sector spending made a very significant contribution to the South West economy in job creation and so on. The RDA has said that reductions in public spending could severely harm the regional economy. The impact, in its words, could be strongly negative. Do you agree with that assessment, despite what you have just said? If so, how can we minimise that damage, should that occur?

David Rosser: The CBI certainly believes that the restoration of the UK’s public finances is necessary. If we do not do that, we are likely to see impacts on interest rates, which will affect all companies across the UK and across the South West region. Will reductions in spending have an impact on the South West region? Well, possibly. It depends on how cuts are implemented. We would strongly support preserving, as far as possible, capital investment in

education, transport infrastructure and broadband infrastructure. Looking with a fresher pair of eyes at the delivery of public services, there could well be some opportunities for South West businesses whose job it is to deliver public services on behalf of the public sector by taking a fresher approach to public service delivery. There certainly are threats, I accept that. It is not inevitable that reductions would be strongly detrimental to the economy, but they could be.

Q14 Roger Berry: Do you accept that the most effective way to get the deficit down is to restore economic growth as quickly as possible?

David Rosser: Yes.

Q15 Roger Berry: And that cuts in public spending will have precisely the opposite effect?

David Rosser: Again, I think it depends on how cuts in public spending are done. The timing is clearly important. The plan for restoring the UK's public finances needs to be set out clearly and credibly for the financial markets to give us an operating environment in which all companies can prosper.

Viv Rayner: May I come in on that, because one of the forthcoming tax increases—in national insurance—is actually going to hit employment directly? Certainly our members would be very keen for that increase not to happen, or at best be deferred.

Q16 Roger Berry: So you'd like a higher level of public sector borrowing?

Viv Rayner: We haven't discussed that specifically.

Roger Berry: Well, that follows.

Viv Rayner: Well, not necessarily. It could mean taxes elsewhere—

Roger Berry: Oh, I see.

Viv Rayner: It could mean other taxes doing more. If the increase in national insurance reduces the increase in employment, have you looked at the knock-on effect on taxation and unemployment benefits? There is a very strong school of thought—we did some research—that maintains that increasing national insurance actually increases the cost of unemployment further down the line.

Roger Berry: I happen to agree with you very much. In the short term, however, it will undeniably increase public sector borrowing. Sorry, you're giving the evidence, not me. Forgive me.

David Rosser: I think the point is well made. If we try to restore the UK's financial position by tax increases, that will slow down growth. It will slow down the recovery, which is why the CBI firmly believes that spending needs to be tackled.

Q17 Roger Berry: The Government would argue that they have tried to help businesses in the South West during the difficult year and a half or so. I would like to ask your views on whether you think the Government have been doing the right thing and addressing the right priorities. If not, what should they have been doing and what should they do now?

Viv Rayner: The support through Her Majesty's Revenue and Customs was excellent. It worked well and was very much appreciated. Where there were negatives, it was because people contacted their local tax office rather than the business support line; I am afraid the local tax office did not always refer people on to the business support line. But there has been a very high level of recognition and appreciation for the service offered. Rates deferrals were slightly less appreciated, because, although they were a great help to people who had come to the end of transitional relief and were facing big increases, a lot of people's rates were going to change by only about 3% or 4%. They were a bit bemused, but we explained. The will was there with the enterprise finance guarantee and the working capital scheme, but I am afraid that the banks really did let us down there. From our point of view, they did not follow through on the spirit of what was on offer, and they focused very hard on absolutely getting the last drop of security out of somebody before they would let the Government guarantee come into operation. If the Government had had an alternative way of transmitting that sort of help, it would have made a big difference, hence our suggestions that we really do need a post office bank and that the RDAs should be refocused on providing that kind of direct financial support. The banks have let us down badly. So yes, a lot of work was done, and it was very much appreciated. One thing that did not work was cutting VAT. We would have preferred it not to happen because of the extra cost and work involved. We would have preferred the cut to be focused on something like the construction industry, reducing VAT there to 5% or even 0% for the refurbishment and refitting of environmental improvements and so on. There is still time to do such things. In the South West, we would have liked to see 5% on holiday accommodation and restaurant services, as in France.

Chairman: Peter, do you have a view?

Peter Scott: Our perspective, particularly that of the members of the chambers of commerce, is that it was not so much the intervention by the Government but the contrary position taken by banks that had the more deleterious effect. Against a background of the maintenance of other types of business support, such as the services provided by Business Link, businesses were at least able to maintain some kind of an overview of their terms of operation. We also feel very strongly that, although the banks have been widely pilloried—we are well aware of the consequences of their action—they must stand up and be recognised as having been a huge contributory factor to the plight of so many SMEs.

Q18 Chairman: May we briefly touch on skills in the region? Do you have a sense that, through this period, we have managed to retain the skills base in key sectors, or do you think that gaps have started to appear?

Viv Rayner: I represent the Federation of Small Businesses. I think that the gaps that we have noticed for a long time at level 3 in key areas such as construction and engineering are still very much

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there, and in the last few months they have started to reappear. From our point of view, we were very disappointed that what was done during foot and mouth, when EU money was used to give wage compensation to businesses that were sending staff on training, was not actually done this time. We have Train to Gain wage compensation, but it does not support cash flow. Under that scheme, you have to wait until the qualification is taken, and then you apply. It is no good if you are using it as a way to help people retain skills—a missed opportunity, there.

Q19 Chairman: Is that the only lesson that we can learn from Train to Gain? Quite a bit of the evidence suggests that it was very welcome and has helped protect some of the skills base and enhance skills. I understand the argument from small businesses—

Viv Rayner: It has also been capped at just the wrong moment. This is the other problem.

Q20 Chairman: You wouldn't want to see it go?

Viv Rayner: We wouldn't want to see it go, but it has been capped too soon. We can understand the Government's problems: you are working on a scheme for 18 months, it finally goes live, and you expect it all to happen because it's old history, as far as you're concerned. But for businesses, it has just appeared. It takes six months, a year, 18 months before it comes on their radar and they think, "That sounds really good. I could make use of that." Just as they say, "I'm interested in that," it's finished. That's what happened with Train to Gain. In the South West, lots of small businesses started getting used to it, and then it was capped just as they were starting to get involved.

Q21 Chairman: We'll take that away. Terry, your evidence seems to suggest that the talent retention scheme is a success. What elements made it work, and how was it publicised?

Mr Slater: That links into the comments I made earlier about the need to retain key skills for when you come out the other side, and the need to make sure that competence exists within the sector. Even before the recession, there were level 3 and technical skills shortages, and some of those still exist. The concept of talent retention was led by the need to make sure that there was still the opportunity to invest in retraining and upskilling during the recession. The scheme has been going for a few months. It has been promoted regionally by e-mail and on websites. There are currently over 100 contacts with companies and individuals, and the scheme is looking to fill approximately 120 vacancies, so it has taken off quite well—it has been well supported. We are promoting it, other partners in the region are promoting it, and it looks to be moving ahead very successfully with supporting the process of retraining and upskilling.

Q22 Chairman: It has obviously grown very fast, as it has only been running for a couple of months.

Mr Slater: Indeed. It's off to a very good start.

Viv Rayner: We need it.

Mr Slater: The lesson is fundamentally that once those skills leave the sector, it's quite difficult to get them back.

Chairman: Tell me about it.

Mr Slater: And the lead time to replace them is long.

Chairman: It takes seven to 10 years to train up submarine engineers in Plymouth.

Q23 Dr Naysmith: You talked earlier, Viv, about cutting-edge industries, and we have quite a few of those in the South West. In fact, the RDA emphasises the importance of advanced manufacturing industries to the region, particularly aerospace and micro-electronics. We got the strategic investment fund in the Budget recently, and we are making use of it for a number of projects in the region, which you know about. Do you think we have good enough links between our universities and the different businesses and industries in the region? If not, what can we do to improve them?

Viv Rayner: No, we don't, and if there were an easy answer, I think we'd already be doing it. We understand that, from the university perspective, there are lots of small businesses, their time is short, and they are difficult to engage with. The problem is that the impression our members get is that because it's difficult, the universities don't try, and we hear that when a small member makes contact, they get dusty answers, which does not help. I think there is certainly a need for the universities to establish a system, so that whoever answers the phone has somebody to refer small businesses on to.

Q24 Dr Naysmith: In some respects, this is a two-way process, isn't it? I know quite a lot about what happens in Rolls-Royce and Airbus in Bristol. Both sides get advantages: the industry gets good graduates, and it gets some of the work done in the universities, and *vice versa*, but there is an interval. How do we make sure that such work happens much more?

Viv Rayner: This is one of the reasons why we are promoting the internship scheme, which we think is wonderful, as far as the universities are concerned. We know that there will be a cost to them, but it is a wonderful loss-leader for them; they can show business what their graduates can do. We had it in the December and January newsletters, and we are just waiting for the button to be pressed. Then we will push it out to members.

Q25 Dr Naysmith: These big firms in the supply chain go to universities when they want something. I don't know whether the universities realise that they can get something in return from small businesses.

Viv Rayner: Actually, we've had some success there. We had an approach from Exeter university, which wanted some projects for, I think, their third-year mechanical engineering students.

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Dr Naysmith: That's just the sort of thing that we want to encourage a bit more.

Viv Rayner: Yes. We put it in the newsletter, and the university was really pleased with the response that it got, which is why we did it again this year. It is starting to build, but I agree that it is something that needs working on.

Q26 Dr Naysmith: Are there enough scientists and engineers coming in?

Viv Rayner: No.

Dr Naysmith: Really? The universities are not producing enough. Is that it?

Viv Rayner: It's before that—it's not just at university level. We keep referring to level 3 skills in engineering and manufacturing. It's the science, engineering and maths skills at school level. We would even start earlier.

Chairman: David, do you have a view on this?

David Rosser: I think the question was: do we have enough links with universities? Clearly the answer is no, and probably always will be. The CBI strongly supports developing good working relationships between the two sectors, and we see that as key to future economic growth. There is a demand-side problem as well, though; it is not just universities failing to reach out or respond. Too many people running companies—probably in my generation—have a view of universities that is probably a little outdated now. Certainly, we talk to CBI members in the region about working with universities, and the CBI is as much in exhorting and educating mode as anything else. We are sitting down and working with two or three of the biggest universities in the region to try to look at how we can come up with opportunities to get more companies working with them. I certainly agree with Viv on the issue of STEM skills. While the labour market is easier now, the underlying trend of a shortage of engineers, mathematicians and scientists is still there, and will show its head again shortly. While the flexibilities seen in Train to Gain have been, again, very welcome, I think we would like to see more of that, now that we are focused towards STEM skills.

Q27 Dr Naysmith: To take the example of the National Composite Centre, which is being established in Bristol university, how can we ensure that some of the smaller firms in the region develop this carbon technology and get involved in it? Can you do that sort of thing?

David Rosser: We can certainly try. One of the most effective routes should be through the supply chain. The likes of Airbus and Rolls-Royce will undoubtedly be talking to Bristol, because they are the sorts of companies that always do. They could then push that down through the supply chain, with companies reacting to pressure from customers; I would have thought that was one of the more effective ways of doing it.

Chairman: Terry, you were nodding throughout that.

Mr Slater: There is a regional SC21 initiative in the area of supply chains that is doing exactly what you have just described.

Peter Scott: If I may add to that, in terms of where the client base for the universities rests, many of them are outside the region. So there is no immediate visibility of what is being done by universities. Locally, Bournemouth has a client base outside the South West region and the UK. Unless those success stories are played up—it resides with the universities themselves to push that forward—we will continue to exist in splendid lack of information.

Viv Rayner: I very much support that, in terms of pushing out the success stories, because the supply chain is one route. But don't underestimate the "Eureka!" moment, when someone reads something on the business page or in the local news, and says, "That is just what will solve my problem—doing x or y."

Q28 Chairman: We get the message and we will pass it on. The Regional Economic Task Group set up the Green Recovery Action Group. How would you assess its success or otherwise?

Viv Rayner: I actually sit on it. First, we brainstormed what could be done. Then we looked to see what else is already being done in the region. We are focusing on trying to make things happen to plug the gaps. I am frantically trying to remember some of the gaps we have identified.

Q29 Chairman: Have you identified where the priorities are, in terms of action?

Viv Rayner: Oh yes, we have been identifying them and trying to find out ways to deal with them and how to get them plugged.

Q30 Chairman: Have other members of the panel experience of the Green Recovery Action Group?

Peter Scott: Only inasmuch as we have been inspired, particularly in Dorset, to implement our own green knowledge economy programme under our multi-area agreement. There is now an overarching environmental theme, which in many respects mirrors that part of the RETG.

Q31 Roger Berry: In terms of green energy, there is constant talk about new initiatives in the South West region, whether it is tidal power in the Severn, offshore wind farms or Hinkley. Given that you said that you have experienced a problem in the supply of engineers, scientists and mathematicians, this question is primarily for Terry and David. We talk about these important non-carbon technologies, particularly in the energy field, but is the region equipped to meet the skill needs for that? I do not care if we import people from Yorkshire or Lancashire or other regions. In terms of the regional economy, these scientists have to come from somewhere. Do you perceive problems there?

Mr Slater: I'd start by looking at the skill requirements that currently exist within advanced engineering and those that will be required in marine renewables or nuclear, and I would try to dispel the myth that they are fundamentally different. They are very common skills. Many of the skills that we will

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need to fill and develop jobs within the green technologies already exist. Yes, there is a transitional and developmental investment to make, but it is not huge. The fundamental problem is for private sector manufacturers to see and understand those supply-chain and market-based opportunities. There is quite a significant gap between the advanced manufacturers with the skills and the visibility of the opportunities. There is a real need to bridge that somehow.

Viv Rayner: Let me give a good example of that. One of our members in Somerset has developed a boat that is the boat of choice for servicing offshore wind farms. That is in Somerset. Its issues are the same as those of any other growing business: it needs finance, because it is growing. It also needs a water site. Waterside sites are so attractive for housing, but it needs a waterside site to build and launch the boats. That is its other big issue.

Chairman: They need to come to Plymouth.

Viv Rayner: Those skills are no different from any other boat-building skills, except the people running the business saw what was happening with wind farms, looked at the boats they needed and went for it.

David Rosser: Terry thinks it is about better visibility, particularly with regard to the skills issues in the sectors he mentioned. Our members tell us the biggest barrier to pressing ahead with some of those investments is a clear and consistent Government policy on energy, and getting the Infrastructure Planning Commission to get its broad policy statements sorted out. Once we get those pieces of the jigsaw in place, we will find the skills to build things and to run them. Whether they are imported or not—a lot of the work forces on construction sites are pretty itinerant—that will get those things built. At the moment, that is a third-order issue behind setting in place the consistent market framework that will allow people to run these things as businesses.

Q32 Roger Berry: Another area is the digital economy and where the region stands on that. The RDA is passionate about the next generation being crucial for the region. What is your take on that?

Peter Scott: It is absolutely imperative from our perspective in Dorset, particularly, because we have the focus of what is happening in the 2012 Olympics. Weymouth and Portland will allegedly be supported by 21st century ultra high-speed broadband provision by BT. But it should not end there, either in terms of the cut-off point or the geography. Unless we can ensure high-speed broadband provision across the county and across the region, our region will be at a competitive disadvantage within the UK and internationally. Let's not constrain ourselves with 100-megabit speed; we are talking about something much faster than that. Let's not fall into the M25 trap: let's not build ourselves six lanes in each direction now, because, sure as heck, the demand will be there, in terms of people who want to pump vast quantities of data and voice

communications down those lines, such as home workers. There will be demand for anything that can be done to help reduce the carbon footprint. Collectively, those are some compelling reasons why we need better broadband connectivity.

Viv Rayner: In terms of competitiveness, small businesses really need broadband, and we need it fast. There are so many things that you can do on broadband—and do quickly and effectively. If you don't have it, you are that much slower. You are that much less competitive. That is very much the case in the rural areas, where very often broadband can be the link. It can be the thing that provides the services—the business—and makes up for the fact that you are separated from the population centres.

Q33 Roger Berry: Given our interesting conversation about public spending earlier, you have all put in a bid for spending by somebody. Are we talking about the Government or the private sector organising all this?

Viv Rayner: The experience of actnow in Cornwall, which had the EU money, is that if you get a proper marketing programme, with a way for people to register that they want fast broadband, you can enable people to create the market and therefore draw down the private sector spend. That has been the experience in Cornwall, but I don't think we have learned enough from that to replicate it elsewhere.

Q34 Chairman: Would you also take a view that, given our peripherality issues, and the far South West in particular going down to Cornwall, one of the cheapest and quickest ways of bringing the South West and Cornwall to London is by having a fast digital link and probably linking into the cable that goes transatlantic along the South West coast?

Viv Rayner: Yes, very much so.

Mr Slater: Yes.

Q35 Chairman: So you are wholly supportive of that and would want to see it as an RDA priority?

David Rosser: What is the cost? I strongly support this. I think that for any peripheral, rural economy, broadband is going to be as key as road in the future, if it is not already. But it is the last third.

Q36 Chairman: But it's going to be a lot cheaper than putting in a new rail line, probably?

David Rosser: The point about public spending is very real. The private sector has invested in getting on for 90% coverage to the current 2 megabits broadband speed. Will it do the last 10%? No. *[Interruption.]* When you get to the next generation of broadband, it will be even more of an issue.

Chairman: There is disagreement with the panel here.

Viv Rayner: We haven't got 90% in the South West. In the South West we've only got 80% and we are the English region that is worst off.

Roger Berry: That's the point that David and I are trying to make

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David Rosser: There are very real issues here about how it is funded.

Q37 Chairman: We are getting a bit short of time. We will move to rural business. Do you feel that rural businesses have received enough support from Government in the current crisis? Or are their problems not necessarily any different from those of a small business based in an inner-city area? Do you think they should have a greater priority?

Viv Rayner: The challenge for small businesses is to make sure they actually get the support that they need. When money is tight, the focus is on getting the bangs for the buck, so delivery has a tendency to be in the urban areas where it is easy. That is why I was very pleased to see those results—the high levels of satisfaction that have been achieved in Dorset, where members seem very pleased with the Business Link delivery there. In a way, that is one of the reasons why transport and broadband are so important. Looking at the South West, we do more business with the rest of the UK than the rest of the UK does, underlining the importance of the internet to us, and of transport to get the goods there, so it is important. When I see us looking at spending £300 million on a rail link to Glasgow airport, I think, “What could we do with that money, say, between Newton Abbot and Torbay?” It underlines the sort of difference we are talking about.

Q38 Chairman: Do people have a view about Business Link in relation to rural business? Do you think it has been effective?

Peter Scott: Speaking from a slightly historical perspective, Business Link has run a number of rural business initiatives over the years, and they have been successful. What has happened in the intervening time is that the nature of rural businesses has changed. We sometimes use interchangeably small businesses and rural businesses, assuming that they are the same thing. That is not necessarily the case. There are some examples of quite large, growing and successful rural businesses that are not necessarily small. So as long as we do not think of geography as being the limiting factor but the need of a business wherever it is based, transportation, connectivity and local skills provision are all vital in that respect.

Q39 Chairman: We are almost there. I have one final question on the role of UK Trade & Investment. There was criticism in some evidence that companies were not receiving the support and assistance they needed in order to build export markets, particularly. Have any of you picked any of that up?

Viv Rayner: Yes. Again, it is the micro-business. I will give you an example. One of the incentives is Passport to Export. They match the costs of producing leaflets. The feedback I have had from my members is, “If I am very small and I am starting exporting, I am not going to pay for a large run of print leaflets. I am going to get them designed so that I can print them off on a decent printer, on a computer”, so it is not really an effective form of support. This is the problem with a lot of the initiatives. They are not geared to the micro-business; they are geared to the business with 25 or more staff. And yet we have a lot of much smaller businesses, which can, given the right amount of support at the right time, successfully export, but I think we are missing a trick there, particularly in the South West.

Q40 Chairman: So the Government were right in a sense to highlight the fact that there was a failure in this area, and clearly more needs to be done?

Viv Rayner: Yes. And we would very much like to work with people doing it.

Peter Scott: Given that the South West region is recognised as being the worst performing region in England as far as export is concerned, as long as UK Trade & Investment—we have a good working relationship with UK Trade & Investment South West—have sufficient flexibility within their programmes to suit local need and they are not constrained by a top-down approach that says, “All of Britain will do X”, then I think we will have some light at the end of the tunnel.

Q41 Chairman: Do you still have a sense that that is the case?

Peter Scott: To a certain extent it is. Certainly over the past several years, while the focus was very much on the BRIC countries, it was wholly inappropriate for the needs of some of the smaller businesses across the South West region.

Mr Slater: I have run a number of companies with positive experiences of dealings with UKTI, but I do not have the micros.

Chairman: It is interesting to hear your comments. I thank you all very much for coming along to give evidence.

Witnesses: Nigel Costley, Regional Secretary, South West TUC, Lucy Findlay, Regional Infrastructure for Social Enterprise (RISE), Dawn Neale, Sector Skills Manager, Alliance of Sector Skills Councils and Dr Deborah Watson, Deputy Executive Director, Universities South West, gave evidence.

Q42 Chairman: There is an outside chance that if there is a vote in the Committee of which I am also a member, I may have to adjourn this sitting, rush down the corridor and vote. If a member of this Committee is dutifully speaking on the Floor of the House at 5 o'clock, we will have to cut the session a

bit shorter than we would ideally have liked. If answers could be kept as short as possible, without compromising the detail, that would be helpful. May we have your individual views on the prospects for the South West economy? Dawn, will you start please?

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Dawn Neale: I represent the Alliance of Sector Skills Councils in the South West. There have been significant, innovative and creative solutions to address economic growth, working with key sectors. That will probably come out during our discussions.

Nigel Costley: We are pleased with the way in which the Government have stimulated the economy and prioritised young people with the Future Jobs Fund. I am sure that we can touch on the task group. Our concern for the future is about the public sector. We do not want to see a private sector recession just as it appears to be starting to claw its way out being pushed back by a public sector-led recession in particularly vulnerable places of the likes of Cornwall, the economy of which is heavily skewed towards the public sector.

Dr Watson: I am Dr Deborah Watson from Universities South West, the regional universities association. We are pleased that our work with businesses seems to be seen in a positive light at the moment, but obviously we have concerns about the impact of public sector funding circumstances on university funding. There has been a lot about that recently.

Chairman: I am sure we will come back to that later.

Lucy Findlay: I am Lucy Findlay from RISE. I wish to talk about social enterprise and businesses trading for social and environmental purposes. Social enterprises have weathered the recession pretty well and that is partly because of the way that they trade. They fill the gaps from which the private sector might have removed itself. We are keen to see the social enterprise business model move ahead and from strength to strength because we think that it can bring an incredible amount to potential recovery for the South West.

Q43 Chairman: Each of you has talked about some of the key factors in maintaining the recovery. In its evidence, the RDA identified some structural weaknesses in the South West. We have touched on gaps in international trade with previous witnesses, as well as skills, mismatches and infrastructure gaps. Do you recognise those problems? If so, which are the most serious or are they all serious in their own right? Are there some that jump out at you and say, "We really have got to fix this first"?

Dr Watson: There was discussion earlier about the need for STEM skills. A gap was identified at level 3, but we believe from the university perspective that it is at level 3 and above. There are high-level skills needs in the region as well. You have an outflow of graduates from the South West region, particularly to London and the south-east, so you have a graduate retention issue. We need to use graduates better in the businesses in the South West region to support the regional economy. So I think that from a skills perspective, yes there is an issue there. It is across a number of sectors, and we need to support them, and support the graduate numbers in the region. The internship scheme was mentioned earlier; again, we are actively engaging with the Federation of Small Businesses and other regional partners to get interns into the regional economy. We had an issue last year and we have it again this year

about student numbers—the national increase in student applications and its impact on longer-term youth unemployment numbers if there are no increases in Government numbers for students. In terms of infrastructure and activities such as developing science parks, we are looking to develop one in the Exeter area, and science park facilities in the Bristol area. Again, such things impact on the ability of universities working with business to spin out and develop prospective routes. So, there is a broader range of impacts as well.

Q44 Chairman: Okay. Dawn, you are in the skills sector, do you want to comment on that?

Dawn Neale: There is a lot of research work going on to articulate the specific skills needs and gaps. I think that will certainly be useful for partners. For instance, ConstructionSkills has a Future Skills Unit, which is specifically looking at construction skills gaps in the context of the low-carbon technology and industries that are needed. The manufacturing sector is obviously working closely with employers to articulate skills needs and demands, and is working on key initiatives such as the 21 sector skills councils project. I think various sectors are tackling things in different ways. To add to that, in terms of low-carbon research we are looking at marine energy and the low-carbon economic area as a whole, and at what it means to a number of sectors. That will be a cross-sector piece of work.

Q45 Chairman: Is the growing interest in and emphasis on the low-carbon sector one of the outcomes of the recession, or was that happening anyway?

Dawn Neale: I think it came about through New Industry, New Jobs really; people refocused activity to look specifically at the NINJ sectors, so there already was some work on clustering with sector skills councils and footprints. The five manufacturing sector skills councils are working closely together, but the NINJ report emphasised that, and then people refocused. For instance, we used to have a built environment alliance group, which was then refocused to look at the whole of low carbon.

Nigel Costley: I think the low-carbon economy and the need to meet the targets presents the South West with huge challenges, but massive opportunities. We are in a fairly unique period, when we can foresee the future, because we have to meet the targets for our energy production and conservation. The South West is going to be dotted, especially along the Severn, with massive engineering projects: the two nuclear new builds, if they come off; the Atlantic Array wind farm; the Wave Hub and the marine initiatives; and of course the big one, which would be whatever we do with the barrage, lagoon, or tidal slow technologies. All those will require massive amounts of construction labour at different times. They will require civil engineering methods and techniques at different times. I submit that now is the time when we need a regional economic leadership that is going to co-ordinate these things and put the

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skills in place. The free market won't—can't—provide that in a timely way. If we don't get it right—I caught the end of some of the previous sessions—the South West will be the hostel for itinerant construction workers, rather than the base for a really secure and prosperous change in the way in which the economy has been skewed to low pay and poor conditions.

Q46 Chairman: So, from your perspective, the risk of missing this huge opportunity that has been presented to the South West is about lack of regional leadership at the top.

Nigel Costley: I think so, but it is not just a question of will; there has to be the authority and the means to perform that leadership role. It does not necessarily need finance because a lot of the projects will be privately financed, but the private energy providers that are building the new nuclear, for example, will be focused on their own priorities. I am sure that Hinkley will be prioritising Hinkley, not Oldbury, which is going to be built by a rival. Somebody somewhere has to make sure that these work together in the public interest. On shipping, if the barrage was built, it would require a whole fleet of custom-built ships and turbines, the like of which the world has never seen in terms of such a big order. The potential to spin off into the supply chain is huge and a lot of the same skills and companies will be required for all those projects. Someone has to co-ordinate.

Q47 Roger Berry: Who should that someone be?

Nigel Costley: I would suggest that you have to have a regional agency. I'm no longer on the board of the RDA, so I can say that.

Q48 Roger Berry: Is it an RDA-type organisation or the RDA?

Nigel Costley: It is obviously regionally focused. A lot of the projects, unlike the huge build of the Olympics in the middle of a population centre, will be in the centre of nowhere—on the side of the Severn estuary in the middle of Somerset. They will need strategic thinking about how the links will be made. I know that EDF is already thinking about park-and-ride facilities on motorway junctions to get workers from A to B. How are we going to build in apprenticeships to prepare for the future? It is actually quite exciting. I put some warnings in my submission about a lot of these new jobs and new skills. We need to think through the consequences of having thousands of new jobs, almost all of which are going to be for blokes unless we're careful. We need to think about the equalities agenda and how we get girls into apprenticeships so we give people the skills and the balance required.

Q49 Roger Berry: Nigel, to press you a bit on leadership, is the RDA capable of doing the job or do we need something different and, if so, what would it look like? Would it have more direct involvement from, for example, local authorities or sub-regional groups?

Nigel Costley: Well, I think that you need clout and somebody with the authority to bring these people together. Some of these private enterprises are massive global operations that might ignore a regional body, so it will need clout. It will need partnerships. Small firms in Somerset may want to work on EDF's new nuclear plant at Hinkley, but it says that in France it only goes down two tiers of supply chain and the minimum contract is £12 million. Viv's members are not going to stand a chance unless they start thinking about joint ventures, partnerships with other firms—either in the UK or abroad—and start preparing and thinking creatively about that now, let alone about the skills supply. With the big construction firms, I think that we have had a mixed bag from our experience of the Olympics. All the best intentions of the top tier and the main contractors get lost as the fragmented nature of subcontracting starts to have its way. We do not want to see the South West being the centre of some of the kind of disputes that we have seen on some of the big civil engineering construction sites around the country.

Q50 Roger Berry: May I ask a quick question about broadband? There is a wide discrepancy in the region over broadband access—much wider than in many other regions. It is a very disparate region, as we all know. How serious do you think that is? Is it just that people think, "The faster, the better" or is there a serious problem, and faster is significantly better so we should start catching up? How do your members find it, Lucy?

Lucy Findlay: It is probably an issue, especially for some of the more remote social enterprises. Going back to some of the skills issues, social enterprises join up low carbon with the community agenda. I think we quite often miss that trick, because we think just down a purely environmental route. There is a real gap in terms of thinking laterally around leadership skills—not just business departments in our universities, but also architecture, for example. I went to talk to a group of architects called *Architecture sans Frontières*, who were working at the Eden Project. They were looking at developing low-carbon alternatives to construction, but then linking that in very closely with local communities. The two have to go hand in hand. We often forget that aspect. To be able to sustain ourselves into the future, we need to engage with local communities, and we need them to find those business solutions, maybe working with some of those professionals. Sorry, that doesn't answer your question about broadband. We have got social enterprises that are working on that agenda, particularly helping groups access it.

Q51 Roger Berry: Who would they lobby? Everybody wants access to broadband. Okay, great. Who do you lobby? Are we lobbying the private companies? Are we lobbying Government? Who are we lobbying for the money?

Dr Watson: I guess if I started to lobby I would approach the Regional Development Agency in the first instance, because I know that work is happening

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on that. From an educational perspective, universities tend to be networked through their own systems. From that perspective, broadband for the community is not an issue, but for remote learners—people engaged in non-traditional learning in their own time from work, or from home—actually having good broadband access will become a much greater requirement because the content requires a greater bandwidth. As the content continues to develop, you will have to continue to develop that broadband infrastructure. It becomes absolutely critical for all of us just to do our internet shopping, never mind internet planning to take the skills agenda forward. If we are genuine about upskilling the current work force at all levels, then enabling them to do that from remote access becomes very important.

Q52 Dr Naysmith: I just wanted to ask a couple of questions about why it is that when you survey your members they seem to be more optimistic about coming out of recession than other kinds of businesses. Also, you seem to have been more successful as well, performing better than other small and medium-sized enterprises. Why is that?

Lucy Findlay: Yes; I think it is probably the markets that they work in. A lot of them might be working in deprived communities and filling that gap where the market perhaps has not traditionally provided. They are not motivated by shareholder profit; they are motivated by the social and environmental aims of that organisation. They have found that that is an opportunity for them and they have found that there are particular gaps in the market. Certainly, we have seen a number of our social enterprises being able to exploit some of those gaps in the current economic climate. The feedback that we have been getting is that, yes, it's hard times and we've seen a couple of social enterprises fall by the wayside, but on the whole they seem to have—it probably is about being motivated by something other than just pure profit motivation.

Q53 Dr Naysmith: Do regional bodies take your members seriously enough, if they are looking for assistance?

Lucy Findlay: I think we don't really get taken seriously enough. We get lumped in with the charitable sector. We are a business. First and foremost, social enterprises are businesses but they are trading for people and planet. I quite often say that you would not call the Co-operative Group, for example, a charity. We do tend to get lumbered in with the volunteering agenda. There is a huge opportunity, given that the general public are increasingly aware of more ethical options. People will be prepared to buy from businesses that have different types of motivation. There is a lot of scepticism; the reason we entered the recession was because of certain behaviours. Social enterprise can provide some of the solution and can teach some of the mainstream businesses lessons from that perspective, too.

Q54 Dr Naysmith: How about going the other way? How about local authorities or trade unions? Do you and Nigel ever get together?

Lucy Findlay: Yes. We certainly do. We are coming to it as allies from the same agenda.

Q55 Dr Naysmith: A lot of your members operate in rural areas. Are there any special or particular points that are causing problems that you want to make on their behalf?

Lucy Findlay: There is obviously the issue of being more remote. We quite often see bigger social enterprises, because they are increasing in size, having more business success, and there are a lot of strong support organisations based in the more deprived areas. We have been doing quite a lot of work to ensure that, if social enterprises are in remote rural communities, they have access to the same sort of support that you might get in an urban area. We have done a lot of work with the RDA and Business Link to ensure that that is the case.

Q56 Dr Naysmith: Are Business Link and the RDA both helpful?

Lucy Findlay: Yes. I think that of all the regions, we have been the most successful in terms of remodelling the offering for social enterprises to ensure that it is useful. Quite often when a business comes for support from Business Link, the Business Link adviser would not recognise it as a business, because it is not necessarily saying the traditional things that a business might. We have specialists working on that. We have had quite a good relationship with the RDA and Business Link around developing that.

Dr Naysmith: Good. Nigel, did you want to say something?

Nigel Costley: Yes. On many of these issues we are pushing up against the limits of what the free market can achieve. I think the future of rural communities is dependent on social enterprise, co-operative models. Farming has long recognised the value of co-operation in order to do the job. Many rural shops and businesses have to rely on a degree of social enterprise, if that is the right expression, or co-operation; otherwise, they do not survive. It is the same with housing and other forms. Although I think the RDA has a good record, it could do more in pushing that particular agenda.

Lucy Findlay: The other alternative is to get it into the media as well. We have been successful in getting a community shop on "The Archers".

Q57 Dr Naysmith: Deborah, there has been a strong increase in student applications to universities in the South West. Do you think that is because you run such excellent courses, or is it because school leavers are finding it hard to get a job so they are postponing getting a job and coming to study?

Dr Watson: I think there are a number of underlying factors. Yes, of course we run wonderful courses in the South West.

Dr Naysmith: Roger and I used to teach on some of them.

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Roger Berry: So we agree.

Dr Watson: Obviously, there is an increase in the number of applicants from the younger cohort because of the economic situation at the moment. You also have an increase in the number of older applicants, people moving into education from the older work force.

Q58 Dr Naysmith: So what are the resource implications for higher education and FE centres in the region? I know your vice-chancellor has been saying quite a lot about this.

Dr Watson: Yes, our vice-chancellor has said quite a lot, so I guess I should be careful about what I say. In a sense the student number allocation is fixed. So in one way there isn't an implication in terms of the number of students that will be taken on, but there is an implication in the number of students who won't be taken on. It is going to be an extremely competitive year in terms of getting into university, as it was last year. Unless there is a way of increasing that student number in a funded way, obviously no more students will be taken on. So the impact is on the unemployment figures potentially, rather than on the student numbers.

Q59 Dr Naysmith: Why was the bid for economic challenge investment funds unsuccessful?

Dr Watson: In terms of the regional bid?

Dr Naysmith: Yes.

Dr Watson: As a region, many of the institutions did get their individual ECIF bids. The regional bid was not deemed worthy of funding.

Q60 Dr Naysmith: Have you any idea why? Is there any feedback on that?

Dr Watson: No particularly strong feedback has been received on that. What we have tried to do in the region is draw together the individual institutions' ECIF activities and provide an overarching framework from Universities South West's perspective to feed into things like the regional economic task group and we have fed reports to that group on a number of occasions over the last year. We also feed in nationally, through HEFCE and Universities UK, data on what is happening in the region from a university perspective. So the regional ECIF application may not have happened, but there is still a lot of activity. We have also been working very closely with Jobcentre Plus over the last year delivering some pilot training for professional executives. That happened last summer and I believe that is due to be rolled out through an invitation to tender imminently.

Q61 Dr Naysmith: I was going to ask you about that and the links between Jobcentre Plus and the universities, particularly in the light of graduate unemployment. I went to my local jobcentre less than two years ago, and as I used to be a scientist, I checked on the computer how many scientific vacancies there were. There was not a single one in the middle of Bristol. I hope that that sort of thing has improved today.

Dr Watson: In a sense, Jobcentre Plus's database does not tend to hold those sorts of job adverts. What we have been doing regionally, in terms of the graduate market, is Gradsouthwest.com, which is the region's vacancy service run by the region's universities. At the moment, it has more than 1,000 vacancies online for new and recent graduates. There are 40,000 registered students and graduates, and we are driving a lot of regional activity through that. The internship scheme that is Government funded together with the FSB, which Viv mentioned earlier, is literally about to go live. Viv said that we were waiting on it. Gradsouthwest's pages went up two days ago, and we are waiting to press the go on media release this week.

Q62 Dr Naysmith: So is the relationship a good one?

Dr Watson: I would say that the relationship with Jobcentre Plus is at two levels. There is the regional level, where I have contacts with the regional officers in Jobcentre Plus. I was discussing with them only yesterday how we got the internship message out to unemployed graduates who might not know about it from our marketing, and we are going to do that through their district level staff on a region-wide basis. There is then activity on the ground between universities and jobcentres in their locality. Some of the work from the pilot over the summer has developed those relationships a lot more. Some universities are involved in their regional action forces as well.

Q63 Dr Naysmith: Can we do more to help graduates to start up their own businesses and become self-employed?

Dr Watson: Yes. There have been a number of entrepreneurship programmes running in the universities for quite a few years now, funded under HEFCE's HEIF programmes or from the RDA. We have a programme at the moment—the Knowledge Escalator—which helps fund entrepreneurship activities so that graduates are coming out of universities with the skills that would enable them to do that. Over the past couple of years we have been working closely with the NCGE and we are about to launch a creative industries university enterprise network as well with NCGE and Knowledge Escalator funding. We are working with a whole range of different partners. This is very much partnership working in terms of how we make all these activities happen across the South West region between institutions.

Q64 Chairman: Does RISE get involved with assisting graduates in moving into social enterprises?

Lucy Findlay: Yes, we have done, and I have gone along and talked to graduates, but my view is that it needs to be embedded as a business model so that when you are teaching graduates or undergraduates about business, part of that education is about different business models. I think that that is often where we miss a trick—it is not embedded into the business programme.

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Q65 Chairman: A lot of graduates are not on specifically business-orientated programmes. They have wonderfully whizzy ideas, but where do they go? How are they picked up?

Lucy Findlay: Yes. The other thing is that, basically, you need to be able to get those ideas and pick up ideas from other sources, as I was saying about architecture. I come from an urban planning background. Increasingly, we are looking at the different disciplines and how we tap into those people who might be social entrepreneurs but will not necessarily see the straight business studies route as the way that they might get involved. They might not even come across it until later on in life. It is about how we identify those people at an early juncture. Certainly, from a business studies point of view, we often find that people end up going into corporate social responsibility, but if they hear about social enterprise they say, "Actually, that is what I want to do"—but they never hear about it.

Dr Watson: I think that corporate social responsibility is an interesting area in which all of the region's universities have, institutionally, been taking a much greater role in over the past three years. We have done some work on that regionally. I am working with Business in the Community, and there is some national work as well on that. So, universities, as organisations, are taking a much stronger role in that, and also through some of their courses. There are interactions between the social enterprise community and universities. I am aware of some spin-out activity at one institution that is tied up with some social enterprise work.

Lucy Findlay: Yes.

Dr Watson: So, there is a lot of that going on. There is a very positive picture in terms of what universities are trying to do to enable graduates to come out into the work force in an employable way. They are employable people—whether that means employing themselves to set up their own business. The support is in place in institutions, in terms of both training and incubation space. Many of the institutions now have incubation space on campus or in their localities, not only for their own staff and students, but for other local companies to work with them. Those incubation spaces start to grow the next generation of high-tech businesses.

Lucy Findlay: We have seen examples of university-led, high-tech businesses that are interested in different business models as well. You might get people within universities setting up a co-operative or social enterprise.

Q66 Chairman: How important are i-nets, in terms of disseminating good practice, ideas and information? Universities are setting these up; the RDA is setting one up, I think.

Dr Watson: I was going to turn your question around, in the sense that I have no idea how valuable they are, because they do not exist yet—they are being created. I would hope that they would provide value by making some of the communication between the various different partners flow in a more coherent, managed way, which would help to support these areas. What you are doing with each

of the i-nets is bringing Business Link, universities, sectoral business organisations and others together through one network. If you are networking and bringing those partners together, I think you will get good outcomes—I hope you will.

Q67 Chairman: But are you confident that they work?

Dr Watson: I cannot say how good they are, because they do not exist yet.

Q68 Chairman: Okay. As we bring this session to a close, do you have a view—each of you can answer—on whether the region will be able to retain the skills it needs, particularly in terms of low-carbon technology and advanced manufacturing? Do you think we will come out of the recession with a strong enough skills base to build on?

Nigel Costley: I do think we need to be brave and bold at the moment. In terms of the low-carbon agenda, it is not just the energy generators that will require lots of money and skills. The whole question about domestic energy refit is a huge opportunity for us, but we haven't got it right in my view—it is still not coherent and together; it is patchy. We know that, to meet the targets, the Energy Savings Trust scenarios would point to every house having their loft insulated. Every wall cavity that can be insulated has to be done, and then you have to move on to the harder stuff of solar and biomass. You can't do that at the moment by pepper-potting and relying on people to apply for grants. The suppliers are only interested if you have a nice bare loft. If you have a lot of clutter in it, they don't want to know, and if it is an awkward cavity, they don't want to fill it. It has got to be done street by street and house by house holistically. There were local authorities that were doing it—the Kirklees model is often thrown back at us as an example. It needs a bit of a push—leadership and political will—and we need to crack on. That would generate a lot more jobs and a good range of them, from basic entry-level jobs through to quite highly skilled jobs through to advisers. Again, it's the limit of the private sector to deliver some of these joined-up approaches. It's a bit of an irony, I think, that Labour came to power and had to come to terms with the privatisation agenda of the previous era, and the next Government are going to have to face up to the fact that the public sector has to intervene much more.

Q69 Chairman: Let us come back to leadership. Dawn, do you want to come in?

Dawn Neale: I think a lot of sectors have tackled things individually. Linking on to what Nigel was saying, for instance, SummitSkills is looking at renewables and how to upskill plumbers. It's about looking at the existing skills base so that we can extend skills, and we have an advanced project in the South West to look at STEM skills, which is cross-sector based. So there are a lot of initiatives, projects and activity in the region. I think we have made a good start.

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Q70 Chairman: Is there enough coherence across the region?

Dawn Neale: Between the RDA, the regional employment and skills board, and all the partnership approaches that we have, I think that we are quite successful in the region with partnership approach.

Chairman: Roger, do you want to come to your question?

Q71 Roger Berry: A quick question on life sciences. How good are the prospects for life sciences in our region?

Dr Watson: On biomedical life sciences, there has been quite a lot of work between two medical schools from the region over the last couple of years. We combined forces to bid for an academic health science centre last year, but we were not successful. One of the issues for the South West as a region in that type of activity is that if you are competing with the large medical schools in London, although we have very significant expertise, it is very hard in our rural disparate economy and geography to compete with the urban, London-centric medical world. We were unsuccessful in that bid, but just recently we were successful in a joint bid between the two medical schools and some of the other universities in receiving funding for a health education and innovation cluster. That was literally launched in the past few weeks, and it is looking at how we get biomedical expertise from both the NHS and the region's universities to innovate in and develop the region.

Q72 Roger Berry: I was going to ask about that. How well does NHS South West work with the relevant universities?

Dr Watson: I think there is a strong relationship. The chief executive of NHS South West sits on the South West universities board. We have a joint regional

grouping that meets several times a year to look at work force planning, research and other issues on quality improvement and aspects of the NHS agenda, as well as research and training aspects of the HE agenda, where those two overlap. One of the region's vice chancellors sits on the board of the strategic health authority. There is quite strong overlap and quite good working between various institutions. The medical schools are working together. The allied health profession schools share a number of activities and talk on a regular basis. It is very well joined-up within the South West region.

Q73 Roger Berry: This might seem a daft question as the answer might be obvious, but just for the record, would reductions in public spending put this at risk?

Dr Watson: Yes.

Chairman: A short answer.

Dr Watson: It's true.

Q74 Roger Berry: How seriously?

Dr Watson: If we focus on, say, health research into the large medical schools that are currently urban-based, we would undermine the ability to have that capacity in a region like the South West. We need to look at different models for delivery in the South West. No one medical school would have stood a chance of standing on its own. It had to put together a partnership model. It had to put together a distributive model to try to make something really work in the South West. On one occasion, it did not come off. On the second occasion, it did. We need to have a moment when the policy is formulated, but that allows slightly different models that would enable it to work in the South West region.

Roger Berry: Thank you.

Chairman: Thank you very much for coming. We have appreciated it. It will help us in our questions to Ministers later.

Monday 22 February 2010

Members present:

Alison Seabeck (Chairman)

Roger Berry
Mr David Drew

Dr Doug Naysmith

Witnesses: **Councillor Tim Carroll**, Deputy Chairman of the Strategic Leaders Board and Leader of South Somerset District Council, **Jane Henderson**, Chief Executive, South West Regional Development Agency, **Nigel Jump**, Chief Economist, South West Regional Development Agency and Regional Economic Task Group and **Adrian Welsh**, Environment, Planning and Economy Manager, Cornwall Council, gave evidence.

Q75 Chairman: Thank you all very much for coming. Perhaps I could ask some opening questions, but will you prefix your answer with a brief introduction, saying who you are and your name, because that helps the reporters to pick up different voices? What is your view at the moment of where the South West is in relation to the rest of the UK, in terms of coming out of the recession? Is it coming out of the recession, and if it is, which sectors in the South West are leading the way? Jane, do you want to kick off from the Regional Development Agency's perspective?

Jane Henderson: I'm Jane Henderson, chief executive of the RDA. On my right is Nigel Jump, our chief economist, to whom I will defer very shortly. Perhaps I could mention that behind him is Ian Piper, who is here to swap places with Nigel when we come to questions about regeneration and the rural development programme for England, if you have any.

Chairman: Hang on a second while I check with the Clerk whether that is allowed. What normally happens is that if someone sits behind, they may pass notes, if necessary.

Jane Henderson: That's fine. To return to your question, as was the case in previous recessions, the South West was a bit slower to move into recession and has not moved in as deeply or as sharply as some other regions, but we are beginning to see early signs that we may be slower in coming out of it than the UK generally. Again, that is a pattern that we have seen before, but in terms of what that means in sectors, and on the details, Nigel will reply.

Nigel Jump: I am Nigel Jump, chief economist for the South West Regional Development Agency. As Jane said, we have had a relatively mild recession. That does not mean that there has not been any pain. There has been, and particular parts of the region have suffered particularly badly, whereas others have suffered relatively less. It's a big region, as you know, and it is difficult to give a simple answer. None the less, looking forward, the sectors that are leading us out of recession are, in essence, in manufacturing—those competitive businesses that have access to good export markets—and, to some extent, some of the services. Retailing had a good end to the year, but it was not so good in January. It's a very mixed picture, depending on which part of the region you are talking about.

Q76 Chairman: You mentioned good export markets. One of the key findings that came out of the evidence that we got suggested that we weren't exporting well from the South West, and that we were considerably down on other regions. How does that fit with your last comment?

Nigel Jump: There is a structural question and a cyclical question. The structural question is around the South West not being good at exporting, but we have some very strong elements of exporting, particularly in aerospace and some of the creative media—in some of those types of sectors. Again, it is difficult to generalise. Generally, we are not an exporting region, but we have some very strong parts, and those strong parts are benefiting from renewed growth in China and the far east, in Europe to a lesser extent, and in the US to some extent.

Q77 Chairman: Okay. Adrian and Tim, you are much more from the local government side of things. How do you view where the South West is?

Tim Carroll: In terms of recession and recovery, Chairman, as Nigel rightly said, the South West is characterised by a lag behind the other regions. It is quite obviously the profile—the characteristic—of the South West that it has a lot of micro-businesses, but you have to remember that they actually comprise supply chains for people like Westland, British Aerospace and so on. It's early days, more than anything else. I am surprised at the resilience that a lot of those organisations are showing. I apologise, Chairman, for not having introduced myself. I am Tim Carroll, leader of South Somerset council and vice-chairman of the South West Strategic Leaders Board.

Adrian Welsh: I'm Adrian Welsh, transport policy manager for Cornwall council. I certainly concur with the previous views about the South West generally. Cornwall has specific issues, having one of the lowest productivity rates in the country, and whilst in the first part of the decade it showed notable improvement above the average, that has certainly slowed up since the recession kicked in. Clearly, Cornwall has a heavy reliance on public sector businesses, so part of our concern for the future is about what will happen next, in terms of possible funding cuts and such like.

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Q78 Chairman: It is interesting that you are talking about the South West being quite reliant on public sector jobs. Some fairly high-profile individuals have commented that we are top-heavy with public sector jobs, yet it is difficult to see how the South West could maintain its current wage levels if any of them were removed, or if we did not encourage further movement of civil service jobs out of London to the regions as a result of, for example, the Smith review, which I understand suggests doing that. I gather that the South West has actually dropped in relation to other regions. Earnings growth has been slower in the South West. Would you want some of the public sector jobs that are being identified to move to the South West, and if so, where should they go?

Jane Henderson: To take two elements of the question in turn, Chairman, you are right about the dependence on public sector jobs; as you go down the peninsula, that becomes stronger. I think it's quite interesting, in terms of the impact of the recession, that some of the rural counties that are more dependent on public sector jobs have so far held up better than our cities, but that position may change if public sector jobs are reduced significantly, taking income out of those areas. It is indeed a concern, and, clearly, more public sector jobs moving into the region would have an offsetting effect that would be very welcome. In terms of where the jobs should go, others will have views on that, but we should look at where jobs have been taking a hit. Clearly, Torbay has suffered greatly during the recession, as has Swindon, but Swindon has a better chance of recovering through the private sector. Indeed, places such as Plymouth, which you know very well, must be the sort of candidates one would look for. I guess the question, which is not for us, is how many of those jobs there are to come, and whether they will in any way compensate for the likely losses of public sector jobs across the piece. Nigel will want to comment.

Nigel Jump: If you think of the pre-recession period, most of the jobs created in the South West in the previous 10 years were in the public sector, in property, or in related business services. We have to work on the assumption that we are not going to get that growth in the next 10 years unless we get some inward investment of the kind you are talking about. Yes, it would be very welcome, because it would offset some of the dire assumptions we have to make. Obviously, we would hope that the private sector and some of the export sectors I talked about in a previous answer might compensate for the losses in the public sector, but at this point we have to be concerned.

Tim Carroll: May I come in?

Chairman: Yes, please do.

Tim Carroll: Thank you, Chairman. Speaking from the local government side, we recognise exactly where we are: looking back at the recession and looking forward to the next five years, we see that a chill wind is coming. For our part, we want to be on the high ground and not on the beach when the tsunami hits. You are going to get significant leakage of jobs from the local government sector, and we know that. However, the dynamics of local

government are changing, in terms of co-operation and collaboration. I cite my authority's proposed link-up with East Devon, and there are other examples. There is a general and gradual recognition from local government that something has to be done. The leakage of jobs, to use that term again, will be highly significant in many places, as you have heard, Chairman. Public administration jobs provide the bedrock.

Q79 Roger Berry: So the consensus is that public sector jobs are good for the South West economy?

Tim Carroll: In future, yes.

Q80 Roger Berry: Excellent. Starting with the witnesses from the RDA, may I turn to paragraph 1.10, in which you identify the "structural weaknesses" to which Nigel referred earlier? The region's engagement with international trade has been mentioned. You also list skills mismatches, infrastructure gaps and moderate aspirations. Of those four, which are the most significant?

Jane Henderson: If you ask business what it regards as the constraints on future growth, two things come up time and again: skills, and transport and infrastructure. I would be hard-pressed to say which is most important; they are both very important. Infrastructure is traditionally seen as being about roads and rail, which are very important, but increasingly a key factor for competitiveness will be the South West getting equipped with next-generation broadband—notwithstanding the fact that we are a very rural region—so that we can compete, whether or not we have investment in roads and rail for the future. That may be something that we return to in this session, I don't know. It may look now as if skills are not a big issue, but if we are to get big investment in nuclear power, tidal energy and the industries of the future, such as composites technology, aerospace or new renewable energy, we will need people with skills that we don't currently have. Broadly, those will be skills in technology, construction and science. Not to invest in those skills would pose a threat to the future jobs that we want to create in the region.

Q81 Roger Berry: The fourth item on the list is "moderate aspirations". I was quite intrigued by that. What is a moderate aspiration, when it comes to economic weakness?

Nigel Jump: It is a weakness if your aim is to raise the productivity of your region, and raise it more than other regions. It depends what your target is. If that's your target, the relatively low aspirations—in terms of business growth, job creation and other aspects—that we see in the South West are one of the major factors. That is one of the reasons why we are not an export area. Quite frankly, many business men in the region say that they do not want to be exporters. That is a logical, straightforward position from their point of view, but if our aim is to develop the region and create growth and jobs for the future, we should try to get more people with higher aspirations in terms of business growth.

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Q82 Roger Berry: Is it the case that business people seriously underestimate the possibility of making a profit from export, or is it that they realise that they could make money, but just don't fancy doing it?

Nigel Jump: There are elements of both. From the region's food and drink sector, I have heard comments such as, "It's hard enough competing in Devon, so I don't want to compete in France." That decision is made on a logical and practical basis from those points of view, but that is not what the region needs if it is to be more competitive and productive.

Jane Henderson: I think we also suffer from a self-image problem. When talking about moderate aspirations there is an element of the self-fulfilling prophecy, which is quite dangerous for the region, because we also have some pretty hot entrepreneurs, particularly in our digital media sector, which is thriving and scattered all the way through the region in different places. It is important to talk up that aspect of the region, as well as the lifestyle businesses.

Nigel Jump: It is the tyranny of averages. If you look at the average statistics for the South West, you will see that we tend to be average or a bit below. We can all point to examples in different parts of the region of very successful businesses that are entrepreneurial, growing fast and nationally competitive, but on average we are less competitive and less productive than other regions in England.

Q83 Chairman: We have a large proportion of micro-businesses, and they employ quite a lot of people—41% of the private sector. It is only when they get to a turnover above £1 million that their reliance on grants and other support starts to diminish. What can be done to encourage them to aspire? That is obviously something that you are struggling with, on a range of levels, although it is not necessarily your fault entirely. I'd be interested to hear your views on that.

Jane Henderson: I don't think we can necessarily make people aspire if they do not want to, but we can, through business support and business advice, ensure that those who do have that spark and want to aspire get the best possible advice on how to grow, and ensure that they receive mentoring and help with access to finance. That, of course, raises the difficult question of how to find them—it is not for the public sector to pick the winners. Sometimes they pick themselves if you create the opportunity for that kind of intensive support. The other way we can look at it is to look at what appear to be the technologies of the future in both sectors, and use existing networks of businesses in the sectors to tell us where to direct the most intensive support. There are a number of things we can do, but what we cannot do is make people aspire.

Chairman: Doug, did you want to come in on that point?

Q84 Dr Naysmith: To pick up on the idea of "moderate aspirations", where did that phrase come from? Do the people who have moderate aspirations know that their aspirations are moderate, or are you telling them that they are moderate?

Nigel Jump: It probably came out of my head. It is a shorthand term for the arguments I was putting forward about whether, in comparison with other regions, we have those high-growth businesses and whether we have export-orientated businesses. Although we have many good businesses, we do not have as many, proportionately, as you would see in some other regions.

Dr Naysmith: But aspirations—someone aspiring to something—come from people.

Jane Henderson: Schools are another example of where that can be seen. I cannot recall the exact facts, but I remember that some research done in schools in Somerset—I am sure that this would apply elsewhere—found that it had never occurred to some of the students that they ought to aspire to go to university, even though they had the ability to do so, so people were self-limiting in their horizons, which I think is tragic. One needs to be able to lift and inspire people in our schools to go further.

Q85 Roger Berry: Let us move on from the tyranny of averages to the tyranny of budget cuts, which the RDA has had to suffer. How has that affected your work, and what impact has it had, if any, on the regional economy?

Jane Henderson: You are absolutely right. In the past year we have suffered some cuts in our capital budget—around £26 million over this year and next year—which came on top of us losing income from our own investments and operations because of the recession, and that was tough. As many in the region know, we have had to stand back and take some difficult decisions, withdrawing from projects we have been working on with partners over a period of time—they would have been good projects—and we have had to prioritise more sharply than before. Obviously, we regret that, but that's what we're here to do, and we did that job. We told people what we were doing. I think we've remained true to our central priorities, which are: supporting businesses; working towards a green economy; and helping our key places that are vital to coming out of recession—the west of England, Plymouth and Cornwall, with Convergence—as well as other places, where we can. Obviously, we've also had to tighten our own belts, because there have been cuts in our admin budget. So we're retrenching our office presences, using up less space. We had a major staff restructuring a couple of years ago and we're continuing to look for economies. The next possible threat will come to our revenue budgets, and that raises a host of different issues. We invest a lot in business support, because we contract for the Business Link service and other support for business. We support quite a few arm's length bodies, including local authority capacity, URCs and so on, which would come into the frame. By no means least, there will be a big question over our ability to match the European funds coming into the region; they are disproportionately large in relation to our Government grant, and that would therefore put at risk our ability to draw down vital European funds for the future. Having said all that, we have won back, through the BIS strategic investment fund, some £32 million of investment for

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the region, which is very welcome. That will go into a national composites centre, into Wave Hub, into Primare and into digital media. So it's by no means all gloomy. But our budgets are now more constrained and more focused than they've been able to be in the past.

Q86 Chairman: Adrian, can I draw you in? You were nodding at the point when Jane was talking about the European funding and the role of the RDA in that. Do you want to comment on that?

Adrian Welsh: Certainly. It's worth pointing out that one of the implications of the recession is that we're now starting to notice reluctance from private investors to match-fund for convergence. I think we've been fairly fortunate to date, but as that's drying up it puts even more emphasis on public sector investment to try and draw down some of those European funds.

Q87 Roger Berry: Councillor Carroll, you mentioned earlier the prospect of stringent financial times for local authorities. How are local councils preparing themselves for this anticipated time of austerity?

Tim Carroll: We're obviously talking about our revenue budgets. I would say—I can only cite my own authority as an example—that we are having to look at radical solutions. In relation to the smaller districts, for example, one has to ask, will they be viable in the future? You are seeing increased push and a realisation on the part of a lot of authorities and districts—and, indeed, counties—in respect of collaboration. Total Place offers part of the solution, although it's not a total solution to this particular one. You are going to have to see acceleration of that process to try and drive down overheads across the public sector. Sorry, that's a fairly bland answer. But if you look at the dynamics now, compared to what they were, say, six months ago, in terms of sharing services and the rest of it between authorities, the pace has quickened significantly. You are seeing within the South West, as I said to you earlier on, the biggest partnerships in terms of population between districts. Nationally and in respect of ourselves, the largest district in the South West is working with the second-largest in the South West, involving a population of 300,000. So that is an indication of what is actually happening to prepare ourselves for 2011–12 onwards. What we fear, and I have to be absolutely candid about this, is that we have a certain quantum of discretionary spend. Whether we spend it on tourism—keeping the local swimming pools open and services like that—or other things, there's a whole host of services out there that are appreciated by our residents that are not statutory, but if you take them away the quality of life of our residents will be diminished. I'm sorry if that sounds direct, but that's what we want to preserve as much as we can.

Q88 Roger Berry: Could I move from looking forward to looking back? I should have asked the Strategic Leaders Board a question earlier. In your

experience, which of the initiatives that you are involved with to tackle the recession were the most successful?

Tim Carroll: Can I pick one out that bears on what Jane said? The Regional Infrastructure Fund bore on the construction industry, for example. A lot of us across the local government mosaic had a lot of large schemes—large sites—just stall. The RIF gave us a way to kick-start these. Yes, we had to bring in the HCA as well, and frontload it with the affordable housing element. But we needed that. I think that has been successful. It is unfortunate that it has reduced in quantum, but we need an expansion of that scheme which addresses that particular sector, because affordable housing is a key priority for the South West.

Roger Berry: That is very helpful.

Q89 Chairman: Moving on from one scheme that you were obviously happy with, a range of other schemes was introduced by the Government that took a slightly scattergun approach with lots of different criteria and different sorts of funding access. Businesses to a degree found some of that confusing. Do you think there is any scope, now we appear to be through the worst, for bringing some coherence to those funding streams and bringing some of them together?

Jane Henderson: I think you are referring to support schemes for business. The first thing to say is that there has been a tremendous rationalisation already. The RDAs were charged by the Department for Business, Innovation and Skills with introducing the 30 Solutions for Business headline products out of what had been hundreds, if not thousands. The South West is regarded as a model of the better practice in all of that in terms of making things simpler and easier for business. A debate is always going on about how things can be done more efficiently and about how much one might be able to make advice online rather than face to face. One of my concerns about that would be that we have a lot of businesses that do not have ready access to fast broadband and they might be put at a disadvantage relative to other parts of the country. So we need to look at some of the contextual issues before you decide that we can throw away the advice that is currently provided.

Q90 Chairman: Okay, that's fine. Can I move to a completely different area—the business properties 2008 revaluation? What advice are you as local authorities giving businesses who are seeing their rates increase as a result of the revaluation? As you know, the South West, along with London, was probably one of the areas that saw the biggest increases.

Tim Carroll: Indeed so, Chairman. It is fair to say that we are looking at an impact of 1 to 3%. In terms of assistance and advice, we talk about the rural hardship fund for a start. What some of us managed to do on that particular one is demystify or make the application process simpler. We have done that in co-operation with the Government Office and the Audit Commission. Let's face it, as I said in an earlier

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answer, the characteristic of the South West, especially among small retailers, is that you have a host of micro-businesses. Micro-businesses and the proprietors of micro-businesses cannot spend a week filling up a form or trying to get the answers. So, simplification of that one. Rural business relief, I would like to raise, because it is certainly pertinent. There is a threshold for settlements of no more than 3,000. That was set some years ago. I think it is more appropriate that the threshold is raised to 5,000 to 6,000. Those are the small market towns. A lot of small businesses in small market towns cannot get transitional. They find it difficult to access hardship relief. If you are asking me for a possible solution for those small businesses in small market towns, that is it. At a stroke it would make life very much simpler.

Q91 Mr Drew: As someone who is involved in this great debate about what is the appropriate size for housing numbers, do you think we are unduly rigid on what we try to do when we set these targets? They vary enormously in different parts of the country. In the South West, if anything, numbers ought to be smaller because we have some very small market towns that need as much attention as the larger market towns. Are you a bit wary about putting numbers on things?

Tim Carroll: I am a bit wary, but you have to look back in history and look over the last 30 years. What has actually happened is that rural businesses have been diminishing year on year—the local garage and the local pub have gone. So if you look at the quantum in the very small, 3,000-population settlements, you will find, comparing now with 30 years ago, it has reduced by about 60%. In effect, those outlets in those towns were originally serving the local population. The population now has been displaced and is having to use outlets in a slightly larger service centre. It is a question of trying to sustain those in the slightly larger market towns—when I say “larger”, I mean between 5,000 and 6,000.

Q92 Chairman: Has the Strategic Leaders Board commissioned any work on this, to look at how thresholds potentially could change?

Tim Carroll: There is no specific work.

Chairman: If you are going to make a case for that—I understand why you are saying it, and it sounds very plausible—I think you need to have something behind it. I am sure the Minister will read and look at this, but—

Tim Carroll: I will gladly supply the figures on the applications under this particular scheme, because I think you will find they show that it has diminished significantly over the last 20 years.

Q93 Chairman: Thank you. May I move on to specific sectors? We know construction is particularly badly hit. Tourism we thought would be less badly hit last year, partly because we thought people would be staying home and coming down to Devon and Cornwall, but I am not quite sure whether that was in fact the case. I would welcome

thoughts from the local authorities and the RDA on that. Are you detecting a healthy 2010, for example, for tourism?

Jane Henderson: I wish I could get the weather to sort itself out! I shall leave the figures to Nigel, so that they are correctly represented.

Nigel Jump: Yes, we have some figures for the year end, which basically covers the high season for the South West. They do show that trips are up, overnight stays are up and spending is up. I was one of the people saying that I thought trips would be up but I was not sure that spending would be up. Actually, it wasn't a bad year but, obviously, within tourism, we can point to some places and some types of business that did well. We know, for example, that caravan parks and those kinds of facilities did very well; we know some of the middle-market hotels didn't do so well; we know the top end and certain places did okay. It was a better year than the previous two years. The question is whether that is sustainable going forward. Unfortunately, the weather is the crucial factor. Assuming the weather is reasonable, then I think that the South West should benefit again this year from a low exchange rate and other factors on discretionary income.

Q94 Chairman: Okay. Tim and Adrian, what are local authorities specifically doing to encourage visitors to stay?

Tim Carroll: Chairman, first of all, we are sustaining our investment, quite obviously during difficult times. You have heard Nigel say that it was rather a peculiar year last year; fewer people came, but spent more, to be absolutely blunt. We are thankful for that. Our promotional activities are DMOs—destination management organisations—for example, plus the tourist partnerships that are spread out across areas. There is one in Somerset, for example, which encompasses not only administrative Somerset, but North Somerset as well. It is that kind of co-operation that you need.

Adrian Welsh: I concur with Tim Carroll. Certainly the work of the destination management organisations is important in raising the profile of tourist trips, but what has happened in Cornwall has been quite a mixed picture, dependent on sector and the rest of it. Clearly, we did quite well last year, in terms of what was expected, but part of the target needs to be when those trips were made and whether we can widen the typical holiday season to throughout the year.

Q95 Chairman: What about the conference and hospitality side of visitors to the region? With business obviously pulling its horns in, was there a dropping off in that particular market, for the hotels and so on?

Nigel Jump: Yes, there was. It was not apparent until the September-October season, because that is the main season for business conferences and so on. That was a weakness, yes.

Q96 Dr Naysmith: Jane and Nigel were talking earlier on about the region's main weaknesses. Another one that you identified was with regard to

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skills, and presumably skills training. Can you tell us what is being done to address the problem that has been identified?

Jane Henderson: Yes. As I am sure you know, the skills landscape is in transition at the moment, and it's looking pretty complicated if you're sitting as a business. There are a couple of things. At the level of "What does the region need?" we have produced something we call a Regional skills priority statement, which has been fed into the Skills Funding Agency, and which really maps out where we think the gaps are now, and what we would like to see funded as priority; and where we think the future opportunities are, in terms of our industries. We hope that there'll be an opportunity for the Skills Funding Agency to tweak their funding. In terms of what we're doing directly, I think I mentioned earlier that one of the opportunities the region really must seize is being in the first generation of nuclear power stations, so we are therefore contributing to a nuclear skills academy in Bridgwater, which I think will be absolutely vital for the region. Similarly, we've contributed to the Flybe skills economy, which will bring in more of the technical skills—not just for flying—that the region needs; and we've also supported numerous investments in the higher education sector, which are designed to make sure we have the right skills. That includes things like composites in Bristol, where we know that there is a potential threat of there not being enough engineers to drive a very important key sector.

Q97 Dr Naysmith: It's interesting that you mention that because last week, or the week before, at the Science and Technology Committee, research council people and university people were all saying they really feel there's going to be massive reduction in the science budget and STEM subjects as well. That could have a really big impact on the South West, couldn't it?

Jane Henderson: There is a problem, both on the demand side and the supply side. It would indeed be a threat, but of course the other side is getting people to want to study STEM subjects, and the research we've done shows that you get a drop-out at every stage in the education system, right from age five, 11, 14, 16 and again when people are graduates as well. That is perhaps more of a cultural problem—we do need to encourage teachers and the people who are advising parents and young people to see that there are real opportunities, if they go into these subjects, to do things that they would feel good about, like helping us develop a green, low-carbon economy, and so on. I think we have to work at both ends.

Q98 Dr Naysmith: How many apprenticeships do we have in the region? How many people can hope to benefit from apprenticeships this year?

Jane Henderson: I do have figures in my notes, which I will see if I can lay my hands on.

Chairman: While you're looking can I ask local authorities how they contributed towards apprenticeships? *[Interruption.]* Go on. Sorry, gentlemen. I'll come back to you.

Jane Henderson: The total number of starts in 2008-09 was a few short of 27,000 in the region. Interestingly, the majority of the young people's apprenticeships were in firms of under 50 employees, which is a good sign, I think—but we're only getting one in 10 of our 16 to 18-year-olds into apprenticeships, and the target is one in five, so there is some way to go. Also, of course, there is the challenge of making the system really responsive to employers at a time when they are in difficulties anyway.

Q99 Dr Naysmith: I was privileged last week to meet four young apprentices in NHS Bristol, the primary care trust, and they were doing interesting things and they had a really wide choice of things they could do in the future. How good is the public sector at doing apprenticeships? This is quite unusual in the NHS in my constituency in Bristol. As you know, Jane, there are lots of apprenticeships with Rolls-Royce and Airbus, but not nearly so many in the NHS.

Jane Henderson: The answer is I don't know that, factually, but one thing that does occur to me is that an apprenticeship in the public sector could lead to a job in the private sector, and vice versa. I wonder whether we always see that wider picture, particularly when we're looking at generic skills.

Dr Naysmith: We need the public sector to train more, which brings us on to Alison's question to Tim.

Tim Carroll: If I can respond, I think the question may also involve the future jobs fund, quite obviously, and that, I would say, has been successful. It is clearly regrettable—I have to say that, don't I?—that the scheme has a termination date. There is a slight irony: we've taken these young people in at the same time as many local authorities, for example, are actually making other people redundant, so there's a slight tension. Just to give you an idea, that scheme has actually produced 1,950 jobs for young people between 18 and 24. There is a gap—is there not?—in terms of support for NEETs. Connexions takes you up to 19, and the gap is from 19 to 24 more than anything else. I think possibly that if this scheme and others could be sustained, that would assist.

Q100 Dr Naysmith: Finally, what do you think regional business and universities can do to improve their exchange of knowledge and resources in this area particularly?

Jane Henderson: It is a huge question. I don't think we have time.

Dr Naysmith: You have 30 seconds.

Jane Henderson: Thirty seconds on all of that. It is the sort of area where the RDA has invested, to try to get graduates into business. We have a number of schemes for PhD students, and in Cornwall for other graduates, to get them into business, which have been really successful and appreciated by business. Through our other investments in things such as Combined Universities in Cornwall, we have been frankly leaning on universities to ensure that those investments result in a reach-out to business, because that is what they are for—they are there to

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help the economy primarily, rather than simply create more higher education for its own sake. I would like to mention a couple of other things we are doing, which aren't necessarily at the university level. We have very good co-operation with our sector skills councils to try to ensure that we are focusing on future jobs. There is a particular low-carbon group that is looking at projects on marine energy and low-carbon high skills, where we are putting money into foundation degree-type work in our universities, which I hope will encourage people to notice that is where the opportunities are and go forward with them, even at a time of constrained resources.

Q101 Mr Drew: On the issue of employment—I will be very precise on this—Tim, it would be helpful to pose this question to you. What prospects does the South West see from the future jobs fund, particularly from a local government's perspective, given that we know we have these wider pressures? How are you going to take up that opportunity?

Tim Carroll: If I can answer that in a similar fashion to how I addressed it a minute ago, we have this distinct irony where we are employing younger people but letting older people go. In a way, what I would say is that that gives a very bad message out there in terms of compulsory redundancies. We are experiencing quite a few of those—you only have to look at the headlines. Birmingham is not in the South West, but Somerset County Council announced 173 redundancies last week. The plea is around not only programmes for the young—I would say this anyway, wouldn't I?—but that revenue support grant levels have to remain as high as possible for the South West. The usual point to be made, as I and all my colleagues in the South West do, is that the levels that we receive are out of kilter with those received in other regions.

Chairman: We've heard that before.

Q102 Mr Drew: Can I look at the second aspect of this? Doug has already covered part of this: the issue of universities. I am very interested in the potential mismatch of the number of places for—I won't just say this—18-year-olds; my older son has been trying to get there next September. How are we going to try to deal with this problem, given that under the Aimhigher initiative, the very people whom we most want in higher education, who certainly have the talent, are the ones who have been precluded in the past? They could be the ones who are going to miss out big time. I will start with Tim, then perhaps ask Jane about that.

Tim Carroll: I agree with you that it is a barrier to advancement through that particularly conduit. You heard earlier on about the survey of schools in Somerset. That is where we, as local authorities, can play an absolutely good part. We are working with the RDAs and local FE and HE institutions to try to bring the two together. It is a barrier. I don't have an instant solution to this. I just wonder whether there is evidence to say that this outlook, this approach, this attitude is any different or there is a differential

between the regions. Certainly there's a differential between the South West and the South East, but with the other regions, I just wonder.

Q103 Mr Drew: Jane, could you look at the university issue quickly?

Jane Henderson: The issue about—

Mr Drew: The mismatch between supply and demand for younger people—well, all people, but specifically targeted at younger people.

Jane Henderson: Younger people are suffering most from the recession, so I wouldn't want to say we shouldn't target younger people because it's a real issue, but in terms of the skills and qualifications our economy needs, often it is a question of retraining older people and sometimes it's difficult to get funding for training that is moving you from one level 3 to another level 3 and so on. I think there are some flexibilities now, but the ability to change your skills and update them for new industries is absolutely critical for our region, given all that I've said about the opportunities that lie ahead. I don't know whether Nigel wants to add anything.

Nigel Jump: From my point of view, there are three elements to this. There's the replacement element. A lot of people will leave the labour market in the next 10 years who need to be replaced, so that's an issue. The second one is the young unemployed. They are the people who have been most affected by the recession and that's the opportunity for these new industries—nuclear, the green economy and all those kinds of jobs. It's those people who need to be trained up for that. The third issue is people who are in existing employment who need to raise their skill levels if they are to remain employed in the future. There are three elements to the skills problem in the South West.

Q104 Mr Drew: May I move on before we come to a conclusion? I will try to link a couple of things together: the more rural economy, on which I shall bring Adrian in, and the opportunity of green jobs. We keep talking about the South West being ideally situated to grow green jobs, because of the energy opportunities, the water opportunities, some of the issues to do with growing biomass and so on. The problem is that from what Tim said earlier, there is a movement away from the more remote places. What employment, services and generational activities existed there have migrated at least to the larger market towns if not to the more urban areas, so what is the challenge regarding rural areas and green jobs? If there is a real challenge that we can deliver on, how will we deliver on it? Perhaps we can start with Adrian and go into the far South West.

Adrian Welsh: First, certainly in Cornwall we think there's a great opportunity for pursuing the green market. Part of the investment and stake links to the previous question on reskilling and the work that the Combined Universities in Cornwall has undertaken. It has doubled its number of students over 10 years and is increasingly looking at studies related to that emerging sector, so we're getting increasingly talented people with the right skills in the area, which is a start. In terms of the rural area and how we go

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about trying to address some of these issues, clearly the RDPE provides opportunities for local area groups to look at some of those issues, but in essence I think some of the rural funding opportunities have diminished in recent years. The rural renaissance programme, again, has not continued. So there is a need for additional funding, but it's also a question of maintaining the existing services that would feed into that process, horizontal businesses, that could assist with that renaissance and making sure that they stay there as well.

Q105 Mr Drew: Tim, one of the things I'd like you to focus on is how the RDPE operates, because I would be quite critical of certain things. I know Jane will have to answer this for real, but I would welcome your views on how the RDPE fits the agenda of what we might want to do in this area.

Tim Carroll: May I answer that by addressing one of the earlier comments that was associated with that? You quoted me on jobs moving to the larger market towns. We all aspire to sustainable communities, whatever size those communities are. That brings me to make a point at this juncture on the status of the RSS, which is causing uncertainty at this point across the region. We need to unlock that, more than anything else, because it's causing uncertainty in the business community as well, quite obviously. Any community, as we look at it at the moment, has to be sustainable—I am coming to your points very quickly—across the tripartite components of housing, employment and infrastructure. That is what we aspire to. RDPE was successful and, as far as we're concerned, we would want it to be continued. But, as I said, there is a greater concern now with the overshadowing and what happens after 11/12 in terms of general funding.

Chairman: Okay. Jane, your final answer.

Jane Henderson: Yes. There are two areas there: the green jobs question, and the rural issue and the RDPE. I don't think there is any official definition of

a green job—it could be anything from composites technology to microgeneration to sustainable tourism—which RDPE is supporting, to food and drink. It has quite a wide definition, and we have strengths in a lot of those areas in the region, which are not always in the urban areas. If we look at things like marine energy or, indeed, support for wind energy off the Atlantic array, they are perhaps going to be happening somewhere in North Devon or North Somerset; they are not going to be happening in our big urban areas. Turning to rural jobs and RDPE, by and large, rural jobs and businesses are not that dissimilar in character from jobs in urban areas. They need the same sort of support, skills, access to good technology and business support and advice. If you look at the number of businesses using the Business Link service, something like 40 to 50% of those are in our rural areas, which is more than you might expect from the number of businesses. So they are getting that support. We are now making progress and beginning to spend money on RDPE. A substantial part of that programme is now committed, but one has to remember that the rules laid down by Europe are derived from the fact that RDPE includes money that was formerly paid through the CAP to farmers. So there are some limitations on how it can be spent. For my money, one of the most important things we need to do is to provide next-generation access for rural areas, otherwise there is a risk we will be left way behind other regions in our rural areas. One of the issues we are currently supporting DEFRA in is getting changes to the rules of RDPE to allow us to deploy RDPE money in that way. We are going to be spending some £700,000 on pilots for rural communities to be enabled, but that is fairly limited and we would like to have greater flexibility.

Chairman: Thank you all very much indeed. I appreciate your answers.

Witness: Rt Hon Jim Knight MP, Minister for the South West, gave evidence.

Chairman: Minister, it is very nice to see you.

Jim Knight: Always a pleasure.

Q106 Chairman: Thank you. Can we start off with a question that is very similar to the one we asked you when we did our first investigation? How do you see the state of the South West at the moment?

Jim Knight: Specifically on the economy?

Chairman: Yes, on the economy. Where do you feel there are still genuine weaknesses that we need to focus on?

Jim Knight: Thank you. Last year was obviously a very difficult year for everyone, including for people living in the South West, but we showed a good degree of resilience through the recession. If one looks at employment rates, although proportionately we had one of the highest falls in employment, when comparing regions, our employment rate is still the second highest, I think, in the country. We were not hard hit in the way in

which the West Midlands or the North East have been, but, as we move into recovery and start to see growth in the economy, we are not seeing the same speed of recovery as some of the other regions. It is a more stable picture across the South West.

Q107 Chairman: Is that recovery affected by the fact that wages are not growing as fast as in other regions, and that spend is potentially lower?

Jim Knight: I think it is partly that. To some extent, it is that the South West economy has a reasonable amount of public sector employment, which has remained stable but it creates some uncertainty in the future, and that the proportion working in small and medium-sized enterprises is higher than the national average. There is a lot of churn nationally about employment again. The smaller businesses give us a certain amount of robustness. That is not to talk down the traumas that are going on in Keynsham at the moment thanks to the Cadbury's

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decision. There have been big decisions by some big employers that have been very damaging, but we have not had it to the same extent as other regions. We go into this year with things fairly finely poised. Obviously, we have an election coming up, and there is a danger that my answers might become slightly political. None the less, if the wrong decisions are made around the role of Government and spending in the economy, and decisions are then made specifically in the region around public spending, it will be quite important to see how the region goes forward and whether or not, strategically, spending is made around potential areas of growth. When I talk to people around the region about the future, they say that they feel more positive about their own security both in their jobs and in their homes but they are worried about what jobs there will be in the future for their children. If we are not properly planning for and making strategic decisions around, for example, advanced manufacturing, life sciences and green technology jobs, the future for the region is much more harsh than if we were properly planning them. In the meantime, we must ensure that Government spending is performing its role while we wait for consumer and private sector spending to improve.

Q108 Chairman: Are you already girding your loins for the battle with other Regional Ministers over where the civil service jobs will go following the Smith civil service relocation review? Surely the South West has a good case having missed out on things such as the Marine Management Organisation.

Jim Knight: When we get into that further round of the Lyons/Smith relocation of public sector work out of the South East and London, it is important that we as a region get our fair share. What we will then have is an argument about what is fair in respect of that fair share. I am conscious that there are certain parts of the region that might not have fared so well in terms of some of the consequences of loss of head count in areas such as land registry and HMRC. We need to identify those areas to see whether we can ensure that any jobs that migrate out of the South East can come to those sorts of areas.

Q109 Roger Berry: Minister, our previous witnesses seem to share the view that you have alluded to, which is that public sector jobs have been good for the South West economy. That being the case, and given that people anticipate reductions in public spending in the near future, how should the region prepare for that and what will the effects be?

Jim Knight: That is something that we discussed at the regional economic task group last Thursday. What I was keen to promote was some very active discussion, particularly with local authorities and to some extent with the representatives of staff in the trade unions, about the ways in which the public sector can learn some of the positive lessons of this recession from the private sector. I think that it has been interesting and notable that by and large—with some exceptions, but by and large—private sector employers have not rushed into making

redundancies during this recession in the way that they did in previous recessions; they have found other ways through. People have paid the price for that in respect of working fewer hours and getting lower take-home pay as a result, but at least they have remained in work. That is not to discount those people who have lost their jobs. However, we in the public sector need to ensure that we have learned the lessons of what those employers have done and to see whether or not we are being properly flexible in our employment practices, including seeing whether there are some people who would like to go part time or who would like to work more flexible hours, so that, in turn, we, as public sector employers, do not rush into making redundancies. That is something that I am encouraging as Regional Minister. I am encouraging councils to look at what is good practice in how they deal with the need for greater efficiency, which is something that I think is inevitable over time.

Q110 Roger Berry: But however we respond to cuts in public spending, they are clearly deflationary. Are there not enormous dangers in going down that road before the regional economy is clearly established as being on the road to recovery? I mean seriously on the road to recovery and not just at the tipping point.

Jim Knight: Absolutely. The letters from the economists in the *Financial Times* last week—

Roger Berry: Excellent letters, I might say.

Jim Knight: Excellent letters—fine letters. They were making the point better than I can, because much as I might pretend to know something about economics, I certainly have not won any Nobel prizes, as some of those economists have done. What they were reminding us was that if you cut public spending too soon, before there is more resilience in the economy and more spending in the economy, that runs a serious risk of the fabled double dip and could cause us huge economic problems and growing numbers of unemployed people. To speak with my other ministerial hat on, because we have delivered over 400,000 fewer unemployed people than was predicted at the time of the Budget, that has saved the taxpayer about £2 billion nationally. All those things need to be weighed up when whatever Government are in power in the middle of the year are making decisions about immediate levels of public spending. My view and the Government's view is that we should not be looking to cut too fast. Yes, we have to halve the budget deficit over the next four years, as set out in the Fiscal Responsibility Bill, but we must not do it in a hurry because of the risk to the economy if we do. In that area, there is a difference between us and the Opposition.

Q111 Roger Berry: I think that if I had been one of the authors of one of those two letters—if I was Joe Stiglitz or somebody—I would say, “Well, yes Minister, but the problem with that is that cutting public spending is sort of okay if the private sector is there to take up the slack.” However, since—self-evidently—the private sector is not there to take up the slack and since the private sector has benefited enormously from the boost that public spending has

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given the economy in the recession, if I was Stiglitz sitting here, I think I would say, "For goodness' sake, now is not the time—and nor is next year or the year after—to be talking about local authorities and everyone else making significant cuts in public spending, because there is not just the chance of a double dip—it is almost inevitable, because where is demand going to come from?"

Jim Knight: You make your point extremely well, but you are tempting me to stray into territory that my colleagues in the Treasury should answer for, about the overall macro-economic policy.

Q112 Roger Berry: Can I ask my next question then? What conversations have you had with your colleagues in the Treasury on these matters? Clearly, they are not purely regional matters, but nor are they entirely Treasury matters.

Jim Knight: They are very important for us as a region, because beyond the direct effect of public spending and the employment that we get, we have other consequential effects, such as our defence industry, which, as we know, is so important to the region. Ensuring that we have continued, good, strong defence spending is quite important to employment and to our regional economy. So those matters are very relevant to me in my role as Regional Minister, and yes, I do discuss them with Treasury Ministers, who in the end will have to make decisions beyond the current spending period. However, as a Government we all agree that our priority has to be jobs and preventing the human consequences of going back into recession, so we will continue the investment in the economy, which I think has been remarkable work. If you look at the rate of repossessions, it is half what people predicted. If you look at the rate of unemployment, it has been nowhere near the figure everyone expected, although it has gone up. Similarly, if you look at the rate of business failures, you see that active government has dampened the effect of recession.

Q113 Roger Berry: I happen to agree with that passionately, which is why I am desperately concerned that we should be very cautious indeed before embarking on public spending cuts. Obviously, some areas of public spending are more effective per million pounds—or whatever—spent on boosting the economy than others, so my final question is: which areas of public spending in our region do you think are generating the most positive impact on economic growth?

Jim Knight: On economic growth?

Roger Berry: Do you have any priorities about more effective, and perhaps less effective, public spending in that regard?

Jim Knight: In some ways we are moving from a phase of looking at how to lessen the damage caused by recession and giving people prospects as we move into recovery, into a phase of thinking about growth. We have the growth strategy that was published by BIS, and we now have regional strategies that are going to fit into that, giving it a much more coherent framework. Irrespective of any question about growth, I would say, and this relates back to the

answer that I gave the Chair, that it is investment in things such as the national composites centre in Bristol, in partnership with the familiar partners from the aerospace industry—Rolls-Royce, Airbus, GKN Westland and so on—and with Vestas on the wind turbine side, that enables us to grow real expertise in carbon fibre technology and turbine manufacture. That then feeds into the importance of Government investment and of stimulating investment in the Atlantic Array wind farm and the West of Wight wind farm, which in turn will potentially create thousands of jobs—and a world-beating industry, if we can get everything aligned properly. That mixture of investing in science, advanced manufacturing and technology, and green is an example of playing to our strengths and why getting the low-carbon economic area designation was a really important part of our growth strategy.

Q114 Chairman: On assistance to business generally, and the enterprise finance guarantee scheme, when we questioned you before on this, we were a little concerned about take-up levels. Are you now satisfied with the take-up levels?

Jim Knight: The latest statistic that I have is 874 businesses in the South West offered loans totalling more than £80 million. In my consultations on the pre-Budget report with the regional economic task group, I was encouraged to encourage the Treasury to extend the scheme, and we were pleased that it was extended as part of the pre-Budget report. At that level, I am very satisfied with it, and satisfied that the region has been listened to. Of course, if more businesses could, and wanted to, take up the scheme, I would welcome that.

Q115 Chairman: Do you have a sense of what percentage of businesses that applied actually got it?

Jim Knight: I don't have that figure, but if I can get it I will get it to you.

Q116 Chairman: That links in to the advice they were given on whether this particular scheme was suitable for them and on the broad array of alternative schemes. There have been comments that some of this was a bit too complicated and that it needed to be slimmed down. We heard evidence in our previous session that some of that work is going on. Are you satisfied that we've reached a level at which it is clear enough to businesses exactly which route they need to go down to get help?

Jim Knight: We have 912 eligible cases, 874 loans offered and 744 loans drawn down. That is reasonably high in terms of eligibility offers and draw-down.

Q117 Chairman: Do you know how that compares with other regions?

Jim Knight: I can try to get hold of that information for you; I am sure that we can.

Chairman: It would be interesting to do those comparisons.

Jim Knight: We have worked quite hard with the banks to try to get a better relationship and a better dialogue going. I've got—I think he's still coming—

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Lord Myners coming to speak to the regional economic task group so that we can directly question him.

Q118 Chairman: When is the next meeting?

Jim Knight: Next month—[*Interruption.*] The date is coming to me; I think it might be the 18th.

Q119 Chairman: If I can digress a little, when we saw you last, you said you would send us regular reports on that meeting. The last one we had was in October '09. If there are gaps, we as a Committee would be grateful if someone could fill them for us.

Jim Knight: Apologies. I will make sure that we fill those gaps and keep you regularly informed.

Q120 Chairman: Thank you. You touched on the banks in your last answer. Like colleagues around this table, I suspect, I'm still picking up from constituents that there is still reluctance on the part of the banks to lend. Some of the reasons for that may be very sound business ones, but we also have evidence of companies with a long history of good orders still having problems. What is your feel for the wider region?

Jim Knight: This is a particularly difficult area on which to be really clear about exactly what's going on, partly because it is a slightly different picture—it is a very different picture for the very large businesses. The evidence that I see when carrying out my other responsibilities—I sit on the National Economic Council—is that the larger employers are accessing different forms of lending from bank lending, and doing so reasonably successfully. There remain some issues with the intermediate-sized businesses and their access to finance, but the general national impression that you get is that things are okay for the smaller businesses. I then test that regionally. Yes, I still get colleagues here in Parliament and businesses telling me that problems remain, but I don't get that to the same extent that I did about six months ago. Certainly the perception that I get from the representative from the Federation of Small Businesses who sits on the Economic Task Group is that the issue is not quite the same as it used to be. Similarly, when banks have come to our group—that is not all the banks, and there might also be an issue in that we get reasonable intelligence from the banks that the Government have the most influence over, but less so from the others, and different banks might be behaving slightly differently—they have been pretty positive about their appetite to lend, and indeed about wanting to engage more directly with the FSB. What might also be going on is that businesses are, to some extent, concerned about their perceptions of whether they will be given credit, and also the cost of that credit. Perhaps because of bitter experience of when things were really crunching with the beginnings of recession—suddenly having the rug pulled from under them with that credit facility being removed—there might be some self-limiting behaviours going on. I am sorry I can't give you a completely clear picture, but that is the overall picture that I get.

Q121 Chairman: A very quick question on HMRC and its Time to Pay scheme, which has been successful. Do you think it should be extended to businesses that need it in 2010 and 2011? Or would you be falling foul of your Treasury colleagues?

Jim Knight: I think that question is probably above my pay grade. I would agree with you that the scheme has been extremely helpful. We've had, through the business payment support service, 30,000 agreements in the region to defer £437 million of tax, for example. That is of huge benefit to employers in smoothing things through and allowing them the time to manage the problems that they have.

Q122 Chairman: Do you have a sense that business organisations are working with their members to remind them that this is not going to be something that is available?

Jim Knight: I would hope that they are. The encouragement for them is to do so. With the VAT reduction and the restoration back to its previous level, we have been clear about what was going to happen. In retail, everyone knew that it was going to go up and pretty much anticipated it. People listen to the Treasury very carefully, as do I when I am thinking about how to answer these questions.

Q123 Roger Berry: Minister, unemployment in the region has fallen in recent months, as you said, but it is rising among men. It is particularly serious among young people, as we have heard, and that is common throughout the country. How do you propose to tackle the disproportionate increase in unemployment among men and young people?

Jim Knight: Obviously, the picture that you paint is right. There is an awful lot of energy going into how we tackle problems for young people, so I shall deal with that first, and then come back to male unemployment more generally. It is a complicated picture to explain, in some ways, but young people always make up a higher proportion of the population of people who are unemployed. That proportion actually has not changed a great deal during the recession, but it does mean that, as always, the majority of people who are suffering through this recession—not the majority, but a large proportion—are those under the age of 25. We have done a range of things to try and address that, compared with previous recessions. For example, long-term youth unemployment—those claiming for unemployment for more than 12 months—was over 1 million in both the 1980s and the 1990s recessions, but it is now less than 20,000. That gives you a scale and shows the extent to which things have been very different this time. There has been a huge success in people staying on in education. We have more young people than ever before in education—both higher education and further education—and in school. That has made a massive difference. Indeed, it has distorted the unemployment stats, because there is a weirdness with the way the International Labour Organisation collects its stats, which I won't bore you with unless you want me to. Education has been a part of it, as

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have the young persons' guarantee and the six-month offer that we brought in through Jobcentre Plus. Now there is the Future Jobs Fund, where we have got jobs for young people that have been created thanks to Government funding right across the region. That is worth at least six months' minimum-wage employment, with a community benefit to those young people. The very first young person in the country to benefit from the Future Jobs Fund and actually start work was a young man called Patrick Coffin, a farm worker in Wiltshire. We in the South West have a pretty good record in respect of the delivery of the Future Jobs Fund. That is still a challenge. I did a breakfast event for Backing Young Britain in Plymouth two or three weeks ago at which we were encouraging employers to share the problem with us. We are saying that if a young person gets to six months' unemployment—about 20% get that far—we will guarantee them a job, a training place or work experience. However, we are also saying to employers that we cannot tackle the potential problem of long-term youth unemployment on our own. We don't want to go back to the days when unemployment was a price worth paying and whole generations were blighted by unemployment. Employers need to help us with internships and apprenticeships, which have also been expanded in both the public and private sectors.

Q124 Roger Berry: How do you respond to a comment that was made to us earlier this afternoon that although the Future Jobs Fund is certainly successful in finding work for a number of young people, in many parts of the region, at the same time, older people are being made redundant, so there is an issue about what the net effect of the programme is?

Jim Knight: One of the early decisions that I made as Employment Minister was to insist that representatives from the TUC were involved in the assessment process for the allocation of Future Jobs Fund jobs so that they could give us good advice on whether there was a displacement effect. I am not interested in granting jobs under the Future Jobs Fund that displace people who are then made redundant.

Q125 Roger Berry: Are you reasonably confident that that has been successful?

Jim Knight: Yes, I am. I would never say 100%, because that is dangerous, but I am confident that we have been pretty successful with that. I heard Tim Carroll's comment while I was waiting to give evidence, and I am conscious that we are delivering quite a few Future Jobs Fund jobs through local authorities. Some of those—he mentioned Somerset, and I think Devon has also announced quite a large number of redundancies—must obviously work out how they manage that. The Future Jobs Fund has also been delivered through other employers—not just local authority employers—and also in unemployment hot spots, where the jobs are

available to people who are aged over 25, as well as under 25, so through that mechanism, we also have a balancing mechanism.

Q126 Mr Drew: Can we move on to skills shortages and where we are with Train to Gain? I have a specific question, and I will then have a long moan—although I think it is a useful moan. Where are the skills shortages in the South West, and what are the Government doing to try to deal with them?

Jim Knight: I think that the South West is quite interesting, and in some ways it is quite a challenge for the Government, because it has one of the most qualified populations. If skills are measured on the basis of qualifications, the region does really well, but its productivity is lower than the national average, so our normal assumption about qualifications leading to higher skills levels leading to high productivity levels does not quite hold true for us as a region. Some of that might be because the skills are in the wrong place, or perhaps they are not the skills that exactly match the skills of the economy of the region. Certainly, when we are thinking about how we go forward, we need to ensure that we match our growth strategy nationally with the growth strategy for the region, which will be developed through the new processes that will start in the new financial year. That then needs to match the skills strategy, and that is what the regional employment and skills board needs to ensure is delivered for us, working with the Skills Funding Agency particularly, and also the National Apprenticeship Service within the SFA. For example, the two nuclear power stations that we are looking to develop in the region will need skills that we will look to develop with a nuclear skills academy. That is the sort of activity that we need to develop now so that we can anticipate those skills needs as we go forward.

Q127 Mr Drew: Let me take you to my little moan, although it will be instructive. As you will appreciate, I was one of those calling for wage compensation. I lost that argument, but we tried to do something locally for people who were on short-time working. I negotiated with two companies—Delphi and Renishaw both had quite major problems with short-time working—for them to use the day that people were off to upskill the work force. We used Train to Gain as the vehicle through the Learning and Skills Council, as it was. To be honest, it was an absolute nightmare. The numbers that we originally talked about were up to 700, but I think in the end less than 50 got through, and that might be an exaggeration. There were two key problems. First, the bureaucracy around Train to Gain was unbelievable, and I seriously urge you to look at that. It was a very difficult process. Secondly, although we were dealing with quite skilled people, when it came down to them sitting at a table, looking at paperwork, and trying to prove what they could do to upskill themselves to get the NVQ and so on, they just went to pieces. That is a real problem in our area. We have highly skilled people who might not have the literacy and numeracy skills to be able to

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support what they would appear to be capable of doing. That is my tale of woe, and I would welcome a very quick response because it would seem to be ticking all the right boxes. Everyone worked very hard but I am not sure, with the benefit of hindsight, that I want to spend my life doing it again. There was a great deal of disappointment and angst among the two companies about why it was all so difficult.

Jim Knight: I would be interested to get more information about that experience so that I can take it up with the Department for Business, Innovation and Skills, particularly as the SFA was forward, both in the region and nationally, in trying to make sure that the bureaucracy that you talk about in respect of Train to Gain was addressed. Train to Gain is something that, by and large, we should be very pleased to have developed. Post-employment training is critically important, as is fitting it around the individual needs of business, as Train to Gain is trying to do. There has been a problem around Train to Gain as it has come in. Initially, the take-up was fine. Perhaps there was an under-demand, but now there is an over-demand for Train to Gain, as I understand it. It has been difficult to find the funding to meet everybody's needs, which might also be behind part of the problems that were experienced in your area. I also want to make sure that it fits properly around the development of skills accounts, which were something talked about in the recent skills paper from BIS, so that those you talk about who have high levels of skill but problems with literacy and numeracy can, through the skills account mechanism, more clearly and easily see what their entitlements are and how they can access them locally in a flexible way that suits their employment. That is one of the challenges that the SFA, as it emerges from the LSC, needs to be able to address.

Q128 Mr Drew: The cuts in university funding are obviously going to hit the STEM area—science, technology, engineering and maths. How do you think the South West will be able to withstand that? If you look at our universities, we have a strong technology background—UWE, where I used to be, Bath, Plymouth in marine technology, and so on. It could be quite bad news for the South West unless we watch it. What are you doing as Regional Minister to protect our HE from being disproportionately affected in this area?

Jim Knight: It is something that I am trying to keep an eye on. I am due to meet the vice-chancellor of Plymouth shortly to discuss the effects there. You are right that, as a region, the science and science research that we generate is above average. We need to protect that because it is a key part of our story as we go forward. What I set out in respect of the national composites centre is an example—it is very much building on the research excellence of the University of Bristol. As a Government, we are saying that the university sector has enjoyed an unprecedented period of growth over the past 12 years. There comes a point when, as for everywhere else that is publicly funded, you have to go through a process of efficiency saving. The vice-chancellors are

extremely vocal and articulate in saying that they have been good at efficiency saving and that it is very difficult for them to deliver on what we want, and I know that David Lammy and Peter Mandelson continue to have that discussion with them. I will make sure that I am, as the voice of the region in government, trying to look after our interests and the STEM subjects in particular, which is where we saw the big expansion of places in the summer. That was very much focused on STEM places for students because, again, governance is of critical importance in looking after that. I have discussed it with Lord Drayson, the Science Minister, who coincidentally also lives in the region.

Mr Drew: He lives in my constituency. I shall be seeing him on Friday, so I can make private representations.

Jim Knight: I know that he shares the concerns, but he also shares the view that, in the end, we have all got to do our bit in making sure that we get more for less.

Q129 Dr Naysmith: May I apologise, Minister, for not being here for your earlier questions? You will be aware that there is going to be a high rates bill to be paid by a lot of people following the revaluation from April this year. Many South West businesses are going to struggle to pay these increased rates. At a time of such economic hardship, is that fair or sensible?

Jim Knight: Certainly, I am well aware of the problems around rates. That is one of the things that I have been relatively active on of late, meeting with both the head of the valuation office and the head of the region, and then separately with Barbara Follett, the Minister in the Department for Communities and Local Government who is responsible for this. You will appreciate that a fair amount of this—pretty much all of it—is bound by legislation. Changing legislation is obviously quite a big thing for us to have to do to vary things. Dartmouth, in particular, has been very vocal about the problems of increasing rates. I asked to see the pattern across all the coastal areas of the region, and I was surprised to see my own area coming out top in respect of the cost of business rates. It is much higher than in areas like Dartmouth, which put the situation into a useful context for me. My analysis is that the rules have been properly applied, and that the valuation office has a very, very high level of sampling of businesses to understand what the rate levels were in April 2008. Clearly, it is unfortunate that that measuring date was before the recession really hit, so those valuations were almost certainly higher than they are now. It is then a question of transitional payments and transitional relief. My discussions with Barbara suggest that although the rules and regulations have been properly applied in respect of that, there are one or two businesses that unfortunately have experienced a double whammy. I have met one of the proprietors from Dartmouth who, because the valuation has pushed them over £18,000, which I think is the threshold, no longer count as a small business and therefore do not qualify for the same

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level of transitional relief. The numbers of those are marginal, but those are the people who are particularly hard hit.

Q130 Dr Naysmith: It is not just coastal. There is one of those in my constituency. It is a small business with two shops, and it is going to be pushed for a huge increase in rates because of this transitional jump.

Jim Knight: That's right. Obviously, I've talked to Barbara about that, but without changing the legislation it is very difficult; it is not possible for the Government to do anything about it.

Q131 Dr Naysmith: Is the Treasury interested at all?

Jim Knight: Again, in the conversation that I had with the Minister, I could not disagree that it was right that we regularly review these things. The review comes round every five years so that we do not create situations whereby things are horribly out of date. Sometimes it feels like that with the council tax valuation casework that I get as a constituency MP, where you have to try and remember what valuations might have been like for a house that wasn't built when the valuation was made. It is right that revaluation is done regularly and that, in the end, it reflects the value of the rents locally. If you change the transitional arrangements, that is a ring-fenced pot of money, so you are taking it away from somebody else to redistribute it. If I were to go to the Treasury or Barbara or anybody else and ask them to reopen all that transitional arrangement to benefit an excellent deserving case either in Dartmouth or in Bristol, that would involve saying to another business, "I'm sorry, we're going to take some money away from you." Without changing the legislation there's no other way of doing it.

Chairman: Doug, can I just bring Roger in?

Q132 Roger Berry: Minister, it's not only a question of fairness. That's important, but clearly this is deflationary: this is taking real income out of the region. So in terms of your discussions with other Ministers—I always think of the Treasury as having, for some reason or other, some of the more important ones—if this fiscal policy's going to deflate the regional economy, I hope the rest of their fiscal policies might compensate at least for that. Certainly, in discussions it ought not to be about simply the fairness of this. I understand that we're talking about a fair sum here. It is taking real income out of the region. Can I have your reassurance that you will raise the issue with your colleagues and tell them that in terms of fiscal policy towards the region they may want to take this into account, because if they don't they'll be getting some even more undesirable outcomes?

Dr Naysmith: Following up on that, the small business that I'm talking about—the gentleman involved who's shown me his books and been very open—says that if he has to pay this increased rate on his second premises he will close the second premises rather than pay the money. I'm sure he will, because looking at the figures it makes sense.

Jim Knight: Obviously, it's important that businesses like that take advantage of the appeal process that is in place, just to make sure everything's been applied properly. I know that the traders in Dartmouth, where I focused a lot of attention, have got together to ensure that the whole of the town's been properly assessed by the valuation office. Some businesses have benefited from that. It's worth just saying, though, that from my recollection of the stats on this in the South West, offices have been by and large winners through this revaluation process and retail have been losers. So there are winners as well as losers. I think the overall effect on the region is that it's the second hardest-hit region in the country after London, but it's to the tune of about 3%. It's not a spectacularly large figure, but I will bear in mind your advice and take that back to the Treasury.

Roger Berry: The knock-on effects of 3% become bigger.

Jim Knight: I'm happy to continue to look at it.

Roger Berry: Thank you.

Q133 Dr Naysmith: In September, Minister, you wrote to local authorities asking them to sign up to the prompt payment code. Do you know how many have done so?

Jim Knight: Yes, in among all of this I do have some statistics. It's gone reasonably well. All the NHS trusts have signed up to it. I'm encouraging the foundation trusts to do the same. As of 18 January, 29% of the local authorities had signed up. The councils have a pretty good record in terms of their prompt payment. I'm continuing to push them to sign up to the code and I don't rule out publishing a list of the 71%, or whatever it becomes, who haven't signed up, along with their record in prompt payment, if that's what it takes to get them to do so. So I'm pleased with how the health community's responded. I think the local authority community is more of a mixed bag and I'm going to keep working on them to try and get it sorted.

Q134 Dr Naysmith: Is there any scope for implementing the code with private contractors and subcontractors, particularly those who are in receipt of public contracts and public money?

Jim Knight: Yes, there is. We are cautious about putting too many priorities into contract, in terms of our public procurement generally, but we are also looking at—the Department for Work and Pensions is an example—developing the supplier charter so that we can put some of those other things in the charter, and I would certainly want prompt payment to be one of those.

Dr Naysmith: Thank you.

Q135 Mr Drew: On the rural economy, you've heard how I managed to try and put this together with green recovery, which I thought was quite a novel way of making sure we'd covered the two issues in the short time available. I'd welcome your views on how we can use our more rural areas. Your constituency mirrors mine—market towns but with a rural hinterland and lots of arguments about wind turbines, biomass and all that, so there is the energy

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issue. Can I also look at what I'm interested in, which is food? Given that we will go back to being much more of a food producer because of the reality of food security issues, to what extent should the South West be driving on to say that we're going to be the—dare I say it?—prairie belt or equivalent for the country? We're going to produce enough food to make Britain much more self-sufficient. That is one way in which we can be green. We can be about recovery and drive our food processing industry and restore it to health. Is that the sort of vision that you see? If so, how are you going to deliver it?

Jim Knight: A small question. I certainly think that the Department for Environment, Food and Rural Affairs's food strategy, published a few weeks ago, should be seen as a fantastic opportunity for the region, our agriculture and food and drink industries. In the presentation I gave to the Cabinet on the region last month, I started by reminding them of the importance of the food and drink industry to the region. We have our traditions that we can build on to develop a more sustainable industry, perhaps one that can rediscover its employment potential as well become more sustainable and deliver some of the climate change targets that we need to deliver along the way. Perhaps we take food for granted a little too much when we think about the regional strategy, but the strategy that Hilary Benn produced is a really interesting document that we can build on. On the wider green agenda and the rural agenda, clearly—other witnesses have referred to it—the development of broadband has been a priority for me as Regional Minister. It is partly a priority because of the rural nature of the region. Nationally we look at the delivery of broadband as being something that the market can do about 70% of and there is a 30% gap in delivering on the universal commitment in the “Digital Britain” document, and obviously much more so in respect of next generation broadband. In our region, that percentage becomes over 50% because of its rural nature. As I said in my presentation to the Cabinet, the potential for a region to transform how it delivers public services and to transform its economy through better access to broadband is much greater for a rural area. That is why I am a strong advocate of the broadband levy. It is unfortunate that we don't have all-party support for it because it will ensure that we can deliver for the not-spot areas in regions such as ours and help the rural economy. I think that it is important that broadband is part of the RDPE axis 3. Beyond that, green, in itself, offers us opportunities. Beyond the odd bit of controversy about onshore wind, my constituency, which you kindly referred to, is looking forward to taking advantage of some of the jobs that come from offshore. You asked about skills, and, generally, we should be building the full range of skills so that we can do more to reduce energy consumption as well as producing more recycled forms of energy.

Q136 Chairman: Are you confident that the back-up industries, for things such as offshore wind, across the region are working on the same sort of timelines?

I picked up that there is a boat-building firm somewhere in the middle of Somerset, which produces and designs the boats to service offshore wind but is having great difficulty finding a coastal location. That is something the RDA might want to look into in due course. Are the connections being made between the big idea—such as the wave hub or offshore wind—and the feeder industries and businesses?

Jim Knight: That is very much where we have been trying for, and I think actually achieving, some added value as a regional economic task group. In the same way, I was talking about broadband and we now, as of last week, set up a specific group focused on trying to build the jigsaw around broadband, because it is quite a patchy picture across the region.

Chairman: Pound for pound, it is better value than building roads or anything else.

Jim Knight: Yes, absolutely. Similarly, we have done the same with the green group, where we have set up a specific working group that has been working for some months now just to try and look more strategically at things such as those supply-chain issues. If there are specifics around companies, such as a curiously located boat builder that needs a more sensible location, I am very happy to look at those with that group to see whether we can help out. The RDA, as you say, is the ideal person to go to first of all.

Q137 Chairman: And the green economic recovery group—is it more than a talking shop?

Jim Knight: I think it has produced some very useful outputs, actually.

Chairman: Can you give us some examples?

Jim Knight: I can drop you a line on exactly what it has done. It reports to us every month on the progress that it makes. We would not be a low-carbon economic area, we would not be now building some of the supply side of the wind farm industries, if it wasn't for that group coming together and helping us focus our minds on how things are, but I will give you a bit more detail in correspondence.

Chairman: That would be helpful.

Q138 Dr Naysmith: Finally, the Government, as you will be aware, have identified five business sectors that they want to promote: digital economy, low-carbon technologies, life sciences, advanced manufacturing and the creative industries. Thinking about this list, the South West is strong on some of them and not quite so strong on others. What should it be doing? Should it be focusing on its strengths, or trying to improve on its weaknesses?

Jim Knight: It needs to do both in the end, obviously. I have been quite focused on trying to play to strengths, because I have to be mindful of what is going on in other regions. If we take our focus on trying to get up to speed on everything that the Government are trying to do in the “New Industry, New Jobs” agenda, then we might miss the boat on a few things, but we are ensuring that we consistently remind people that in aerospace, we are the second most important region anywhere in the world, and

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we have all sorts of skills that come out of that in terms of advanced manufacturing and composites. We have those silicon skills in the West of England area and we have built on that. The creative industries are clearly an area where the region has huge strength—led by Bristol, but not exclusively in Bristol. We can align ourselves to what Government nationally are looking for and move ahead much more quickly, which we have been able to do in a number of cases, and then start to partner with other regions where appropriate. On marine energy and wind energy, the RDA's vision in deciding to invest in the wave hub—I visited the Combined Universities in Cornwall site where they are doing a lot of the research attached to that wave hub—is something we should be benefiting from nationally and linking with areas like the North East, where Clipper opened its wind turbine factory just last week. Because we now have a national strategy that is being replicated by regional ones, we can work out how we fit together much more easily than we used to be able to. It becomes a much more coherent

strategic framework that can then give us confidence as a region. Rather than just worrying about competing with each other, we can work out how we can build strength with each other.

Dr Naysmith: That is very interesting, thank you.

Q139 Chairman: A very quick final question, picking up on something that one of our previous witnesses said. I am concerned that uncertainty over the regional spatial strategy was causing business and others to have genuine concerns about growth in the region. What is your position on the region's spatial strategy going forward?

Jim Knight: I cannot comment much for legal reasons, and it is with my ministerial colleagues in CLG. Naturally, I agree that having a regional spatial strategy adds certainty and that is good for the economy. That is why I would take issue with those who do not think we need it and who would abolish it. I think that would create massive uncertainty and be really bad for business and employment in our region.

Chairman: Thank you very much, Minister.

Written evidence

Memorandum from the Government Office for the South West (SWE 01)

INTRODUCTION

(i) On behalf of Government, this memorandum responds to an invitation to submit written evidence into the inquiry “Prospects for South West Economy”, which was made by the South West Regional Select Committee on 8 January 2010.

(ii) The Government Office for the South West (GOSW) has a statutory duty to co-ordinate the overall Government response to the inquiry. This submission draws on the work of Government at national and regional level.

(iii) GOSW works to achieve sustainable growth and to develop safe and prosperous communities that meet the diverse needs of everyone who lives and works in the South West. To achieve this GOSW puts Government policy into practice at local and regional level, implementing key programmes and initiatives in partnership with regional and local organisations, and provides feedback to central Government that helps inform future policy.

1. THE PROSPECTS FOR THE REGIONAL ECONOMY

1.1 *Economic overview*

The second half of 2009 saw a reduction in the pace of economic decline. Government action to cut interest rates, boost liquidity, and give support to the economy through fiscal easing, and regional action in delivering the “Real Help Now” programmes to business and individuals, played a significant part in helping the South West economy to begin to turn the curve.

The weakness of sterling helped South West exporters, and the housing market showed signs of recovery. By the end of the year, the rate of decline in employment through the year was less than many had expected, and retail spending was also more buoyant. Business confidence had increased.

There has been a notable levelling out of the South West claimant count since mid-year. However, male full-time unemployment has continued to climb steadily, and the overall rise in unemployment has disproportionately affected the younger end of the workforce.

1.2 *Impact of Government action and regional response to recession*

As indicated above, national and regional action has mitigated some of the impacts of the recession in the region:

- Over 800 businesses in the South West have been offered loans totalling over £73million under the Enterprise Finance Guarantee Scheme.
- Twelve successful Future Jobs Fund bids will create up to 1,885 jobs over the next 18 months.
- The South West Regional Development Agency (RDA) Loans Fund scheme has approved 15 loans to date, totalling £1.314 million.
- Over 27,000 agreements have been reached with businesses in the South West to defer £396 million of tax.
- Since October 2008, over 8,000 “Business Health Checks” have been carried out in the region.
- Area action forces have provided continued support to businesses dealing with redundancy and closure.
- The RDA is bringing forward expenditure to help deliver some key strategic regeneration projects including the planned completion of a £25.4m regeneration programme in the Gloucester Docks area.
- An apprenticeship training agency pilot began in January of this year to help young people to complete apprenticeships during the downturn.

The South West Regional Economic Task Group (RETG), chaired by the Regional Minister, has continued to coordinate the regional response to the recession. Increasingly, it has begun to plan in parallel for recovery. Partners have also begun to consider how the work of the Task Group, and the positive practice that has emerged from it, might be taken forward as Sub-National Review arrangements are fully embedded.

Over the past six months the RETG has taken forward work in the following areas:

- In the period from July 2009 to the end of the year, one further major infrastructure project in the region was unblocked by the joint actions of the regional bodies. This was the Millbay Docks regeneration project in Plymouth—1,100 new homes, including nearly 300 affordable, plus over 54,000 sqm of employment space, built on reclaimed brownfield land. The project had stalled due to lack of necessary priming investment. Funding was provided through a successful bid for KickStart, augmented by a £4.5 million contribution from the National Infrastructure Fund (NIF). Phases 1, 2 and 3 are now all progressing.
- The Regional Minister has been leading work to encourage regional organisations to sign up to the Prompt Payment Code. All 26 NHS organisations in the South West are now signatories to the Code, and he has recently written to those foundation health trusts and local authorities which have not yet signed up to encourage them to do so.
- An analysis of mortgage repossession in the South West, discussed by RETG in November 2009, is enabling a more strategic targeting of resources to ensure that the most vulnerable households in the region are protected from losing their homes and provide better and earlier advice where payment problems arise.
- In July and November 2009 the RETG met with representatives from the major banks in the region to continue dialogue about how best the banks can support South West businesses and individuals.

South West businesses, universities and the third sector are working together to mitigate the effects of the recession and to drive growth. Businesses are engaged in a number of ways at regional, sub-regional and local level. Universities are playing an increasingly strong role, separately and severally (through Universities South West). Sectoral initiatives such as the Composites Centre and the role of Combined Universities in Cornwall in economic regeneration are evidence of this. The third sector is represented on the RETG, and at has played a key role over the past six months, in partnership with local authorities, to support work with vulnerable communities.

1.3 *Regional support for local authority economic development activity*

South West local authorities are committed at both regional and local level to building up their capacity on economic development. South West local authorities, supported by the South West Regional Improvement and Efficiency Partnership (RIEP), are working collaboratively on the new Local Economic Assessment duty.

The key objective of the £1.8 million RIEP Local Economy and Housing programme is to develop appropriate skills, knowledge and capacity in local authorities to effectively undertake their Economic Development and Regeneration (EDR) responsibilities. In the first year the programme has delivered:

- A Local Economic Assessment Co-ordinator working to ensure a consistent approach to the new duty amongst local authorities and regional partners.
- Economic Challenge Fund grants to help local authorities deal with the immediate issues of the recession.
- A survey of the skills and capacity needs of the local authorities in relation to Economic Development and Regeneration. The resulting action plan priorities are:
 - Grant funding for joint working in two-tier areas and sub-regions and the creation of new delivery structures.
 - Ongoing support for Local Economic Assessments.
 - Peer support and challenge events to improve the skills and expertise.
 - A programme of tailored support for portfolio holders and other elected members with responsibility for EDR.

1.4 *Prospects for 2010*

There is a feeling of cautious optimism as the South West heads into 2010. The RDA expects the UK economy in general, and South West England in particular, to experience some growth. This is balanced by a recognition that the economy will continue to experience significant constraints. The scale of the output gap suggests that unemployment will continue to rise for some time, and business is expecting a tightening of fiscal and monetary policy. Partners report concerns about the possibility of reductions in public sector spending, given that the public sector is a significant employer in the region.

A recent analysis by the RDA¹ considered how different areas in the region are positioned to benefit from the recovery. It concluded that those parts of the region (such as the West of England sub-region) which have a comparatively solid foundation of infrastructure, technology and skills are better-placed to take advantage of the upturn. Bristol, for example, has been badly affected by the recession, but is relatively well-placed to respond to recovery. By contrast, there is a risk that Plymouth, which has long-term economic and

¹ South West Regional Economic Profile, issue 8 (South West Places), October 2009.

infrastructure weaknesses and peripherality issues, will not recover as quickly as other centres as markets improve. Other areas, such as Cornwall, enter the recovery period having fared the recession perhaps better than expected on some measures, and helped by a relatively buoyant visitor economy.

GOSW's general assessment is that the region is broadly well-positioned to develop a strong regional strategy for economic growth, both institutionally (the South West Strategic Leaders Board has been established and is building a positive rapport with RDA), and in terms of priorities. There is a clear sectoral focus on composites, digital, marine energy and offshore wind. As this suggests, there is strong alignment between the national economic priorities and framework and the course on which RDA and other regional partners were already moving.

1.5 *Total Place*

Dorset, Bournemouth and Poole are one of the national *Total Place* pilots. The RIEP, keen to encourage this approach, has rolled out its own Total Place initiative on a sub-regional basis across the whole of the South West. The initiative will help local strategic partnerships to transform public services locally, deliver better value for money and improve the experience of local residents. Overall £1.75 million has been made available to support six ambitious and challenging programmes focusing on a range of topics which include families in crisis, economic inclusion and neighbourhood management.

2. "PARTNERSHIPS FOR GROWTH"

2.1 *Digital economy and creative industries*

Communications infrastructure

Digital Britain sets out a strategic view of the UK's digital economy and the challenges the country faces, and outlines a programme of action to meet these challenges. The opportunities for this region are closely aligned. The South West has internationally recognised strengths in digital technologies. High-speed Next Generation Access (NGA) will enable the region to build on these strengths and compete successfully in the next phase of the digital age.

First generation broadband has been delivered to the region through a series of programmes that included ActNow for Cornwall (an Objective 1 project), Broadband4Devon (Objective 2), and ConnectingSW. However, a number of "Not Spots" remain: places where there is no broadband service availability because of technical difficulties (for the most part to do with distance from the exchange). The region faces a considerable challenge in meeting the Government's aim to ensure universal access to two megabits per second (mbps) by 2012, particularly in some peripheral and rural parts of the region. The South West has approaching twice the proportion of the region having the risk of not getting NGA than any other region. Urban areas are expected to fare better, with some progress underway in Bristol, Swindon, Bournemouth and Plymouth. Private sector solutions will not deliver universal coverage for the South West.

The RDA is currently giving greater emphasis to this agenda and is working to encourage partners to address NGA access on a sub-regional basis. The Regional Minister has initiated a meeting with BT to determine their strategy for roll-out in the South West.

Digital participation

Partners, including the RDA, are considering how to take forward regional activities in support of a Department for Business, Innovation and Skills (BIS) social marketing programme that includes outreach.

Rural broadband has been recognised as an enhanced priority within the Rural Development Programme for England (RDPE), providing greater flexibility to RDAs in supporting rural broadband infrastructure needs, particularly community broadband projects.

Digital media and creative industries

The South West has internationally recognised strengths in the digital media and other creative industries sectors. The creative industries sector as a whole employs over 96,000 people: 5.85 % of total employment in the region, with an increase of 19% between 2006 and 2008. It accounts for £3.7 billion of the regional economy, amounting to 5.8% of the UK GVA for the sector. Twelve of the 14 higher education institutions (HEIs) in the region have acknowledged strengths in film, media and digital media. The South West Creative Economy Partnership, which comprises the major regional public sector funders for the creative and media sector—the RDA, Arts Council, South West Screen, the sector skills agencies and local authorities—provides strategic coordination and is steering the regional response to the Government's report on *Creative Britain*.

The "creative economy" is crucial to the future economic growth of the South West. If the sector is to continue to grow, and to retain its position as a world leader, it is critical that the region is at the forefront of the digital and NGA technologies.

2.2 Low carbon technologies

The region has welcomed the announcements on 8 January 2010² of the successful bidders for the Bristol Channel and West of Wight offshore wind zones. Collectively these require capital investment in excess of £5 billion and could provide sufficient energy for in excess of 1 million homes. The South West should be in a very strong position to capitalise on the economic opportunities of offshore wind and the RDA and other players will be working with the successful bidders on supply chain and skills issues.

Plans are developing for two new nuclear facilities within the region. These are plans by EDF for two 1800MW European Pressurised Water Reactors at Hinkley Point in Somerset and plans by Horizon Nuclear Power (RWE npower/E.ON UK nuclear joint venture) for a power station comprising up to three nuclear reactors with a combined expected output of about 3300 MW. The EDF proposals are at a more advanced stage and they are working with the RDA and others on supply chain opportunities for regional businesses and the skills issues linked to the Nuclear Skills academy.

Following the South West's designation as the UK's first Low Carbon Economic Area for Marine Energy, the RDA has been leading work on engaging with businesses and driving forward the interrelated initiatives in this sector. This includes formally commencing construction on WaveHub and further developing Primare. The RDA continues to be an active player in the Severn Tidal Power Feasibility study and has played a key role in accelerating schemes linked to embryonic technologies.

The Green Economic Recovery Action Group (a sub group of the Regional Economic Task Group) is progressing low carbon technologies work in a range of complementary sectors, including domestic energy efficiency, business resource efficiency, community based renewables and sustainable procurement.

2.3 Life Sciences

NHS South West has supported a range of activity linked to life sciences over the last 12 months, building on an already strong platform for attracting health research funding into the region.

NHS South West has successfully launched Collaboration for Leadership in Applied Health Research, which is developing stronger partnerships with research and academic bodies in the Peninsula of the South West, targeting research around innovations that will improve health and healthcare for people in the South West. The Collaboration for Leadership in Applied Health Research is attracting £10 million into the South West over the next five years.

In addition, NHS South West has successfully bid from the Department of Health for a Health Innovation and Education Cluster for the South West, which will create a partnership with industry, the private sector, social care and third sector organisations to attract industry and research to improve the ability of NHS South West to deliver its strategic priorities.

The Health Innovation and Education Cluster will harness existing research and innovation activity, through, for example, the Bristol Enterprise Network, GE Healthcare, the BioMed Technology Cooperative hosted by North Bristol NHS Trust, and the Institute of Bio-Sensing Technology based at the University of the West of England, to align their activity more closely with the delivery of innovative solutions to improving health and healthcare in the South West.

This strategy is targeted at not only delivering more tangible outcomes for the investment in health research that currently flows into the South West, but, in doing so, should provide a strong platform for additional investment in the future.

In addition, NHS South West is committed to promoting innovation in health to improve the quality of health and healthcare as a core part of its vision. It has launched a Regional Innovation Fund, valued initially at £4 million over two years, to support frontline staff and local NHS and third sector providers to develop innovative processes to improve health. The Fund is being used to target partnerships with industry to introduce new ways of thinking into the delivery of healthcare services in the South West.

NHS South West also supports a regional innovation hub, NHS South West Innovations, which provides dedicated expertise in bring existing product innovations, developed by front-line NHS staff, to market.

This activity builds upon a strong base in the field of health research in the South West, where the existing National Institute for Health Research Western and Peninsula Comprehensive Local Research Networks attracted over £20 million for research in 2009–10.

A wider commitment to investing in developing future talent to build upon this work is shown through the fact that there are currently 15 National Institute for Health Research Fellowships in the South West and 14 Academic Clinical Fellowships.

² Department of Energy and Climate Change, 8 January 2010. Press notice “*Offshore Wind Expansion Biggest Ambition In The World*” [accessed here on 25 January 2010].

2.4 *Advanced manufacturing*

Since the Regional Select Committee's inquiry into the impact of the current economic situation on the South West, a number of important policy statements have been issued by BIS on behalf of HM Government. These include *New Industry, New Jobs* (April 2009), *Advanced Manufacturing Strategy* (July 2009), *Building Britain's Future* (September 2009), and *Going for Growth: Our Future Prosperity* (January 2010).

The Strategic Investment Fund (SIF) is providing support for a number of projects in the region, including investment of £45 million to support research critical to the development of low carbon aircraft engine technology, to be led by Rolls-Royce and delivered through the Technology Strategy Board's collaborative research and development programme which benefits the aerospace sector in the West of England. Other projects within the package, relevant to the South West's prime manufacturers and supply chain, include:

- Industrial biotechnology: could well be as transformational for the twenty first century economy as oil was in the twentieth century. The SIF has helped fund demonstrator facilities for industrial biotech research.
- Advanced composites, where the UK has a strong competitive edge. The UK Composites Strategy announced funding for a new national centre for composites in Bristol and a challenge fund for research and development projects.
- Innovation activity in the microelectronics design sector: investment of £500k is part of an industrial roadmap encompassing innovation, skills, networking and, in the future, a Centre of Excellence for Silicon Design in the South West. The initial project will assist 250 companies and create up to 100 new jobs.

A strengthened regional Manufacturing Advisory Service has led to companies improving their efficiency and creating additional business opportunities through new markets. The region is concentrating on more students undertaking higher education degrees in STEM (Science, Technology, Engineering and Mathematics) and on strengthening knowledge exchange between our higher education institutions and business.

Taken together, these initiatives will allow the region to exploit the opportunities promoted in the Low Carbon Industrial Strategy and allow key investments in ICT, Low Carbon and High Value manufacturing.

3. THE EFFECTIVENESS OF REGIONAL BODIES IN SUPPORTING RURAL AND REMOTE ECONOMIES

3.1 *Overview*

It is Government policy to ensure that rural needs and interests are addressed principally through mainstream policy and delivery, rather than through separate, rurally-focused interventions. Such mainstreaming happens at all levels of government—national, local and regional. Rural interests³ are taken into appropriate account at regional and local level, including the development of regional strategies, Local Area Agreements, and Multi Area Agreements. Mainstreaming relates to the work of many regional deliverers, including the Regional Development Agency, local authorities, health authorities, and other public service agencies.

Action to address the recession and recovery has benefited the rural and remote economy as well as urban areas in the South West. The largest specific programme is the RDPE (see below), but rural areas will also benefit from other programmes such as Partnerships for Growth.

3.2 *Regional framework and accountability*

The South West Rural Affairs Forum (RAF), with an independent chair and secretariat provided by the South West Acre Network (SWAN) and funded from Defra through the Government Office, provides an opportunity to bring together rural stakeholders within the region to inform and monitor the regional and local delivery of Government policy in rural areas. Its role is to:

- Represent and canvas views from rural customers, especially about whether policies are working in practice.
- Test, challenge and evaluate the way in which all types of government impact upon rural communities.
- Influence regional and national policy making, in particular regional strategies, from a rural perspective.
- Share and spread new ideas and insights on ways to address rural needs.
- Communicate the work of the Forum to other rural stakeholders in the South West.

The RAF also provides the opportunity for rural issues affecting the South West to be heard directly by Government through the regular meetings convened by the relevant Defra Minister with RAF chairs from all the regions.

³ See section 2.0 on Digital Participation.

GOSW considers that the RAF provides a strong rural voice for the South West, convening all the key statutory, private and third sector players. Of particular note was the work it commissioned by the Oxford Consultants for Social Inclusion on rural deprivation in the South West which will allow closer analysis of the incidence of rural disadvantage below output level and provides the evidence base for further work. The Government Office is also concerned to ensure that other organisations and structures in operation throughout the South West (RAF, South West Rural Advisory Group (reports to the RDA Board), South West Chamber of Rural Enterprise, SWAN, and the Rural Community Councils) are acting in an effective and complementary way.

The RDA is subject to six-monthly strategic review culminating in a meeting between a BIS Minister, the Regional Minister and the Chair and Chief Executive. Whilst the results of the current review (meeting held on 19 January) are not yet available. However the RDA has recently refreshed the delivery of its policy in rural areas under the RDA's Rural Advisory Group to strengthen its mainstreaming of rural policy which can also take account of local differentiation.

3.3 *Rural Development Programme for England in the South West*

The Rural Development Programme for England (RDPE) was launched in the South West of England in February 2008. It provides financial support for environmental stewardship, skills development, farming and forestry diversification, resource management, renewable energy supply chains and community-led development. A seven-year programme (2007–13), worth £3.9 billion nationally, it aims to support and promote sustainable farming, forestry and food sectors and also to bring wider benefits for the economy, the environment and rural communities. The Programme is comprised of four Axes:

- Axis 1—improving the competitiveness of the farming and forestry sectors (10% of the total budget) via the RDA.
- Axis 2—improving the environment and countryside (80% of the total budget—mostly to be invested in existing national schemes such as Environmental Stewardship and English Woodland Grant Scheme via Natural England).
- Axis 3—improving the quality of life in rural areas and promoting diversification of the rural economy (10% of the total budget).
- Axis 4—The “Leader Approach”, which refers to bottom-up community development methodology and is to be applied across other axes (5% of the total budget).

The three RDPE delivery partners; the RDA, Natural England and the Forestry Commission have committed to encouraging a bigger take-up of the grants that support the creation of genuinely sustainable farming, forestry and food sectors.

The Government Office chairs the RDPE Implementation Group which oversees and monitors the performance of the delivery of the RDPE in the South West, ensuring that the respective delivery agencies' programmes are held to account and maximise opportunities to co-ordinate and co-operate in effective delivery of the programme as a whole.

3.4 *Delivering RDPE in the South West*

An estimated £780 million is available to the South West under RDPE between 2007 and 2013. The RDA manages £157 million of this, to promote economic and social measures (improving competitiveness of the farming and forestry sectors, diversifying the rural economy and improving quality of life in rural areas). £55 million is ring-fenced for Cornwall and the Isles of Scilly (Convergence Status—successor to Objective 1). The remainder of the programme is delivered in the region by Natural England and the Forestry Commission under national programmes on environmental and land management measures.

At the end of 2009 the pace of delivery of the components for which the RDA is responsible continued to pick up with over £105 million committed to projects. About 5% of the total programme is delivered by Local Action Groups (LAGs) under Local Action for Rural Communities—a community based delivery mechanism. Action delivered through RDPE during the last quarter of 2009 included:

- South West Rural Enterprise Gateway “response to recession” package approved;
- over 30 business led projects approved and the first business led projects completed;
- the first supply chain projects completed;
- four (£10.3million) of six sustainable rural tourism projects approved and the remaining two likely to be approved in final quarter;
- community and social enterprise theme launched; and
- £1.46 million from the European Economic Recovery Plan—European response to recession allocated to dairy sector restructuring and community broadband £0.7 million each).

Memorandum from RISE (SWE 02)

EXECUTIVE SUMMARY

1. RISE is the South West member led strategic body for social enterprise.
2. Social enterprises are value-led businesses that trade for social and environmental purposes.
3. There are 62,000 social enterprises in the UK and the SW has 12% of the UK social enterprise sector.
4. Social enterprises have weathered the recession well and in many cases are growing fast.
5. Part of the reason for this success is because of their unique business model and way of working—Trading for people and planet.
6. There are a number of challenges that SW social enterprises have expressed in achieving business growth.
7. A lack of understanding of how social enterprise differs from the traditional voluntary/community sector means that opportunities are being missed.
8. There are few sectors that social enterprise examples and a joining up of business sectors and issues is part of the strength of the model.
9. There are strong examples of social enterprises in the SW in the creative industries, low carbon and digital technologies.
10. Social enterprises are smaller more likely to be rural in the SW which is a challenge for financial sustainability.
11. RISE has been working with partners to ensure that business support is provided to social enterprises in rural areas Social enterprise is included alongside the wider business sector in discussions and policy making to plan for the recovery.
12. Social enterprise should be seen as a mainstream business model.
13. The Social Enterprise Mark should be used by policy makers as the badge to look for in ensuring that an organisation is a social enterprise.
14. Social and environmental business considerations must not be lost from the economic recovery debate.

1. EVIDENCE

1.1 RISE welcomes the opportunity to submit both written and oral evidence to the SW Regional Select Committee.

1.2 RISE is the South West member led strategic body for social enterprise It is working with a number of government agencies and the social enterprise sector to raise the profile and improve the working environment for social enterprises. RISE members comprise social enterprises, business support agencies and partners that sign up to supporting social enterprise. The objectives of RISE are that:

- social enterprise is promoted as a significant trading option;
- social enterprises are robust, thrive and become better businesses;
- there is wider understanding of the added value of social enterprises in the region; and
- RISE is a well run, effective social enterprise.

1.3 Social enterprises are value-led businesses that demonstrate the following characteristics:

- Clear social and environmental aims and objectives that are enshrined in their governance.
- Significant trading levels and a business approach(or (aspirations to trade in the case of emerging social enterprises)—this makes them different from the wider charitable and voluntary third sector.
- Demonstrate that profits are primarily reinvested to further social and environmental aims—this makes them different from private sector “ethical companies” and corporate social responsibility.

2. PROSPECTS FOR THE REGION’S ECONOMY

2.1 Current research carried out by the Social Enterprise Coalition (State of Social Enterprise) in November 2009 shows that there are approximately 62,000 social enterprises in the UK. The SW is one of the largest regions in terms of numbers of social enterprises with approximately 12% of the UK’s total (this equates to approximately 7,440 businesses).

2.2 Despite the recession, the national research shows that they are nearly twice as confident of future growth as traditional SMEs, with 48% of social enterprises responding positively as opposed to just 24% of SMEs. Additionally, since the economic downturn began, 56% have increased their turnover from the previous year whilst less than 20% have seen it go down. This is a considerably better performance than SMEs in the UK, where only 28% increased their turnover and 43% saw it go down. The RISE membership

survey which was limited to the SW showed that at least a third of social enterprises had seen growth in the recession whilst another third had seen negative effects (the other third had either remained the same or didn't know).

2.3 This evidence shows that social enterprise is a strong business model that has the ability to both withstand and thrive in the current economic climate and provides an excellent viable business model that not only delivers profit, but reinvests this profit to benefit the environment and society as part of its "raison d'être". In essence People, Planet, Profit are the key motivations for social enterprise. Social enterprises are often more locally based with a defined community of membership so are less prone to the fluctuations in the global market, choosing to reinvest largely in their local economy.

2.4 There are however challenges for the growth of the business model in the SW including:

- Having the capacity to keep up with the strategic planning of the public sector.
- Outsourcing by central government to larger organisations to save money.
- Public sector cut-backs.
- Lack of understanding of the added value that social enterprises can bring to contracts and delivery from potential customers.
- Lack of access to appropriate investment (although national research shows that this situation is easing with 71% of social enterprises getting what they asked for, mainly for growth).
- Increasing costs especially in energy.
- The government's panic stricken move towards economic growth whilst ignoring the social and environmental consequences—this has been particularly prevalent in the response to the economic climate.
- Unreasonable expectations from government eg externalisation of public services and the ability to create sustainable businesses.
- Lack of suitable contracts particularly in the public sector.
- Difficulties in finding skill workforce.

2.5 As was previously mentioned by RISE in its evidence to this committee, there has been a particular tendency in this region to confuse social enterprise with the wider voluntary and community sector by using the term "Third Sector". The latest research shows that social enterprises are different from the voluntary sector: The profile of social enterprise turnover has much more in common with that of the UK's small businesses than with the voluntary/charity sector with which it is often confused or conflated. This misunderstanding means that opportunities for social enterprises are missed by policy makers in being seen as part of the business solution to the economic recovery.

3. WHAT THE REGION IS DOING TO PROMOTE THE FIVE SECTORS IDENTIFIED IN THE GOVERNMENT'S PARTNERSHIP FOR GROWTH DOCUMENT: DIGITAL ECONOMY, LOW CARBON TECHNOLOGIES, LIFE SCIENCES, ADVANCED MANUFACTURING, AND THE CREATIVE INDUSTRIES

3.1 There are few business sectors that don't contain social enterprises: however, within those sectors, many have a focus on developing human capital through employment and training and social enterprises, because of their wide remit tend to focus on more than one business sector—this is part of their strength as they join up different sectors for the benefit of their members.

3.2 There are good examples of social enterprises in some of the growth sectors but particularly in the creative industries eg Watershed Media in Bristol which is a well known hub for the cultural and creative industries in the region whilst creating an local community focus/facility, helping to deliver regeneration outcomes and nurturing other businesses in the creative sector.

3.3 Some social enterprises such as the Eden Project are in the process of developing low carbon technologies but more importantly social enterprises are applying a low carbon approach through their business model, and have potential to help local communities to develop a low carbon approach to their future development. There are a number of social enterprises that are leading recycling/reuse businesses including Emmaus in Bristol and South Moulton Community Recycling. SW social enterprises have also reported that there is huge potential for growth in the environmental industries.

3.4 Leading SW social enterprises such as COSMIC in Ottery St Mary show that social enterprises have huge potential in the digital economy too.

3.5 The South West has led the national development of the Social Enterprise Mark which now has Government and Ministerial backing. This Mark for the first time allows social enterprises to market their business model to consumers and potential customers (including the general public). The Social Enterprise Mark aims to do for social enterprises what the Fair Trade Mark did for Fair Trade. More about the social enterprise Mark can be found in previous submitted evidence and on the website www.socialenterprisemark.co.uk.

4. THE EFFECTIVENESS OF REGIONAL BODIES IN SUPPORTING RURAL AND REMOTE ECONOMIES IN THE REGION

4.1 Social enterprises vary widely in scale: Whilst nationally some social enterprises are very large, with turnovers in excess of £100 million, the majority operate at small-business scales, with an average turnover of £2.1 million and a median turnover of £175,000. There is a far higher proportion of small scale social enterprises (33%) in the SW and 16% of social enterprises in the SW are based in rural remote areas. Recent research shows however the scale is important: Social enterprises appear to be more profitable, less grant dependent and faster growing once they reach a £1m turnover. However—there are numerous examples of social enterprises that have found a profitable, sustainable business model at lower turnovers.

4.2 One of RISE's key aims is to ensure that SW social enterprises are robust, thrive and become better businesses. To this end RISE has worked hard with SWRDA and Business Link to ensure that social enterprises can access the appropriate business support wherever they are based—a specialist social enterprise business support package is available to all social enterprises in the region. RISE has been working with SWRDA to ensure that Rural Development Programme England funding supports the business support package and to tailor the products to ensure that they cover the additional barriers and issues that social enterprises experience in rural areas. In Cornwall RISE has been working with the Eden Project to ensure that the support service is marketed to appropriate existing social enterprises.

5. RECOMMENDATIONS

5.1 That social and environmental business considerations are not lost from the economic recovery debate—mistakes were made in pursuing a pure business growth model that led to the economic downturn—we need to think about different solutions to ensure that history doesn't repeat itself.

5.2 Social enterprise is included alongside the wider business sector in discussions and policy making to plan for the recovery.

5.3 That social enterprise is seen as a mainstream business model.

5.4 That the Social Enterprise Mark is used by policy makers as the badge to look for in ensuring that an organisation is a social enterprise.

22 January 2010

APPENDIX 1

(A) LOW CARBON TECHNOLOGIES

Tim Crabtree, Local Food Links:

Local Food Links is a social enterprise working with children, young people, families and older people in Dorset. Structured as an Industrial & Provident Society, Local Food Links aims to develop sustainable food systems, and make good food available and affordable. Currently Local Food Links provides catering to 23 schools, four nurseries and an older person's day centre.

The food and farming sectors have a significant carbon impact (they contribute 20% of GHG emissions), yet the Climate Change Act will force a 70% reduction in the climate change impact of the food and farming sectors over a relatively short period. Local Food is working with a range of SW and national partners to address this issue, and is seeking to develop a catering service underpinned by low carbon technology:

- Local Food Links is improving the carbon impact related to ingredients used, by adopting the Food for Life Partnership's standards, and as a result was the first caterer in England to be awarded the Food for Life Gold Catering Mark. Assessment for the Gold Mark includes a rigorous audit of ingredients procured, to demonstrate that they are produced in sustainable food systems.
- Local Food Links is improving the carbon impact relating to the transportation of food, eg by specifying minimum periods for the harvesting and delivery of key fresh produce.
- Local Food Links is addressing the carbon impact of the catering process itself, by improving the efficiency of cooking and refrigeration processes through the use of low carbon technology.
- Finally, Local Food Links is also researching the feasibility of developing a purpose built, zero carbon "Food Hub", which would act as an exemplar of best practice, incorporate the best available low carbon technology and also pilot innovative ways of minimising waste and energy through heat exchange, on-site heat, power and cooling generation, etc.

Colin Matthews, Paperchain Co-operative

For 20 years, Paperchain Co-operative has been committed to positive and lasting difference to the environment through its recycling activities in the Exeter area. The company operates a paper recycling system whereby white paper is kept as white paper, in a closed loop, unlike many other companies. The benefits range from increased revenue, less machinery and more employment, and a significant carbon reduction as—virgin white paper is recycled back into recycled office quality white paper—and this can go on many times. Mixed paper collections offered by competitors are nowhere near as environmentally friendly: as paper that has high value is being mixed with paper of very little value in order to create products like tissue at the end of their life cycle.

Julian Williams, SOFA Project

SOFA Project (often abbreviated to “SOFA”) is a social enterprise and incorporated charity in the furniture and electrical appliance re-use sector. A registered social enterprise, its principal object is the relief of poverty. SOFA collects good quality furniture and appliances from local households and businesses, prepares them for sale and passes them on at low prices to families in need. SOFA was formed 25 years ago to “Shift Old Furniture Around” and now helps over 6,000 low-income families every year. Its work is particularly welcomed by individuals on benefits and by new arrivals to the city who have yet to find work. SOFA’s shops, in inner city Bristol and on a large housing estate in Weston-Super Mare, are located in regeneration areas where there are (in Bristol) a large number of immigrants and minority groups and (in Weston) many hundreds of families where worklessness has been a factor for two generations or more.

Aside from the community benefit of re-use, the charity also reduces detrimental impact on the environment. In 2008–09 it diverted over 258 tonnes of waste from disposal to landfill, saving 140 tonnes of carbon dioxide equivalent emissions; a further 272 tonnes of domestic appliances were readied for re-use rather than sent for unnecessary recycling. SOFA employs 28 staff, 10 of these recently taken on under the Future Jobs Fund. In addition, SOFA has close links with HM Prisons Bristol and Leyhill, and gives work opportunities to 13 long-sentence prisoners every day.

In addition SOFA Partners in the Criminal Justice sector are detailed below; others include SHELTER, the principal local Housing Associations, the waste and housing departments of Bristol City Council, and several departments of North Somerset Council.

SOFA Project provides office accommodation for two other charities: the Bristol Debt Advice Centre and the head office of the Furniture Re-use Network (the national membership body for the 300+ organisations on our sector).

Nicky Mullen, Dorset Centre for Rural Skills

Dorset Centre for Rural Skills has been training rural skills and traditional and sustainable building technologies since 2003. These skills include straw bale building, cob building and repair and lime plastering and rendering—all sustainable in terms of their low carbon nature. Both straw and cob buildings are both low carbon technologies and provide homes that are well insulated, often exceeding existing building regulations. In terms of straw bale building we also encourage other sustainable technologies to be incorporated into the design for low-impact living.

Because of our knowledge and the skills we teach, we are often the first port-of-call for people wishing to find out more in general about sustainable building. We give basic advice, free of charge, about these technologies and at the same time promote other sustainable technologies, other local suppliers and most often the need for good insulation. We regularly contribute to the local media on these subjects and have been responsible for significantly raising awareness in the last

(B) CREATIVE INDUSTRIES*Marja van Loef, CoaST (Cornwall Sustainable Tourism Project)*

We work with everyone (from cake-makers to photographers, campsites to recycling collectors, community groups, hotels, colleges, universities, beach cafes, designers and beer brewers) to ensure tourism delivers social, economic and environmental benefit for all, as well as a fantastic holiday for all our visitors.

We promote a sustainable tourism industry: one hotel, one campsite, one boat-ride, one meal, one journey, one visitor, one holiday at a time. This means all businesses, and groups, and communities, from all tourism and non-tourism sectors, working collectively. And our job at CoaST is to help make that happen. By collaboration, and by collective clout.

We act at policy level (influencing, informing, and helping people to get involved . . .), and we also deliver practical projects. We manage an online One Planet Tourism network. Although, we started in Cornwall: we have now gone viral, with members collaborating on our on-line One Planet Tourism network from across more than 50 counties.

Matt Little, The Real Ideas Organisation

The Real Ideas Organisation is a social enterprise based in the SW but working nationally and internationally. We work with children and young people to make real change happen through creative and social enterprise. We employ over 50 people, with an increasing number of our employees being young people who have come through our school and employment programmes.

Over the last year our work has included:

- Delivering the Government’s flagship creativity programme for schools, Creative Partnerships—working with over 150 schools and 10,000 children and young people in the SW. We help schools innovate and improve, with a particular focus on creative learning, real change, and pathways into the creative industries. We offer employment to significant numbers of freelance creative practitioners in the course of this work.

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- Working with Primary Care Trusts, BSF consortia and regeneration partnerships to involve young people in creative ways in improving and changing spaces, buildings and services. Our work on the BSF school rebuild programme in Somerset won a national Partnerships for Schools award.
 - Working with NESTA around improving work-related learning in rural schools—with an emphasis on the creative sector.
 - Developing and delivering a range of innovative services for young people not in education, employment and training or “workless”. These include the Xtravert carpentry business (staffed by skateboarding carpenters!), Real Food (growing food in partnership with schools in Cornwall) and Cross Step (a surf training programme in Newquay).
 - Setting up and delivering Create Your Futures: a service for unemployed people in Cornwall providing bespoke pathways, principally for non-graduates, into the creative industries. We have so far delivered 61 job outcomes through this work.
 - Working with Plymouth City Council, the Office of the 3rd Sector, and Devonport Community Regeneration Partnership to redevelop the grade 1-listed Devonport Guildhall and turn it into a creative social enterprise centre, opening spring 2010.
 - Working with SW Screen and Two Four Productions to develop, incubate and launch Chewtv; IPTV for young people, run by young people. Chewtv is now an independent social enterprise in it’s own right, employing four people, three of whom started their working lives with us, as trainees or apprentices.

We think that social enterprise is a brilliant way to deliver services and outcomes for children and young people, particularly in relation to the creative industries. This is because we operate against a triple bottom line: with the entrepreneurial drive of the best of the private sector, but investing our profits back into our work, including the ability to create real and meaningful jobs for some of the fantastic young people we work with. We think that creativity is massively important for children and young people, as it allows them to imagine a better future for themselves and their community, and gives them the skills and confidence to bring this about, as well as being a key driver of the economy. However, we are particularly interested in the application of this creativity within a social and ethical framework and see social enterprise as the key vehicle for this want to help children and young people make the world a better place.

Gwen Joy, Watershed

Watershed exists to promote engagement, enjoyment, diversity and participation in film, media arts and the creative economy. Over 25 years, Watershed has evolved to become a national and international byword for creativity in the moving image. Watershed delivers a year round diverse, cultural programme of films, events, festivals, artist commissions, tours and conferences and has become an integral element to the success of the creative industries of the South West and the wider digital economy.

The organisation is a leading innovator in the creative industries of our region. Our projects connect cultural, commercial and academic organisations to audiences and creative ideas through collaborations across the media, arts and technology sectors. Our initiatives attract and leverage research, development and production funding to the region and create a space for emerging SMEs to take risks and share ideas.

Watershed’s contributes to the digital economy as a facilitator of trans-disciplinary open innovation networks at the intersection of media, technology and society. Our Pervasive Media Studio brings together creative practice and technological innovation to produce the content, applications and experiences of the future. By supporting and developing digital agencies and next-generation creative technologists, the Studio enables the exploration of radical new products and processes—pushing forward understanding and potential usage of interactive digital media. Since it’s opening in October 2008, the Studio has leveraged over a million pounds of cash investment in to the local digital economy.

Watershed is also home to Futurelab, The National Co-ordination Centre for Public Engagement and international festivals. Watershed is a regular collaborator with 3CResearch and a partner in STARS semantic web tools for arts research. Watershed is a lead partner in the Connecting Bristol initiative to combat the digital divide. Bristol has a unique environment to host, support and benefit from the ChipIn hub. The new Hub will build on and extend existing collaborations and networks to benefit the digital economy community by accelerating knowledge creation and dissemination.

The Guardian:

“Bristol marries new technology and creativity with its industrial heritage—Watershed Media Centre reflects the city’s reputation as a media capital”.

Lord Sainsbury at the launch of SPark Bristol:

Bristol is unique in combining excellence in new technologies and creative content. It is this cross over which marks it out.

(C) DIGITAL ECONOMY

Julie Harris, COSMIC

COSMIC continues to work across the South West providing a range of ICT services and a number of projects aimed at improving digital inclusion for organisations, businesses and individuals, including our new work in Digital Mentoring which is aiming to provide people with the skills and confidence they need to make the most of ICT in the context of their development, their business and their organisation. Staff at COSMIC are also heavily engaged in strategic work to improve the availability and take-up of broadband and other high-speed internet connections, particularly in the rural areas of the South West. We work with a range of partners to continually impress upon policy-makers, business people and education staff the importance of utilising ICT and connections effectively and the massive potential which this holds for the future economy of the region, and the appeal of the SW for a whole range of businesses, including more social enterprises, if digital skills development and support is made a priority.

Memorandum from the Federation of Small Businesses (FSB) (SWE 03)

BACKGROUND

With 213,000 members, the Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. It lobbies at many levels of Government, including local, regional, national and European.

Representations have been made elsewhere to Government about the impact of any change which increases costs or distracts small business owners from their core activity and how this increases the risks to their business. Full details of the FSB's policies can be found at www.fsb.org.uk

The responses below relate specifically to the South West of England.

CONTEXT

The SW has the highest proportion of employment with micro businesses of any of the English Regions. 41% of private sector employment is with businesses employing nine or less.⁴

PROSPECTS FOR THE REGIONAL ECONOMY

As always the prospects are mixed and vary according to industry sector, main customers, need for finance and the skills of the owner. Recent survey data shows almost half of SW businesses experiencing a fall in profitability against 30% seeing an increase. Urban areas did worse than rural areas.

When asked how they viewed the future, SW respondents were a little more optimistic than their counterparts elsewhere with 30% expecting the economy to improve and just 20% expecting things to get worse.

Even in the worst hit sectors such as construction, we have examples of small businesses doing well. However where they act as sub contractors, we have seen the re-emergence of intentional bad debts and late payment by some large construction companies as a way of doing business. And it is no use suggesting they go to law. One member was advised that unless he had the £80,000 to pay for the large company's legal costs in case he lost, he shouldn't even think about it. To add insult to injury, as it was a public sector development the main contractor was paid by the tax payer. This same large company has since been awarded Olympic contracts.

Government policy has been to encourage small firms to work for the public sector through sub contract. We are hearing an increasing number of cases like the one above. Given the cost to Exchequer when a firm fails, it must be cost effective for Government to ensure sub contractors are paid. We understand this is already the case with MoD contracts.

We have had other case studies of small firms effectively being bullied by large concerns. Legal solutions are out of financial reach.

Of more general concern has been the rating revaluation. The SW and London are the only 2 regions to see overall valuations increase. Some areas have seen two fold and even three fold increases in their rateable values. As transition relief does not take into account small business rate relief, this has resulted in rates payable increases of up to 50% despite transitional relief.

Of even greater concern is the impact of changes to the valuation system which are penalising the most go ahead businesses. Properties such as rural filling stations, pubs serving food and small hotel or B&Bs have been difficult to value due to the very limited rental market. In the past there has been a valuation per letting bedroom or similar. We have been given to understand that valuations are now based more on turnover. Consequential increases would have been hard enough to bear in a growing economy. In the current climate they will act as a strong disincentive to develop a pub or similar business. We have one member whose rateable value prior to 2005 was £8,000. From March 2010 it will be £48,000.

⁴ Small Business Service: SME Stats UK and Regions 2007.

The HMRC scheme to delay tax payments was very well received; as was the scheme to spread the 2009–10 rates increase over three years. All that good work looks set to be undone in the SW with the impact of the rating revaluation.

The number of complaints about the banks has gone down, but they are still coming in. We have had no comments about the Financial Intermediaries.

The survey only gave us the figures quoted above. It gave no measure of sentiment so it is hard to comment whether any recovery is fragile. Small and micro businesses would be greatly heartened and so more positive about future prospects if they had the same recognition and support as households in their dealings with big business.

WHAT THE REGION IS DOING TO PROMOTE THE FIVE SECTORS IDENTIFIED IN THE GOVERNMENT'S PARTNERSHIP FOR GROWTH DOCUMENT: DIGITAL ECONOMY, LOW CARBON TECHNOLOGIES, LIFE SCIENCES, ADVANCED MANUFACTURING AND THE CREATIVE INDUSTRIES

The SW's ability to promote the five sectors is severely limited by the lack of funds and lack of infrastructure.

This particularly affects small businesses involved in the digital economy and creative industries where the speed and capacity of broadband generally available is so poor that a creative business in Cornwall is better served by putting a staff member on a train carrying a memory stick, than trying to email their work. In recent weeks, the numbers of people working from home has emphasised the poor level of provision with speed and capacity noticeably falling even in the large towns and cities.

The FSB was delighted to see the SW RDA put the extra funds from ERDF into Broadband. However, the level of funds available compared with elsewhere in England is grossly inadequate. Compared with elsewhere in Europe, UK funding is nonexistent with consequential impact on the availability of high speed broadband, especially in rural areas compared with our competitors.

Parts of Dorset might benefit from high speed Broadband as part of the provision for the Olympics. FSB members are working locally with councils and other members of the development partnership to keep the fast broadband link live after the Olympics have finished. Given the concern about "legacy" it is hard to understand why such a link should be turned off once the Games have finished.

The FSB was pleased to see the new national Centre for Composites sited in Bristol. Given the importance of composites for advanced manufacturing as well as low carbon technology this is excellent for the SW. However for the SW to reap the full benefit of such a centre, let alone the UK as a whole, we need a consistency of policy that would be historically unusual for the UK. A comparison of the Danish policy on wind energy with our own shows how comparatively low levels of investment, consistently applied can produce significant benefit. (£1.3 billion of investment over 15 years now generates £2.7 billion per annum). This level of investment is beyond the capability of SWRDA.

Of continuing concern in the SW are the skill levels of the work force and the employability of young people leaving school, college and university. The historic shortage of level 3 qualified engineers, manufacturers and construction workers has been recently masked first by migrants from Eastern Europe and more recently somewhat by the recession. However, if the UK is to rebalance its economy with less emphasis on finance and more emphasis on manufacturing, more needs to be done to bridge this skills gap. For four of the five key sectors identified in the Government's Partnership for Growth document this need is even more pressing.

To support this work, the FSB has been a wholehearted member of the Regional Skills and now the Regional Employment and Skills Partnership. We welcome the creation of the National Apprenticeship Service and the Group Training Pilot based in Gloucestershire, and are working with both these initiatives. We welcome the availability through Job Centre Plus of basic training schemes to enable people to rapidly become productive in manufacturing. However, more needs to be done to support the training progression of older entrants in manufacturing and engineering. They will be a key part of the work force for us to produce and export more.

Longer term, the FSB supports the work behind the STEM subjects. However for many members it is too little too late. For other members the diminishing opportunity for hands on practical experience is the reason for less interest in STEM subjects and the poor performance in schools of white working class boys. We have grave concerns that the Diplomas have been hijacked by the academics in an attempt to make them acceptable to Universities and the practical/vocational element has been diluted as a result.

As a result of our involvement in the RSP and other activities, we are aware of various schemes like Knowledge transfer. Some members have been gravely disillusioned by the experience, commenting that the knowledge transfer is one way; from the business to the HEI. For this reason we have focused on getting leadership and management training extended to the small businesses as the sooner good practices are established the better.

EFFECTIVENESS OF REGIONAL BODIES IN SUPPORTING RURAL AND REMOTE ECONOMIES IN THE REGION

The backbone of the remote and the rural economies is the micro business.

The RDA no longer interacts with businesses of less than 50 employees. This has been passed to Business Link. So there is a risk that the RDA is becoming increasingly disengaged from the micro business community in general and rural/remote economies in particular.

Currently the SW RDA has some rural Board members, including the Chairman. They also have groups advising the Board on both rural and business matters. Provided they continue, these factors should allow the RDA to maintain contact. However, the RDA's infrastructure Board has just one Business rep who is from an urban and larger business background. Perhaps this is why factors such as transport to the remote parts of the SW and rural broadband have not had the attention and investment we would like.

Of concern are proposals to combine the RDA advisory Boards with those of the strategic leaders group. The membership of the joint boards established so far give us very grave concern for future links with and understanding of the remote and rural economies.

The RDA has passed to Business Link interaction with firms of less than 50 employees (responsible for 58% of SW private sector employment).⁵ Meanwhile Business Link is supposed to focus on "growth" businesses. In remote and rural economies the scope for growth is often very limited except by use of broadband. And as has been rehearsed elsewhere, the broadband link is least likely to be satisfactory in remote and rural areas.

Thus the lack of funds severely restricts the RDA's ability to connect with remote and rural economies. And some of its current effective links are under threat. Business Links' instructions to focus on growth businesses effectively limits its involvement in remote and rural economies.

The FSB in the SW is concerned that when we have another rural crisis such as foot and mouth, the infrastructure will no longer be there to support the local economies and the damage will be the greater as a result.

21 January 2010

Memorandum from South West Screen (SWE 04)

EXECUTIVE SUMMARY

1. This Memorandum is submitted by South West Screen, the regional agency for the economic and cultural development of digital and creative media industries.

MAIN POINTS

2. There has been unprecedented growth of the creative industries sector since the late 1990's but global recession is having negative effects—particularly on advertising and sponsorship revenues, access to finance for small and micro sized businesses, traditional business models, and employment.

3. However, research shows the creative economy may recover faster than other parts of the UK economy because of: a healthier and faster rate of growth between 2006–08; a highly skilled and qualified workforce that understand "portfolio" working; businesses that are familiar with diversification and a rapidly changing marketplace; a network of business clusters; an industry that relies on creativity, innovation and digital communication.

4. Tourism and the creative economy are linked, whereby positive rates in one sector benefit the other (tourism and film locations, domestic holiday-makers and cinema admissions, visitors and festival attendance).

5. Prospects for the future of the digital and creative economy are optimistic, with a significant concentration of software, computer games and electronic publishing companies around Bristol, and smaller one in Plymouth, that are "bucking the recessionary trend".

6. Access to finance is proving a major problem for festivals and events (such as Wildscreen Natural History Film Festival and Encounters Film Festival).

7. Public sector investment has become more short term and constrained, and, while South West Screen has secured short term funding from regional and national government agencies to provide sector support, the uncertainty of sector development funding remains problematic.

8. South West Screen's new flagship project for 2010 is Creative Industries Network for Innovation (iNet) that seeks to deliver a comprehensive business growth programme centred on knowledge transfer, innovation and connecting businesses to markets.

9. Digital and creative media clusters play an important role in the region's success, particularly at a time when many businesses may experience isolation and loss of confidence.

⁵ Small Business Service: SME Stats UK and Regions 2007.

RECOMMENDATIONS

10. Public-funded business support services and products should better accommodate the small size, and “risk-taking” nature, of digital and creative media businesses.
11. Access to new markets, national and international, is a vital part of supporting digital and creative business and we recommend the Regional Minister to support opportunities, such as festivals, in the South West.
12. The region’s creative economy and visitor economy together offer opportunities for economic, cultural and environmental growth, but attention must be given to their health and sustainability.
13. Low carbon digital and creative media industries are well-placed to help build a Low Carbon Economic Area.
14. Greater efforts should be made to engage businesses in knowledge transfer opportunities with Higher Education in the region, and vice versa.
15. Sector development agencies should continue to work together on workforce development in a coherent and collaborative manner.
16. Public sector funding agreements at the regional level be addressed as a matter of urgency, and most notably those that have implications to business support. We recommend a high-level review of the strategic management of public investment aimed at the support and development of the digital and creative media sector in South West England.

INTRODUCTION

17. South West Screen is an independent, not for profit organisation, whose mission is to make the South West region an international centre of excellence for the digital and creative media industries. Established in 2001 by the UK Film Council, South West Screen acts as a regional partner and National Lottery distributor, and leads on sector development programmes, including those funded by the South West Regional Development Agency (SW RDA). South West Screen’s remit covers commercial and public-subsidised aspects of digital and creative media sector—film, television, computer games, software, electronic publishing, music, video and design.⁶

18. The agency invests public and private funds in: creative and talent development, business and skills support, film and TV location services and inward investment, festivals and industry events.

19. South West Screen’s interventions are based on high quality official statistics and analyses, and close communication with the industry. This knowledge and understanding underpin the points made below and, though the agency’s advocarial role on behalf of the creative industries is acknowledged, the commentary is intended to be factual and authoritative.

DIGITAL AND CREATIVE MEDIA INDUSTRIES AND PROSPECTS FOR THE FUTURE

Industry snapshot

20. The “creative industries” is a priority sector in South West England, and recognised in strategic documents such as *Creative Britain* (DCMS and BERR, February 2008) and *Digital Britain* (DCMS, BIS and DCLG, June 2009), by SW RDA in *Regional Economic Strategy 2006–15* (SW RDA, 2006) and *Creative Industry Strategy* (SW RDA, June 2007).

21. According to the National Endowment for Science, Technology and the Arts (NESTA), the creative industries account for 6.4% of the UK’s economy, and “. . . between 2009 and 2013, the UK’s creative industries will grow (in terms of GVA), on average, by 4%, more than double the rate of the rest of the economy” (“Creative Industries Could Outstrip Financial Sector, Creative Process”, 26 February 2009 http://www.creativeprocess.org.uk/news/design_week/). Of GVA generated, three quarters is that of digital and creative media industries—such as computer games, TV and video, film, music, publishing, advertising and new media.

22. Overall, the creative economy in the South West employs 144,000 people (SW RDA, June 2007), with a GVA of approximately £5.4 billion. Of 89,000 employed directly in the sector (Burns Owens Partnership, 2004), over a third work in digital and creative media. The workforce comprises 33% freelancers, 35% women, and only 3% from Black, Asian or Minority Ethnic (BAME) backgrounds and 6% with a limiting disability (*Skillsset Annual Employer Census*, 2008).

23. Regional strengths are in factual television, animation and publishing, with high profile companies such as BBC, Endemol, Future Publishing and Aardman. Globalisation is a key driver of digital and creative media industries, resulting in both greater market opportunities for local producers—but also greater

⁶ South West Screen uses the Department of Culture, Media and Sport (DCMS) definition of the creative industries that incorporate: advertising, architecture, art and antiques, film and video, computer games, software, electronic publishing, music and the visual and performing arts, publishing, radio and television, crafts, video, film and photography, design and designer fashion. Research findings may cover only those that work directly within the creative industries, but sometimes do also include those who are in creative occupations in non industry sectors. The latter combination of “core” and indirect activity is known as the creative economy.

competition. In *Creative Britain*, Government announced Britain could become the “world’s creative hub”. Though the UK is an international leader in content production, this position is constantly under threat from competitors in South East Asia.

24. Considerable inward investment is generated by location filming (for film, television and corporate productions). Much of this takes place in rural and coastal areas of the South West. In 2007–08, production filming generated an estimated spend of £66 million, and £74 million in 2008–09 (South West Screen Annual Reports on website <http://www.swscreen.co.uk>).

25. Festivals and creative events form an integral part of the film and cultural heritage infrastructure and tourism “offer”. Large audiences and exhibitors attend, for example, Wildscreen Festival (prestigious Panda Awards and Green Oscars), Encounters (short film and animation), Purbeck and Cornwall Film Festivals, International Screenwriters Festival, and Glastonbury Music Festival. These events provide a platform to promote the region, its talent and productions on a global scale.

26. Digital and creative media activity is spread across the peninsular region, reflecting its rural geography, and “life style” choices of many creative professionals. However, there are media clusters (set up by South West Screen) in Bristol, Bournemouth, Cheltenham/ Gloucester, Cornwall, Plymouth and Swindon. Research (Burns Owens Partnership, 2007; NMP, 2007) shows the West of England, particularly Bristol, as the region’s production centre.

27. Whilst the broad television, animation and publishing sectors are the key economic drivers, digital communications and design sectors are also growing. According to the Improvement and Development Agency (iDea), there are concentrations of software, computer games and electronic publishing production in the South West (iDea website) and particularly in the Bristol area, and a smaller one around Plymouth.

Impact of the recession

28. Recession is affecting the region’s creative industries because of a high proportion of SME and micro sized companies and freelance labour. Other factors influencing industrial output and employment are: a lack of liquidity that constrains innovation; pressures on vulnerable “old media” business models; competition from other countries.

29. The good news for the South West’s economy is that the digital and creative economy starts from a higher than average baseline, of relatively high levels of employment, and a tradition of diversification, adaptation and freelancing. Diversification and cross-over content production are major advantages in the creative industries, between for example digital media and film, computer generated images and graphic design. This flexibility enables professionals to find work across different disciplines, and in economic recession, a “portfolio” approach to contracts and revenue streams is proving effective. However, there are small companies and freelancers whose specialism prohibits such a strategy.

30. Television broadcasters have experienced significant changes in recent years, with a significant downsizing of ITV regionally, and shift of BBC’s outside-London production centres towards Manchester and Cardiff (including the controversial move of *Casualty* from Bristol to Cardiff and subsequent loss of an annual spend of £25 million to the regional economy).

31. The resilience of software, computer games and electronic publishing sub-sector (including digital media) to recessionary trends is identified in a report on the South East (Experian, July 2009). Findings from *The Impact of downturn on the creative industries*, show this sub-sector is “bucking the trend” and actually growing. There is every reason to believe the same trends apply to the South West.

32. Access to, and use of digital technologies are critical issues for the growth of the region’s creative economy—notably, media convergence stimulates new production methods, and broadband opens up new means of distribution and exhibition. However, access to these tools and internet services are variable—with high levels in urban centres such as Bath and Bristol but lower levels in rural and isolated areas such as Devon and Cornwall.

33. Dominated by micro sized businesses, the sector faces challenges throughout the supply chain—disruptive technologies and convergence have created new opportunities for businesses to thrive, but similarly many “old media” companies have yet to adapt their business models; employers cite the difficulty of recruiting and retaining staff with appropriate skills; export levels in the South West are low and many small creative companies require assistance linking to new and global markets.

34. *Digital Britain* reports “half of employers in the digital media sector and one in five in the digital technology sector report skills gaps. Over 20% of companies trying to recruit digital technology professionals report difficulties in attracting applicants with the right skills, and 92% of these companies report a negative impact on their company’s business as a result.”

35. Access to finance and loans is proving difficult for creative media companies, including access to Government support schemes that often cannot accommodate the size and more “risk-taking” nature of creative content productions. Anecdotal evidence indicates little, if no, take-up of Government’s

mainstream financial and loan schemes by the creative industries. Figures from Business Link⁷ support South West Screen's findings that current generic business support products fail to attract creative businesses.

36. Industry festivals (as opposed to public facing ones such as Glastonbury) report severe pressure from the recession. Throughout the UK, festivals and events are finding sponsorship more difficult to secure, as key advertisers drastically cut marketing budgets. In the South West, major events in 2009, such as Encounters and International Screenwriters Festival, underwent changes to their structure and offer—and continue to face considerable pressures on budgets.

37. Looking at trends in the region's tourist industry, of higher growth than predicted in 2009 (SW Tourism, 2009) and a strong domestic holiday-maker market segment, South West Screen forecasts a closer symbiotic relationship between the region's creative economy and the visitor economy.

38. UK household spend reflects the value people place on categories such as "culture and recreation". According to the *Family Spend Survey* (ONS, 2010), South West households spend £63.80 on "culture and recreation", (including cinema admissions, DVDs and computer games) compared to the England average of £58.30. This spend has not fallen during recession and indicates consumption of creative content serves to boost morale—culture for comfort. In addition, admissions to South West cinemas, monitored by the UK Film Council, have increased from 3.9 million in 2008, to 4.3 million in 2009.

39. While Experian (July 2009) projected creative industry GVA in the South East to decline by 4.4% in the short term, the long term GVA projection was for it to exceed 2008 figures by 2012 and by 2015 growth "is estimated to be 4.6%, outstripping other sectors of the economy and suggesting a bright future for the creative industries." Their research also found a split between the commercial and consumer facing sectors with, for example, advertising faring much worse than software, computer games and electronic publishing. Organisations that rely on public subsidy suffer more than commercial facing ones, such as community-based not-for-profit film production companies whose "value" extends beyond economic criteria into social capital and community cohesion.

40. Government reports such as the Cox Review (2005), Creative Economy Programme (2005), *Creative Britain* and *Digital Britain*, identified a primary role for the creative industries in the UK's future prosperity. However, the momentum for these initiatives and ambitions has been affected by recession and political uncertainty. The capacity of agencies, such as South West Screen, to press on with delivery is severely limited, and in turn is affected by a reliance on strategic partners whose capacity is similarly affected.

EXAMPLES OF SOUTH WEST SCREEN INTERVENTIONS

41. See Appendix A.

42. South West Screen has initiated and led a consortium of support organisations to deliver an Innovation Network for the creative industries (iNet) and is currently awaiting the SW RDA's funding decision. This innovation programme aims to catalyse research and development, promote knowledge transfer and build new products and services, leading to new jobs and business growth.

INDUSTRY CLUSTERS AND NETWORKS

43. Digital and creative media clusters play an important role in the region's success story, and particularly at a time when many businesses may temporarily down-size and adopt flexi-working for staff, and micro companies re-locate to home offices. While the networks have sought alternative sources of funding away from public funds, they are moving at different speeds and with differing degrees of success.

REGIONAL PUBLIC SECTOR COMMITMENT AND SUPPORT

44. Delays in the dispersal of sector development funding from, for example, SW RDA, alongside wider economic difficulties, have served to bring underlying challenges and issues to the fore. A climate of uncertainty is damaging, rather than supporting, growth potential in the creative industries. There is an urgent need to bolster the infrastructure of organisations that provide help and support to this priority sector.

45. An area of discreet sector support that is proving enormously success is that provided by a UKTI/South West Screen partnership, that has already generated business of over £1.2 million (UKTI figures) since the appointment of an International Trade Advisor in April 2009.

SECTOR SUPPORT INFRASTRUCTURE AND THE NETWORK FOR INNOVATION (INET)

46. South West Screen, lead partner for the Creative Industries Framework Programme (to December 2009) and the Creative Industries iNet, provides the backbone of support for development and delivery of the region's *Creative Industry Strategy* (SW RDA, 2007). Nonetheless, the pressures of budget deficits, as Government redirects funding to cover public debt and costs of London 2012 Olympics Games, combine

⁷ Business Link: "NE Zone Businesses by Priority Sector and Business Link Areas", November 2009 demonstrates a 36% penetration of creative industry businesses in the region by Business Link support services, compared to 40% and upwards for advanced engineering, biotechnology and environmental technology businesses.

to hit creative industries sector support hard. There is an inherent tension between declared prioritisation of creative industries (nurturing creativity and innovation), and the current reallocation of funding to generic support, increased scrutiny, and an aversion to risk

47. In terms of skills to meet industry needs, South West Screen works as regional delivery partner with Skillset (Sector Skills Council). While the workforce is highly qualified, the pace of technological change requires continual professional development and pool of talented newcomers from diverse backgrounds.

48. Given the importance of innovation to digital and creative economic development, knowledge transfer between businesses and universities, is a key strand of work within the iNet project.

RECOMMENDATIONS

49. The Regional Select Committee are requested to consider the following recommendations:

50. Business support services and products, such as Government schemes and Business Link products, should need to better accommodate small/micro scale companies. As a priority industrial sector, digital and creative media industries require urgent assistance that allows for their size and “risk-taking” nature. With specialist brokers, such as South West Screen, these schemes and initiatives can be adapted to creative businesses.

51. Access to new markets, national and international, is a vital part of supporting digital and creative business and we recommend the Regional Minister to support such opportunities in the South West. Festivals and events (trade shows, trade missions, film festivals, award ceremonies) are where deals are done and companies and freelance professionals (and regions) gain profile.

52. The South West creative economy and visitor economy together offer opportunities for economic, cultural and environmental development. We draw the Select Committee’s attention to endangered regional assets, such as Wildscreen Natural History Film Festival and Encounters, that contribute to the region’s brand.

53. Low carbon digital and creative media industries are well-placed to help build a Low Carbon Economic Area and destination of choice for new businesses, students and visitors. We recommend a more co-ordinated and concerted approach, by regional and local public sector bodies, working with Government, to promote digital and creative content produced in the South West and build reputation.

54. Greater efforts should be made to engage businesses in knowledge transfer opportunities with Higher Education in the region, and vice versa, with the aim of generating Research and Development projects.

55. Sector development agencies should continue to work together to: ensure the existing digital and creative media workforce continue to upskill and keep pace with changing technologies; develop training and apprenticeship opportunities for graduates and talented newcomers.

56. We recommend that infrastructure support for the sector at the regional level be addressed as a matter of urgency, and most notably those that have implications to business support. Uncertainty, delays and short term planning is causing major problems to delivery partners, and reducing business confidence in the public sector. We recommend a high-level review of the strategic management of public investment aimed at the support and development of the digital and creative media sector in the South West.

22 January 2010

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APPENDIX A

EXAMPLES OF SOUTH WEST SCREEN INTERVENTIONS

Media Sandbox

South West Screen invests in programmes that support new businesses working with disruptive technologies. Programmes such as Media Sandbox, bring together diverse companies to pool knowledge and collaborate in the realisation of new products, services and models. With small investments in ideas ranging from Alternative Reality Games to mobile content, digital installations to online and pervasive applications, these catalyst investments have pushed at the boundaries of the marketplace and in the process generated new businesses and revenues. South West Screen's public investment of £160,000 in 2006–07 returned over £1 million in revenues generated. In 2009 Mobile Pie's application for the iPhone was developed as a result of South West Screen investment via the Media Sandbox programme, and this has enabled a small start-up to win awards, commissions from Hewlett Packard, Channel 4 and the BBC and to turn over in excess of £100,000 in their first year of trading. The 2010 Media Sandbox is currently on hold until funding is agreed with SW RDA.

4SouthWest

In 2004 South West Screen brokered a joint investment initiative between Channel 4 and the SW RDA—4SouthWest—that generated a step change in the growth of identified businesses, at the same time as it created an access to market for many smaller producers and reinforced the evolution of the TV sector in the South West. This partnership has been highlighted nationally by Channel 4 as an example of good practice. Since the investment the three companies supported—TwoFour; Touch Productions and Quickfire Media have expanded and grown their businesses extensively. TwoFour has grown 20% year on year and is now the UK's largest regional independent producer.

UKTI International Trade Advisor

Supporting South West businesses to effectively enter international markets is a key strand of South West Screen's activity, delivered in partnership with UKTI. Its success has underpinned the growth of many participating companies and mitigated recessionary effects by diversifying income. South West Screen and UKTI now jointly contract an International Trade Advisor to provide a coherent offer to business. Testimony Films increased its turnover by 50% after assistance to attend international markets and Touch Productions secured over \$1 million in commissions in US following similar support. Indie Mobile secured \$1 million+ contracts in the US after support for a marketing initiative at SxSW in Texas.

Development Funds

Small amounts of investment into research and development will often yield substantial economic returns if they are used to back the right ideas and the right talent. Both Quickfire Media and Tigress Productions were awarded early seed corn development funding from South West Screen for specific programme ideas. As a result they secured Channel 4 commissions, adding to the annual c £150 million total production in the South West. Similarly Big Squid, initially a graphics company, needed support to develop an idea to help them to move into children's animation. An £8,000 seed corn investment from South West Screen enabled them to create a pilot episode which in turn secured a £600,000 CBBC commission "Small talk Diaries", winning awards in the UK and US.

Local Employment Development and Endemol West

When international producer Endemol needed to set up infrastructure to establish a regional base, South West Screen used its local knowledge and connections to meet their needs. As well as needing to identify suitable premises, Endemol was concerned that the city had an insufficient pool of suitably trained staff. So South West Screen developed a skills programme to train 300 freelancers in gallery studio production techniques. Endemol West now hire 96% staff locally, underpinning other factual entertainment production in Bristol totaling 700 hours per annum. Following Endemol's lead, RDF has opened a Bristol-based regional office to utilise the talent base developed by this initiative.

Access to Market

Cornwall-based animation company, Spider Eye, received investment via South West Screen's Cornish office to make a "taster tape" for a new show "Jungle Junction" and then additional support to attend the trade event Cartoon Forum. Disney approached them straight after the presentation and South West Screen provided legal mentoring once they had a deal on the table. They were commissioned by Disney to make 40 episodes of "Jungle Junction" and the show is currently rated 16th of ALL children's series screening in the US. The credits end each episode with "Made in St Just, Cornwall". The commission has generated £5 million turnover and they have employed 25 people in Cornwall and 25 in London. Spider Eye will hear

whether a second series is commissioned in early 2010—and if so, they will move their entire operation to St Just, Cornwall—one of the most rural areas of the UK. Spider Eye has subsequently repaid the investment in the taster tape with a premium—and this is being reinvested in Cornwall's media industry.

Talent Development

South West Screen distributes National Lottery grants to a range of individuals and organisations across the South West. Community-based organizations such as Knowle West Media Centre in Bristol, The Engine Room in Bridgwater, and Create8 Studios in Swindon are particularly active partners with South West in work with young people from disadvantaged backgrounds and living in rural isolated areas. For project details visit <http://www.swscreen.co.uk>

Memorandum submitted by EEF South West Region (SWE 05)

This report will cover the following main points as requested in the invite to provide EEFs perspective on:

1. the prospects for the regional economy; and
2. what the region is doing to promote particularly low carbon technologies, and advanced engineering.

1. THE CURRENT SITUATION FOR MANUFACTURING IN THE SOUTHWEST FOCUSING ON LOW CARBON TECHNOLOGIES AND ADVANCED ENGINEERING

1.1 General overview of current situation

Manufacturing in the South west is a very broad church with activities in a wide range of markets, from food and drink to advanced engineering. As such the effects of the recession have been mixed. The prospects for different manufacturing sectors are also highly variable, and while some can safely say the worst is behind them, others may only just be starting to feel the chill, particularly those producing long lead items such as Aerospace and Defence.

Despite this, the feeling in the Aerospace Industry and Advanced engineering/ manufacturing is that those who have weathered the recession are now in a strong position to continue and positively contribute to the success of the manufacturing sector in the future. There is also an underlying feeling that manufacturing is being seen more and more in the southwest as playing a vital role in the economy's recovery.

It is recognised that manufacturers have done much to ensure that they remain competitive and flexible. They have therefore drawn on a range of supporting measures as they look to an eventual recovery in demand and seek to ensure they are adequately equipped to compete when demand returns. For example, the increased flexibility and additional resources directed through Train to Gain have supported companies efforts to up-skill and re-skill employees both to raise productivity and to support innovation activities.

The feeling in the Aerospace Industry and Advanced engineering/manufacturing is that those who have weathered the recession are now in a strong position to succeed and positively contribute to the success of the manufacturing sector in the future. There is also an underlying feeling that manufacturing is being seen more and more in the southwest as playing a vital role in the economy's recovery.

There are major low-carbon business opportunities for the SW going forward, especially in marine renewable industry (incl. potentially a Seven Tidal Barrage project) and from the planned nuclear new-build programme.

Marine renewables advantages include: favourable geography, R&D centres (eg Peninsula Research Institute), market leading technology developers (eg Marine Current Turbines and Tidal Generation), strong marine engineering base (eg Rolls-Royce, A&P Falmouth & Babcock Marine) and edge-cutting demonstration facilities (eg Wavehub).

Nuclear advantages include: two of the most desirable and likely sites for the new wave stations are in the SW (ie Hinkley Point in Somerset and Oldbury in South Gloucestershire) and a good skills base (eg British Energy's Barnwood Nuclear Power Academy).

There should be no room for complacency. Government commissioned research (see Innovas 2009) shows that whilst the SW currently punches above its weight in traditional environmental services it underperforms relative to the size of its economy in renewable energy.

1.2 Skills and Training

In a high labour-cost economy, where innovation makes a growing contribution to performance, attracting and developing the right skills can make a difference right across the production spectrum. The increased success of Train to Gain suggests that companies are finding the programme more accessible and relevant to needs.

However, that same success has put question marks over future funding levels. The skills funding system is due for further restructuring from April 2010 as the Learning and Skills Council is replaced with a Skills Funding Agency and a National Apprenticeship Service. In the interim companies are coming up against a number of uncertainties about the availability of funding for some training, including for apprenticeship training for people aged over 19 years. Apprenticeships require a lengthy commitment from both manufacturers and training providers.

Employers need stability if they are properly to plan their training provision. It is particularly damaging when expectations are raised and demand deliberately stimulated, only for it not to be met, as has happened recently. The evidence from Train to Gain shows the limits of a predict-and-provide approach, and makes the case for a more responsive and properly demand-led funding system.

Recently responding to the Public Accounts Committee's report on Train to Gain, EEF feels that Train to Gain is a valuable programme which has been very helpful to manufacturers, particularly during the recession, but the committee is right to flag up problems with managing demand. This is a timely report in the context of a future spending review, in which it will be vital for publicly-funded training to be focussed on those areas where it is most effective and achieves the best results.

1.2.1 Retaining skills in the advanced engineering sector

It has traditionally been the case that when there are significant redundancies in this sector, the skilled workforce rarely return to the industry. It has been recognised that there is a need to ensure that every effort is made to retain those skills within the sector. To that end, the South West RDA have sponsored a Talent Retention Scheme which catches those people, placing them wherever possible with other manufacturers. This scheme is proving to be a great success

1.3 Innovation

Manufacturers have also sought to keep innovation on their agenda during the downturn. Findings from our *Innovation Monitor* (chart 4) show that, over the past 12 months, companies have tried to make a virtue of more limited resources in the downturn, by focusing on in-house improvements, with plans to shift emphasis towards new product and service innovations in the next few years. Their ability to do this will, however, depend on them being able to overcome the financing constraints that have hampered business over the past year.

There now seems to be a supportive approach being taken by banks where companies are low geared (ie usually only the larger businesses), but SME's who are not in such a comfortable position are still finding access to finance a problem.

2. THE OPPORTUNITIES THAT MAY PRESENT THEMSELVES TO MANUFACTURING

2.1 *What is the difference between Low carbon economy and advanced manufacturing?*

Low carbon technologies and advanced engineering are inextricably linked and symbiotic with each depending on or being part of the other. One often reads about the Low Carbon Economy and the skills required to cater for it as if it were something new and separate from much of what already exists, it is not. Much of the "low carbon economy" will be the product of advanced manufacturing and engineering providing solutions to reduce carbon either in product manufacture or in what benefits the product provides.

Therefore, EEF believes that promotion of low carbon technologies leads to the growth in advanced manufacturing. Much of all this derives from major new projects being launched and supported eg

- (a) Off shore wind farms.
- (b) Nuclear Industry expansion.
- (c) Wave Hub.

In addition there is the need for Government to support what is obviously burgeoning sectors eg Carbon composites which will play a big part in the success of the Aerospace and Wind Turbines industry but will obviously benefit other manufacturing sectors eg automotive. To that end EEF welcomes the creation of the Carbon Composites Centre of Excellence in Filton, Bristol.

2.2 *Promotion of opportunities*

Although there have been and continue to be a whole range of events being held to promote opportunities for manufacturers to participate in the low carbon economy, it has been somewhat disparate and lacking in cohesion., the result of numerous organisations all trying to do the best they can.

When talking to many manufacturers about their participation in the low carbon economy product manufacture and/or supply chain, it often provokes a fairly low key response. This is not because they are not interested, it is more the case that they are not aware of what is actually happening with these large projects, where there opportunities are and who they can talk to get involved. All too often it is assumed by those directly involved at the front end of these projects that anyone who can benefit from them is already aware and participating...there is nothing further from the truth. A recent conversation with one of the

recently awarded offshore wind farm contractors about UK manufacturers in the supply chain he responded by saying that to his knowledge there were not any. Is this because we simply do not have any in the UK, or is it more the case that he is not aware of them or they of him? I would suggest the latter.

3. RECOMMENDATIONS

3.1 *A more structured approach to awareness of opportunities*

There needs to be a more structured approach to making manufacturers aware of the potential opportunities for them to participate in not only the major projects listed above, but also how they can become aware of opportunities where, quite often, by adapting their current products they can tap into whole new markets, many of which could be categorised as being part of the low carbon economy.

3.2 *Financing future growth*

Rather than relying on multiple yet ineffective mechanisms, the government should consolidate and concentrate its resources. We recommend that the government brings together the various schemes—the new regional venture capital funding, the Enterprise Capital Funds, the Innovation Investment Fund, the Grant for R&D and the regionally delivered proof of concept funding—into a single and easily accessible source of finance, such as a Bank for Industry.

3.3 *Developing a simpler and more responsive skills system*

Businesses need a predictable skills system, which responds to the demands of companies and individuals. This must be matched with a funding system that allows companies to make decisions about training and skills priorities are vital, especially in the current climate. Over the long run, simplification should be based on removing the barriers businesses face in accessing training provision and on helping them to invest in workforce development.

3.4 *Send signals*

New and developing markets are potentially more uncertain and volatile. Companies investing in these markets will look for business environments with the least political risk and highest expected return on investments. Businesses therefore need a clear signal about the government's long-term priorities. Only then will manufacturers have the confidence to invest. Government must signal the importance that government attached to specific technologies, markets or investments and the steps it will take to help them succeed.

3.5 *Overcome obstacles*

A critical part of acting before markets fail lies in identifying and addressing the obstacles to developing new markets, or significantly scaling up existing ones. Government must work with business to identify and overcome obstacles to the growth of new and developing markets, for example skills shortages, infrastructure requirements or bottlenecks in the planning system.

3.6 *Be a collaborative customer*

Government is a major customer for business. If deployed effectively its £175 billion budget offers significant purchasing power in new and emerging markets. But government must engage more closely with industry to convey its needs and support innovation in these areas. This will require significant culture change if the public sector is to focus on value for the economy rather than short-term cost savings.

3.7 *Target investment*

Manufacturers could not succeed in competitive markets unless they prioritised investments based on a clear and consistent strategy. The same rule applies to economies. Government invests in markets directly and also in areas such as skills and innovation that support these markets. With the squeeze on public spending set to tighten, the government must be bold and strategic in its investment decisions. This approach will require government to become better at balancing risk and communicating its decisions against a set of clearly understood criteria.

Government support is vital for risky but promising early-stage technologies (eg marine renewables and nuclear). Low Carbon Industrial Strategy published last summer is a good start, but focus needs to be tighter and outlook longer-term.

3.8 *Opportunities for the industrial base*

The defence budget is expected to be the subject of cutbacks in future years. Although one has been promised, the lack of an up-to-date Defence Industrial Strategy, or indeed the money to support one, has placed a great deal of uncertainty around future orders for manufacturers. This will ultimately undermine companies' investment plans in the UK and our capacity to meet future needs with domestic capabilities. Some fairly quick and definitive decisions are needed on the UK's strategic defence and security priorities. Similarly, commitments to reduce carbon emissions across the UK will need more rapid progress on cost

effective decarbonisation of our energy supply. Again there are potentially significant business opportunities for UK companies—some of which were outlined in the Low Carbon Industrial Strategy. However, these need a long term commitment of resources from government.

Low Carbon Economic Area policy has a lot of potential, but it is not clear what, if any, tangible benefits it will deliver to businesses already in or thinking of locating in the SW (eg no business rate or planning advantages as per a classic enterprise zone). Will the benefits be restricted to a marketing (ie raising profile of SW) and coordinating (will it have an institutional expression in an already crowded space?) role?

It is vital that UK offers a competitive business environment for high-value manufacturing—eg good base of STEM skills and professionals, and a competitive tax system for capital expenditure and R&D.

25 January 2010

Memorandum from Universities South West (SWE 06)

UNIVERSITIES SOUTH WEST

Universities South West is the regional higher education association for South West England. We represent a strong partnership of 13 universities and higher education institutions working together to influence and shape opportunity in a creative and dynamic region.

SUMMARY

Universities in the South West are at the heart of regional partnerships spanning a huge breadth of activity—from supporting entrepreneurs and businesses in their innovation, research and development, and training needs; to providing information, advice, guidance and training to a range of individuals, from students and graduates, through to professional and executive jobseekers.

Universities South West and its members, have a strong record of successful partnership working with regional agencies, sub-regional bodies, the business sector and the working population in the South West. The higher education sector recognises and welcomes its responsibility to the economic and social health of the region and is working hard to ensure that the South West is equipped to compete in a national and global economy.

The role of universities in supporting the economy in the South West at a time of difficulty has been at the heart of regional actions for recovery—with Universities South West supporting the work of the Regional Economic Task Group.

Universities South West has also been working with partners to ensure effective European programmes (ERDF/ESF/FP8) of activity to support recovery.

BACKGROUND

Since the initial South West Regional Committee report on the “*Impact of the economic downturn on the South West*”, a number of member universities have reported an increase in demand for services from businesses and for careers support from students and graduates.

During this period a few areas have been reported as showing a fall in demand, with members reporting:

- greater difficulty in finding placements for students;
- the lead time for developing/establishing a KTP is growing as businesses are more cautious with strategic investments in innovation;
- redundancies or reduced working hours, have had a knock-on effect in recruitment and training policies; and
- some businesses are tending to concentrate on core activity rather than investing in research and development.

Following the original ECIF intervention at the height of the economic downturn (and by careful strategic re-purposing of existing HEI programmes and activities focused on employer engagement/graduate employment) the South West has experienced a gradual evolution from business support on a “crisis response basis” to a more positive “future planning ethos”, which has been practically grounded on the “needs must” mentality dominating the economic horizon.

Increasingly, we are witnessing a closer alignment of ECIF and ECIF related activity with the emerging medium and long term regional economic strategies such as i-Nets, Creative Industries and the further broadening of Jobcentre Plus/University Careers activity. Many of these have gestated during the recession and are now becoming embedded in partnership interactions which, as they mature begin to sow the seedbed for regional activity based on the key features of the Government’s “*Higher Ambitions*” paper published in November 2009.

Member institutions are signalling a very strong increase in student applications this year which, combined with Government controls on the number of places, will generate pressure on youth unemployment.

1. *Digital economy*

1.1 The ERDF/SWRDA funded Knowledge Escalator programme in the South West has developed a proposal for the University College Falmouth to lead a “Flagship Initiative” for “Digital Britain”. Although in the exploratory stage, the aim of this initiative is to identify the specific areas where universities in the region could:

- deploy new infrastructure cost effectively;
- enable a sustainable marketplace for IP;
- protect privacy and security of consumers;
- increase the effectiveness of public services; and
- create economic and social benefit from increasing volumes.

1.2 The University of Bath has expanded its Innovation Centre facilities in the City of Bath from 1 January 2010 to support business creation. The initiative has been particularly successful in nurturing business start-ups associated with the digital economy; examples include Mirifice broadcast technologies and The Key Revolution. Over the last five years ventures from the Innovation Centre have created 160 new jobs and brought £10 million into the City’s economy.

2. LOW CARBON TECHNOLOGIES

2.1 Universities South West, in partnership with the South West RDA, RegenSW, SW Manufacturing Advisory Service, E&U Skills AOC-SW and others, launched a £2.4 million Low Carbon High Skills project in January this year. The initiative aims to deliver on the need to move towards a low carbon economy in the South West and to address the resulting demand for higher level skills for employees in the region in those sectors directly engaged in the low carbon economy.

Following the recent designation of the South West as a Low Carbon Economic Area (LCEA) in Marine Energy, the project will specifically target the area of Marine Energy; and a focused number of other low carbon sectors including:

- Marine Energy;
- Non-marine Renewables, eg micro-generation;
- Low Carbon Manufacturing;
- Civil Nuclear (New-build and Decommissioning); and
- Renewable Construction.

The project activities will encompass three phases:

- product development—identifying the skills demand signals from business;
- delivery of skills training—creating new skills provision to meet business demand; and
- 250 graduate Internships.

2.2 Bournemouth University is working closely with local government through the Multi Area Agreement (MAA) to develop a sub regional centre focusing on the Green Knowledge Economy (GKE). The BU GKE Centre is funded by HEIF 4 and complements BU’s brokerage of the High Skills Low Carbon Project mentioned above.

2.3 The National Composites Centre which will be based at the University of Bristol (see Advanced Engineering 4.3 entry below) also supports the development of a Low Carbon economy.

2.4 The University of Bath is supporting businesses in the South West associated with low carbon technologies through its Low Carbon South West network. Low Carbon South West is an academic-to-business network which is seeking to support the development of an active community in this sector and establish effective links between companies and universities. Low Carbon South West makes it easier for companies, entrepreneurs, investors and researchers to meet and exchange ideas on low carbon innovation and business opportunities. The network currently has around 1,300 members.

3. LIFE SCIENCES

3.1 The region has a considerable and often under-recognised expertise in this area. Plans are now well underway to roll out a new support organisation that will encompass not only biotechnology and life sciences but also medical technologies. This is part of a new programme of biomedical innovation networking called Biomedical iNET (Innovation Network). It is our hope that this will be up and running in spring 2010 and will incorporate a SW Biotech MediLink type support body (GWE Business West Ltd), the University of Bristol and the University of Exeter, NHS Innovations SW and is led by the University of the West of England (UWE).

3.2 A new government-funded partnership comprising universities, NHS organisations and industry has been launched this year to promote new developments in health, including maternity and newborn care.

Funded by the Department of Health, the University of Bristol, Peninsula College of Medicine and Dentistry, University of the West of England, University of Exeter and University of Plymouth, together with regional health organisations, will form the “Health Innovation and Education Cluster South West” (HIEC SW) partnership. Together, they will shape an integral part of the academic health alliance that is key to the region’s future by ensuring effective and timely implementation of new developments in healthcare.

HIEC SW’s vision is to promote uptake and diffusion of innovation into healthcare, to measure the improvement in quality of outcome achieved, and to ensure the development of a workforce that is actively engaged in innovation.

HIEC SW will focus initially on three key areas of work that are also priorities for the Strategic Health Authority, these are:

- Maternity and newborn care.
- Planned care.
- Prevention—avoiding needless emergency admissions to hospital.

4. ADVANCED MANUFACTURING

4.1 Universities in the region are working ever more closely with Business Link and the SW Manufacturing Advisory Service to provide assistance to manufacturing companies during the recession and have run a number of events to explore innovative solutions to help organisations from one of the hardest hit industrial sectors. Both the University of Exeter and the University of Plymouth have hosted events, the latest being “Innovation in Manufacturing” held in September 2009, in partnership with the Plymouth Manufacturers Group, Enterprise Europe Network and Business Link. This event attracted over 120 delegates, representing 65 local manufacturing organisations and provided an opportunity for businesses to view university facilities, access advice and guidance from internal and external manufacturing experts, network and attend an innovation exhibition.

4.2 The Low Carbon High Skills project (detailed in 2.1 above) focuses on low carbon manufacturing and the identification of skills needed in the region.

4.3 Recently the Government confirmed that the UK’s first National Composites Centre will be based in the South West, at the University of Bristol. It will be an independent open-access national Centre to help deliver world-class innovation in the design and rapid manufacture of composites and enable widespread industrial exploitation. The Centre will form an internationally leading hub linking activities across all sectors of the UK in research, education and training, technology transfer and incubation of new enterprises. It will act as a national resource and will develop strong links with other manufacturing centres and composite facilities across the UK.

The state-of-the-art Centre will be supported with £16 million of public sector investment, comprising £12 million from the Department of Business, Innovation and Skills (the Strategic Investment Fund announced in the last budget) and £4 million from the South West RDA (Regional Development Agency). Public sector investment will be supplemented with contributions from some of the world’s leading engineering companies.

5. CREATIVE INDUSTRIES

5.1 The Media School at Bournemouth University, through the Universities South West Creative Industries (CI) Group, is part of a regional creative industries i-Net submission to support innovation and take advantage of the opportunities offered by the new digital landscape. The CI i-Net business plan is geared to enable creative businesses in the region to realise new opportunity and future growth.

The Creative Industries i-Net will be delivered through a consortium led by South West Screen, and will position the sector in the South West to take a national and internationally significant lead in the new digital economy. Consortium members include the Arts Council England SW/iShed/South West Creative Business Networks/HEIs/Media Academy network/SW Creative Clusters).

The iNet will:

- ensure that the region’s creative industries have a competitive advantage in the new global digital marketplace;
- drive innovation in digital technologies to create new models, products, applications and services; and
- generate new jobs and skills which future proof the sector for an ever evolving creative economy.

5.2 NCGE, BIS, South West RDA and the SW Design Forum, Universities South West and its members have established a Creative Industries University Enterprise Network (CI-UEN) with pump priming support from NCGE/BIS and the Knowledge Escalator Project (SWRDA/ERDF). The CI-UEN’s first pilot

initiative, led by the Arts University College Bournemouth, the University of Plymouth and Bath Spa University, aims to partner mentors from SME design businesses with students studying design. This will be one of five UENs nationally and the only one of its kind in the UK focused on the creative industries, establishing closer links between HEIs and the strong CI business sector in the region. NCGE will provide £20k to match the £20k Knowledge Escalator funding.

6. GENERAL

6.1 The Knowledge Escalator Project is a region-wide knowledge transfer/knowledge exchange initiative involving universities in the South West. It is part financed by the European Union's ERDF Programme 2007–13 securing £2,224,000 of ERDF investment through the South West RDA (£1,833,000 under the Competitiveness and Employment programme and £501,000 under the Convergence Programme).

6.2 Bath Spa University has found the Knowledge Escalator's funding for implementing an Industry Mentors Programme to be a significant mechanism for mitigating the fall in demand for certain business collaborations identified in the "Background" section above. Within just 10 months, not only have over 50 students engaged in six-month mentoring partnerships to improve their employability, but the scheme has also paved the way for graduate placements, collaborative projects with businesses and access to jobs for students. Perceived by business as a low-risk means of getting to know the University, the industry mentors programme is generating longer-term benefits for both sides.

6.3 The University of Gloucestershire has extended links with the county's HEI's and Business Link SW in promotion of Graduate Challenge, and in connection with the Regional Knowledge Escalator project. The University also delivers the BUG Business Planning Programme on which Business Link provides support, helping university staff, students and alumni with an interest in future self-employment or business creation.

6.4 This year the region has been awarded 820 subsidised internships, offered by the universities to businesses to take on unemployed recent graduates.

6.5 The University of the West of England (UWE) is offering a series of five free half day workshops as part of its solutions4recession scheme. The sessions have been designed to increase attendees' capabilities in specific areas and will be led by expert practitioners from Bristol Business School and UWE Careers: the topics are, New Thinking in Management, Uncovering your Strengths, Finance: a mystery or a foreign language, Marketing: dispelling myths and assumptions, Management as Intervention. They are continuing to develop their offer of support with: increased level of subsidy for courses; new workshops on "starting up your own business"; the launch of a range of services in Swindon; and an opportunity for businesses to utilise graduate internships.

6.6 At the end of October 2009 the South West RDA-funded Graduates for Business project came to a conclusion—and this has led to localised gaps in provision as staff have been lost from the region's universities as a result of funding coming to an end. The project successfully delivered over 700 student and graduate placements in regional businesses. The project also supported the regional recruitment service www.gradsouthwest.com which is now financially sustained by HEIs and South West RDA. The service currently has over 41,000 registered student and graduate jobseekers, and c1,700 vacancies.

6.7 The University College Plymouth St Mark & St John (Marjon) is working with representatives of Jobcentre Plus to discuss the possibility of delivering professional and executive focused job search training. Marjon also hosted a Network South-West event on 4 September 2009 attended by c 90 businesses with 10 business support exhibitors, who were working to the support businesses through the economic downturn.

6.8 Bath Spa University has strengthened its relationships with two major city-wide business support and networking organisations: Creative Bath and Federation of Small Businesses (Bath Branch). The recent collaboration with the FSB has included two successful speed-networking events designed exclusively to promote placements and internships as a mutually-beneficial way to support businesses whilst providing work based learning opportunities for university students. Further activities through this partnership, from sponsoring the FSB's "Best Employer in Bath" award through to a shared presence at training events, seminars, careers and enterprise events, were further strengthened in late 2009 through the co-opting of both a Bath Spa University student and graduate to the FSB's Bath Branch Executive Committee.

6.9 The Rural Enterprise Gateway, run by the Royal Agricultural College and the University of Plymouth, aims to improve the economic performance and competitiveness of land based industries and rural businesses by giving people the skills and information needed to develop their businesses and find solutions to business problems in a rapidly changing economic, political and physical climate.

Through this scheme, the University of Plymouth and the Royal Agricultural College provide a high quality knowledge transfer service to rural businesses in the South West. In a rapidly changing business environment this helps rural businesses adapt to change, improve profitability and enhance sustainability.

7. CONCLUSION

7.1 Universities are the leading protagonists in a great deal of constructive partnership working in the region and are playing an important part in the regional response to the economic downturn and initiatives for recovery.

7.2 Universities South West, its members and its partners are committed to providing businesses, students and employees within the region with a range of programmes, initiatives and opportunities that are easy to access and will have a positive impact on raising the aspirations and capabilities of a knowledge economy. Continued investment in such initiatives is, in our opinion, essential to achieving this goal.

25 January 2010

Memorandum from South West Regional Development Agency (SWE 07)

SUMMARY

- The South West region, which has not fared as badly as other parts of the UK, is now coming out of recession. Recovery remains weak, however, and this may further expose structural weaknesses in the regional economy. South West companies, in defence, construction and business services may be heavily affected by reductions in Government spending. Addressing these and other structural issues will take a long time and it is important that investment in the foundations of a successful economy is not compromised in pursuit of short-term gains.
- A more active industrial strategy at national and regional level plays well to the strengths of the South West economy. We have significant assets in composites, marine and offshore energy, digital media and some life sciences. Recent national level announcements of major investments in Wave Hub, Low Carbon Economic Area and the National Composites Centre are highly significant, and reflect the leadership and influence shown by the region and the South West RDA.
- Support for business through established channels such as Business Link and the Manufacturing Advisory Service continues with increased take up. Area Action Forces which have worked with 492 companies so far, continue to support those directly affected by the recession.
- Rural areas benefit from the full range of economic development services—indeed, over 40% of Business Link activity in 2008–09 was with rural businesses. The Rural Development Programme for England is now operating at full capacity and provides opportunities for a range of businesses based in rural areas—such as community broadband, microgeneration, sustainable rural tourism, and vocational training schemes.
- Where possible, we continue to lobby for improvements to the region’s strategic infrastructure. Next-generation Broadband is a critical piece of infrastructure for this peripheral region and needs political, financial, regulatory and business support. In order to make the best use of increasingly limited resources for capital projects, we need to increase the use of our innovative funding mechanisms like the RIF and RCCF. They provide a flexible approach to provision of funding to unlock major developments and will see much of the investment recycled back into future projects.
- European Programmes (including RDPE) are important for this region. Maintaining match funding for the EU Structural Fund Programmes (Convergence and Competitiveness) will get harder as public sector budgets are reduced.
- Much of our work demands strong partnerships with other bodies. The Regional Business Forum and the Regional Minister’s Economic Task Group have helped to align a range of partners behind delivery of shared outcomes. It is notable that the relationship with the Strategic Leaders Board is improving and will deliver a broader base for the next Regional Strategy. In practical terms, we work closely with South West Councils, the Government Office and the Homes and Communities Agency to help manage many of the complex delivery issues.
- During a time of economic and financial uncertainty, and with major risks such as climate change on the horizon, we are looking at future scenarios and are working to develop the evidence base for the South West. The next Joint Board (with RDA and SLB) will address economic development and skills—and will lead the preparation of the Regional Strategy.
- Any plans for the future will be based on evidence that we have from our own extensive evaluation programme and external research. This will ensure that we deliver priorities that are known to be effective and provide value for money.
- The remainder of this submission addresses the specific question areas raised by the Select Committee. We look forward to an opportunity to discuss them with the Committee.

PROSPECTS FOR THE SOUTH WEST ECONOMY

Leaving 2009

1.1 In statistical terms, the impact of the recession on the SW economy in 2009 was less than feared and better than for some other English regions. Nevertheless, particular sectors, places and parts of the workforce have been badly hit by the downturn and the legacy of recession is expected to affect the region's prospects for some considerable time.

1.2 Manufacturing, private major construction, and property related business and financial services were amongst the worst hit SW sectors. Swindon and other main centres of factory and commercial activity were badly affected and the increase in unemployment was concentrated amongst full-time men, especially in the younger age groups. Although caused by financial excess, the recession has affected industrial activity and jobs most.

1.3 The claimant count measure of unemployment has moved upwards across the region in the last year. (See Annex Figure 1). It emphasises that most parts of the region have rates below the UK average (black box), that those above the SW average (red box) tend to be in the more urban areas, and that there has been a marked contrast between the small net increase in Devon and the large increase in Swindon.

Entering 2010

1.4 In the final quarter of 2009, there was a modest improvement in SW business and household confidence based on buoyant disposable incomes for those in work and low interest rates, a slight reduction in the claimant count total, better export orders and exchange rates, and some anticipation of changes in fiscal policy (such as the imminent VAT hike).

1.5 Underlying trust in the recovery, however, is weak. Entering 2010, the survey and anecdotal evidence shows that the expectations of many SW businessmen, local authorities and consumers is for domestic demand to be constrained by a mixture of debt and policy adjustment by governments and households. This is especially so, given a background of high uncertainty about the political and economic outlook.

1.6 Recent business surveys show that, given output and employment gaps, regional investment and employment intentions for 2010 are extremely modest. With consumer and government spending likely to be restrained by the need to increase savings and lower debt, the recovery will need to come from investment and exports but, at present; the balance of risk for is that these factors remain subdued.

Building recovery

1.7 Whilst the recession may be over, the SW economy is widely expected to remain sluggish through 2010. Beyond that, the medium term prospects for the region in 2011–15 are for constrained but hopefully more sustainable growth. The risk, however, is that this region will be particularly badly affected by the tightening implicit in a “return to normal” of fiscal and monetary policy.

1.8 During the 1990s–2000s expansion, South West England derived significant support from public sector spending and job creation and a vibrant property market (commercial and housing). These factors will not be there in the forthcoming period. Indeed, the public sector impact could be strongly negative, especially if the next government focuses its efforts to reduce state borrowing through sectors (such as defence) in which SW England is particularly exposed.

1.9 Figure 2 shows SW prospects in terms of three potential paths of regional development in the years ahead, given broad assumptions about the nature of the recovery in relation to whether previous growth rates and levels of activity can be restored or whether a more fundamental shift has occurred. At the start of 2010, we hope for the central line whilst acknowledging that the lower trajectory is more likely than a “return to pre-recession” experience.

1.10 Moreover, the prospects are that the structural weaknesses in the SW economy, which were partially “hidden” by the recent “boom”, will be more evident. These include some aspects of the region's engagement with international trade, skills mismatches, infrastructure gaps, and moderate aspirations as manifested by under-investment. Boosting SW employment and productivity drivers (investment, innovation and skills, entrepreneurship and competitiveness) will remain key, as the SW economy attempts to achieve a better balance of growth. Fortunately, there are considerable opportunities for transformation in renewable energy, other new technologies, and low carbon activities affecting sector, place and workers.

1.11 With high investment needs, the region is likely to be buffeted by significant demographic and climate change, global changes to trade and financial patterns, and strong UK policy tightness. Against this background, parts of the SW economy will be vulnerable to a loss of competitiveness and engagement whilst others will thrive in a world of different but substantial opportunities.

NEW INDUSTRIAL POLICY

Background

2.1 All RDAs are committed to playing a central role in the development and delivery of New Industry New Jobs, with a strong emphasis on collaborative RDA activity through the RDA Chairs and Chief Executives network. Collectively the RDAs have established a series of task and finish groups focused on NINJ sectors and markets, working closely with BIS, TSB and UKTI to develop new policy proposals and forward collaborative programmes. The South West RDA has led the national Network's research work in developing these programmes.

2.2 We have taken on additional responsibility for strategic commissioning and brokerage services in the area of skills (eg Skills Funding Agency) to improve access for businesses to a wide range of support, increase impact and potential secure efficiency savings. We are also engaging closely with the national business organisations, and their regional representatives and membership to promote our work in tackling the recession and active industrial policy, and shape our role in future economic development arrangements. We concentrate on sectors that are critical to the future success of the economy.

Digital Economy

2.3 The South West region has internationally recognised strengths in the Digital Economy. We are continuing to work with partners to ensure the region can continue to be at the forefront of the Digital and Next Generation Access (NGA) revolution, recognising its important contributions to the low carbon economy, successful businesses and prosperous places.

2.4 We work at three levels to support the delivery of NGA in the South West: Supply of infrastructure; demand stimulation/inclusion; and maximising the benefits to the region. Our most significant work in progress is focused on Cornwall where, with Convergence partners, we have been developing a project to provide Cornwall and the Isles of Scilly (IoS) with a NGA network, including infrastructure, competition-ready wholesale platform and end-user applications.

Creative Industries

2.5 We are focusing on those creative businesses that incorporate technology as part of their business models. These particular businesses, typically in the creative content and creative service sub-sectors, have the most growth potential.

2.6 We have formed a partnership of key creative agencies in the region and have undertaken a Creative Britain pilot project, funded by ourselves and Arts Council SW, to develop a Strategic Framework for the Region looking at four key areas of work:

- Turning Talent into Jobs.
- Supporting Innovation and research.
- Helping creative businesses grow and access finance.
- Supporting Creative Clusters.

2.7 Supporting these broad areas of focus are a series of specific projects:

- BBC anchor partnership with Bristol—the first City partnership established between a Core City region and the BBC is working to establish new innovation initiatives.
- Bristol+ a long term endowment fund established through the Watershed will invest approaching £40 million in the sector over the next century.
- Animation Centres of Excellence—working with Aardman to develop knowledge of digital production management and archiving systems to position the subsector for more competitive growth.
- Global profile—through publications showcasing regional talent.
- Networks for Innovation—to extend the impact of national TSB knowledge programmes throughout the region.
- South Bristol Studio—that will encourage drama and film production in an area of high deprivation.

Low Carbon

2.8 In July 2009, following extensive background work by the Agency, South West England was designated the UK's first Low Carbon Economic Area, specialising in marine energy demonstration, servicing and manufacture. This was partly due to the natural resources of the region and the industrial and research strengths that already exist, but it was also due to the extensive work that we and our partners have been doing over a number of years; work that is now generating a real return.

2.9 To support this designation, we secured an additional £19.5 million of investment for this emerging sector from the Low Carbon Strategic Investment Fund managed by DECC and BIS. This will bring the total investment in marine energy in the South West over the next two years—from the RDA, central Government, Europe and the private sector—to £100 million.

2.10 Following extensive discussion with the industry, we have focused on five key drivers:

- Demonstration: Wave Hub will be the world's first large scale wave energy farm.
- Applied Research: We are investing in world-class marine science and energy research capability to further develop Plymouth, Cornwall and the rest of the region as the home to expert academics and researchers as well as dedicated technology transfer teams to work with business to support high quality job creation.
- Industrial Acceleration: We have ensured that key Solutions for Business products are appropriately targeted at the industry to accelerate growth.
- Workspace and Infrastructure: We are ensuring the region has the right creative and industrial workspace and the right port infrastructure to support the growth of the sector.
- Strong Home Market: We are working with DECC to establish a strong home market with a clear route map for the deployment of commercial wave farms around our coast.

2.11 We are establishing a Marine Energy Industry Forum to provide an industry voice for successful delivery of the Low Carbon Economic Area for marine energy. This Forum will specifically inform future policy and investment decisions made by the public sector in the region and nationally targeted at delivering a successful marine energy industry in South West England.

Wave Hub

2.12 We are developing Wave Hub, a groundbreaking renewable energy project to create the UK's first offshore facility to demonstrate the operation of arrays of wave energy generation devices. The project, which has the capacity to generate 20MW of green electricity with the potential to be scaled up to 50MW in the future, is valued at £42 million, with funding from the RDA (£12.5 million). Wave Hub could generate almost 1,000 of jobs and £332 million in the South West.

Offshore Wind

2.13 On 8 January 2010 Ed Miliband and the Crown Estate announced the winning companies selected as development partners for the Round 3 Offshore Wind farms and two zones (Atlantic Array and West of Wight) have been awarded to the South West out of a total of nine nationally. Overall, the Round 3 programme is expected to cost between £75 billion and £100 billion and could create up to 60,000 jobs in the UK.

Mainstreaming

2.14 We are investing in a range of Solutions for Business products that are targeted at developing the sector, including:

- Environment—are commissioning the establishment of an innovation network for the environmental goods and services sector.
- Business Resource Efficiency—We are driving a step change in the number of South West businesses implementing resource efficiency measures.

Low Carbon Leadership

2.15 Confronting the mounting energy and climate change crises represents an extraordinary opportunity to reinvigorate the economy through investment in clean, sustainable, low carbon initiatives. Indeed, the transformation of the energy infrastructure and the need to radically reduce carbon emissions represents a huge driver of future innovation, economic growth, and job creation in the coming decades. The South West is well positioned to drive this agenda.

Low Carbon Vehicles

2.16 BIS will announce, at the end of January, a Low Carbon Economic Area for the exploitation of Hydrogen as a fuel that will be a collaborative programme in which the South West will be a significant partner. Focusing on the use of Hydrogen to power vehicles—either as a fuel or through Fuel Cells—the aim is to provide a charging structure that will support Low Carbon Vehicles from West Wales through to London (M4 corridor). Key partners will be the Welsh Assembly Government, BIS, TSB, South West RDA and SEEDA.

Advanced Manufacturing

2.17 This is a highly strategic sector for the South West and includes aerospace, composites, marine, space, automotive, precision engineering and microelectronics businesses.

2.18 There is a strong concentration of aerospace companies in the region. Key companies include Airbus, Rolls-Royce, Agusta Westland, BAE Systems, Babcock, Honda and GE Aviation. We have invested heavily in the aerospace sector. As part of the National Aerospace Technology Strategy, we have spent over £11 million and committed another £8 million on major R&D projects which have strengthened the UK's expertise in composite materials, fuel efficient engines, UAVs (civil unmanned air vehicles), energy efficient landing gear and advanced design technologies. We have invested £0.4 million on an advanced design project which has laid the foundations for the forthcoming £7 million CFMS (Centre for Fluid Mechanic Simulation) laboratory in Bristol.

2.19 We have recently been selected to deliver the £16 million National Composites Centre. This is a fantastic opportunity for the region to showcase the array of research capability and industrial strength in what is seen as a critical material for the future of many industries. The independent, open access facility will provide world class R&D facilities and training for the design and manufacture of composite structures and components. This will benefit a wide range of sectors including renewable technologies, particularly wind and tidal energy, aerospace, automotive and construction.

2.20 We are currently developing an Aerospace & Advanced Engineering Innovation Network (i-Net) in partnership with the West of England Aerospace Forum (WEAF). This will increase the innovative capacity of SMEs across the region as well as providing knowledge transfer, networking and awareness-raising opportunities. More widely, WEAF is also delivering the Advanced Engineering Talent Retention initiative on our behalf to ensure that highly-skilled employees are not lost due to the recession.

2.21 We are working very closely with the sector and UKTI colleagues to promote the Advanced Manufacturing sector internationally. Outward missions to North America and Japan are imminent. and our International Business team has recently supported an Inward Mission from China and looks forward to welcoming a Mission from Brazil in March.

2.22 The Microelectronics sector in the South West is both strong and significant, and is home to the largest concentration of silicon designers in Europe, second only to the US. With over 200 prime design and development companies, over 100 systems integrators and an extensive supporting infrastructure from consultancies to other supply chain members the sector represents a significant opportunity for growth.

2.23 We have invested in several regional iNets covering Creative Industries, Microelectronics, Aerospace & Advanced Engineering, Biomedical, and Environmental Technologies. The Microelectronics iNet aims to signpost strengthen and support over 400 companies in the South West. It will succeed by working with existing networks and organisations to develop new relationships to create a more effective arena for innovation and improve competitiveness across the region in certain key subsectors of Microelectronics, Photonics and Digital Communications. This is also being supported by resources from the BIS's Strategic Investment Fund (SIF).

Life Sciences and Medical Technologies

2.24 We have agreed, in principle, to invest a total of £5 million (£2.5 million Single Pot, £2.5 million ERDF) in the first phase of the Health Protection Agency's Project ChrySalis—a 25 year, £400 million strategic programme of re-development for their facilities at Porton Down. Our funding will support a £23.5 million Centre of Excellence, comprising a new training facility and Bio-manufacturing facility that will be the first stage in up-grading the facilities needed to meet the Bio-hazards of the 21st century and provide access to high containment lab space for SMEs and larger Bio-medical businesses.

2.25 Future provision for the region will be in the form of a BioMedical innovation network, which will deliver a programme of activities supporting businesses through the partnership. The partnership will bring together Higher education; NHS and Lifescience and Healthcare businesses to identify potential products, commercialise innovative ideas and access international markets.

MAINSTREAM BUSINESS SUPPORT/TOTAL ENTERPRISE

3.1 In accelerating a return to growth, business support is going to be more important than ever. However the pressure on public finances means that the Agency will need to continue to ensure that this is delivering a strong return for the investment.

3.2 Business Link is the bedrock of mainstream support, providing an information, diagnosis and brokerage service to over 100,000 of the region's SMEs. The service represents excellent value for money: a study by SQW Consulting on the 2008–09 year showed that every £1 invested in Business Link in the south west generated a return of £4.20, rising to £11.30 over a three year time period. With a 2009–10 budget of £11.5 million the service costs £115 per business assisted.

3.3 The South West RDA is continuing its work on rolling out the Solutions for Business portfolio. The 30 products and services will be available in the region by April 2010, providing a simplified yet comprehensive range of support. Amongst these, the Networking for Innovation product, focusing on the five key sectors outlined above, will be a central part. Business Link is also an integral in delivering this product.

3.4 The NINJ agenda and the growing importance of sectors such as renewable energy mean the Agency is re-aligning its work with strategic companies to ensure the businesses we work with directly remain those which are of greatest strategic significance to the region, and are those with whom our involvement can make a difference.

3.5 We are also working closely with local authorities, in situ and through their regional representation structures, and with regional partners (Government Office, South West Councils and the HCA in particular) to develop the wider “operating environment”—strategy, planning, infrastructure, economic evidence and advice, partnerships, private sector engagement, and so on—to help businesses flourish.

SUPPORTING DISPERSED AND RURAL ECONOMIES IN THE REGION

4.1 We introduced a mainstream approach to rural delivery in 2007. Rather than having discrete rural programmes, our region-wide activities are designed to be as applicable to rural areas as urban. Economic intelligence informs our approach and analysis to date shows that overall there are greater economic differences across functional economic zones in the region, than between rural and urban areas.

4.2 Our Rural Advisory Group oversees the rural proofing of policies and activities and we are committed to a robust analysis of our approach to examine rural take-up of our programmes. There are however a number of key issues regarding access to services:

- The cost of physical delivery to smaller dispersed populations is more expensive than in urban areas.
- Self-employment tends to be higher in rural areas and rural businesses tend to be smaller than their urban counterparts.
- Access to high quality ICT connectivity and the roll-out of Next Generation Broadband is critical to opening up new economic opportunities for dispersed settlements.

4.3 Our previous submission to the Committee detailed our activities and funds made available to support to business and the measures that we have taken to address the economic downturn, such as Area Action Forces. These activities apply across the region, whether rural, or urban.

4.4 From September 2008 to October 2009, Business Link provided support to 34,705 established businesses in rural areas; this figure accounts for 41% of such support across the whole region. Business Link also has 73 access points throughout the region to aid face to face business support contact in rural and remote areas. Extra RDPE funding has been allocated to Business Link on a time-limited basis to offer enhanced specialist support for up to 5 days for each business in response to the economic downturn.

4.5 We are acutely aware of the ICT connectivity challenges that face the region’s rural and remote areas, so we are collecting evidence to support the lobbying of Government and suppliers to include our region in upgrade/investment plans.

Rural Development Programme for England

4.6 We are responsible for investing £157 million of European rural development funding through the *Rural Development Programme for England (RDPE)*. This programme is managed nationally by Defra with 80% of the overall programme being delivered by Natural England and the Forestry Commission. 15 Local Action Groups which cover 68% of the region. Local Action is worth over £33 million to 2013. Projects approved so far include support for community shops and a digital mentor project that helps rural businesses to make better use of ICT.

4.7 We co-ordinated extensive consultation with regional stakeholders to develop the South West Regional Implementation Plan for RDPE which sets out the region’s priorities within the context of the national Programme.

4.8 Our component of RDPE funding is supporting a broad range of activities from small-scale bespoke projects to regionally significant strategic investments to support key sectors such as tourism and training.

- The interim *Vocational Training Scheme* is delivering 100+ short, interactive training activities each month—ranging from on-farm sessions on livestock management to master classes in cheese-making.
- RDPE Sustainable Rural Tourism consists of six, major interlinked initiatives to boost the economy of rural areas around the key natural and historical features sites and trails; to enhance the sustainable management of the natural and historic environment; and develop rural community and social enterprises.

European Structural Fund Programmes

4.11 The remoteness of Cornwall and the Isles of Scilly (IoS) and the economic performance are recognised by the fact that it is the only part in England to qualify for EU Convergence funding for the period 2007–2013. We are the Managing Authority for the Convergence European Regional Development Fund (ERDF).

4.12 Cornwall's Convergence Operational Programme identifies Next Generation Broadband (NGB) as one of the keys to economic transformation. The Convergence NGB project will be the Programme's single largest investment at £53.5 million and is aiming to make Cornwall and IoS one of the best connected counties in Europe, through the provision of a range of between 15–40 Mbs.

4.13 The challenges facing our rural and dispersed areas clearly range more widely than economic development (particularly in relation to access to services). It is intended that these and related issues should be revisited in work to develop the South West Strategy, initial preparations for which are now under way through a refreshing of the region's evidence base. This activity is being led by the South West Observatory and will be the subject of a first run-through at the Joint Strategic Board on 2 March.

INFRASTRUCTURE—INNOVATIVE SOLUTIONS

5.1 At a time of reducing public investment it is even more critical that we explore new ways of leveraging bigger outcomes with smaller amounts of resource. The South West RDA, working with partners at national and regional level, has been at the forefront of a number of initiatives recently.

5.2 Regional Infrastructure Fund (RIF). We operate the RIF, the first investment vehicle of its kind in the country. The Agency was recognised as being uniquely placed to establish the RIF and act as Accountable Body for it. The RIF is an innovative mechanism for forward funding private sector contributions to essential infrastructure required to support sustainable growth. Investments totalling £45.5 million have been agreed to date in ten infrastructure projects across the region. These investments will help unlock significant new housing and employment developments.

5.3 The RIF is innovative in two ways:

- It enables the totality of private sector contributions to infrastructure provision to be available early in the development process rather than after large-scale new development has already been implemented.
- RIF is also a recycling Fund. Investments will be recouped by contributions made back to the Fund through the current planning obligations process. As such, RIF offers a long-term source of capital funding for infrastructure in the SW.

The Regional Capability and Capacity Fund (RCCF)

5.4 The RCCF has been a proposal from the region to the DfT for a number of years. In 2009, we were able to make good progress in establishing the Fund by offering to the Department a capital/revenue swap that enables available funding to be accessed. The RCCF will allow additional support for Local Authorities in delivering major transport schemes than has previously been available.

Accelerated Development Zones (DTZs)

5.5 There is a suite of emerging funding mechanisms available to deliver growth and given the availability of future public sector funding it is likely that a package of funding sources will be required to release major development in future.

5.6 We see a clear role for RIF in forming part of this funding package and are investigating how it can be used alongside any future ADZ funding stream. New generation business parks offer a prime opportunity as ADZs, but as a source of "last resort" gap funding, ADZs will need support through the RIF in order to enable larger private sector contributions to be realised (closing the size of the "gap") and to make them available early in the development process.

PARTNERSHIP AT LOCAL LEVEL

6.1 We are currently reviewing how we engage with, and provide support for, delivery capacity for local and sub-regional economic development and regeneration. The scope for the review includes partnership arrangements, networks and delivery vehicles.

6.2 There are a number of drivers behind the review including a greater leadership role for Local Authorities and the introduction of new duties (eg with regard to Local Economic Assessment), new policy announcements (such as the recently published National Framework for Regional and Local Economic Development) and the introduction of new actors (including the Homes and Communities Agency).

6.3 There are two main objectives for the review namely:

- To ensure that we are appropriately engaged in sub-regional and local discussions and decisions regarding economic development and regeneration.

- To achieve better alignment with our Corporate Plan and tighter targeting of financial support for sub-regional and local strategic and delivery capacity.

The review is considering different options and how well they help to achieve these objectives.

6.4 The Agency is looking to simplify how it commissions and funds sub-regional and local economic development and regeneration delivery. This reflects wider policy changes, the need for greater public sector efficiency and the Agency’s strategic focus. Working with partners including the Government Office for the South West, South West Councils and the Homes and Communities Agency, we are aiming to conclude the review this Spring. In addition to informing our Agency activities, this work will also feed into the development of the refreshed South West Strategy.

25 January 2010

Annex

Figure 1

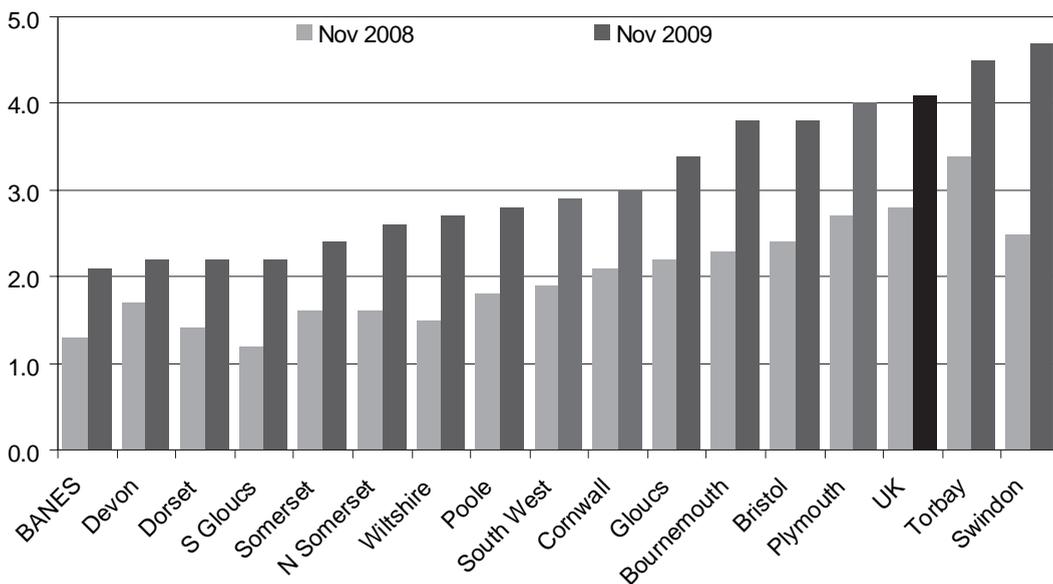
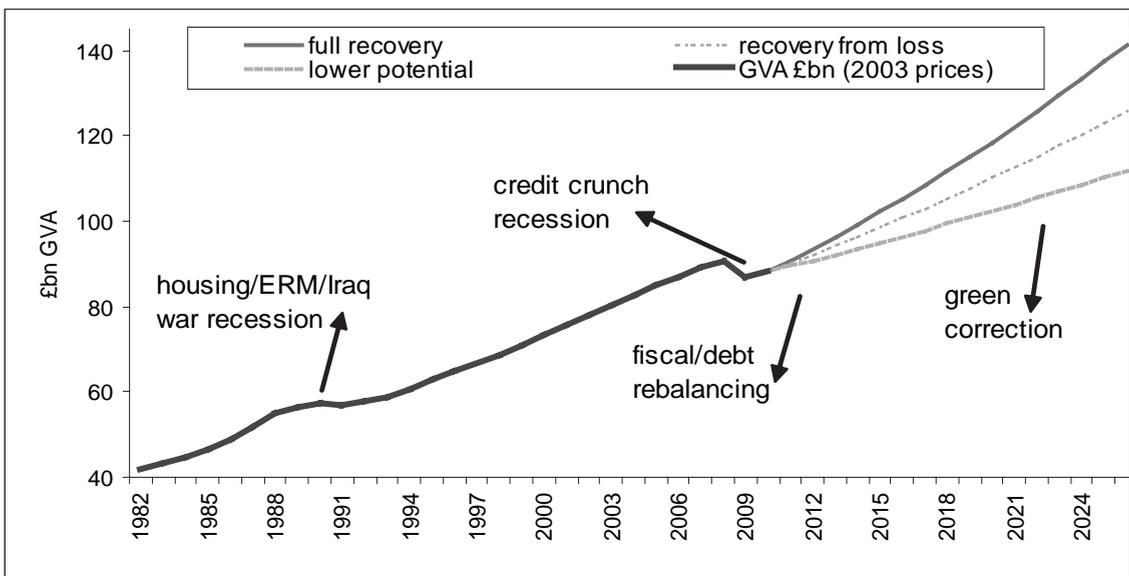


Figure 2



Memorandum from Skillset (SWE 08)

SUMMARY

1. We would like in particular to respond to the Committee's interest in: "what the region is doing to promote the five sectors identified in the Government's Partnership for Growth document: digital economy and the creative industries."

2. Skillset is the Sector Skills Council (SSC) for Creative Media which comprises TV, film, radio, interactive media, animation, computer games, facilities, photo imaging and publishing.

3. As mentioned in New Industries, New Jobs, the digital economy, which includes the digital media industries within Skillset's footprint, is one of the key growth sectors for the future UK Economy. Moreover, Skillset's footprint also includes key parts of the Creative Industries, which is also one of the priority sectors for the South West region where there are significant clusters of creative media activity.

4. Skillset regularly assesses the strategic needs of the digital and creative media industries and identifies key areas for development and proposed actions. On a regional level, Skillset works in partnership with the industry and the key regional bodies in order to deliver solutions that will increase the prospects of the region in this key growth sector. The following represents our key observations and relevant areas of activity:

(a) Whilst

both South West Regional Development Agency's skills and enterprise teams invest in creative industries support, there is a lack of strategic coordination across programmes, leading on occasion to duplication of effort and a confusing array of offers to businesses. There has been no consultation yet with Skillset in the setting of regional sectoral skills priorities for 2010–11.

- (b) Nevertheless, SWRDA, along with South West Screen, has made significant investment in projects that have resulted in business and technological innovation, for example the Pervasive Media Studio (www.pmstudio.co.uk); Skillset is working through existing regional skills partnerships to promote the needs of the creative and digital media companies. Such partnerships currently include the South West Creative Economy Partnership; the recently formed (October 2009) BBC-Bristol-Anchor collaboration <http://bristol-bbc-anchor.org>; and the Regional Employment and Skills Creative & Digital Media Alliance.
- (c) Business and enterprise skills, along with management and leadership, remain key training and development needs for the industry in the region, as well as nationally. Engagement with Train to Gain Management & Leadership training in the region under the sector [Skillset] compact has been strong, but a focus on larger SMEs could isolate the large number of micro-enterprises operating in the area.
- (d) There are strengths in Higher Education and Further Education partnership in South West which should be built on. They include: three Skillset Media Academies⁸ (the largest concentration of any English region) and the only Skillset Screen Academy⁹ (Bournemouth) in England outside London; Universities South West's Creative Industries Special Interest Group; and the Centre for Digital Entertainment (a partnership between the Universities of Bath and Bournemouth).
- (e) Creative and Digital Media Apprenticeships: The South West, along with London and the North West, is one of three regions in which Skillset is launching its new Creative and Digital Media Apprenticeship framework.

INTRODUCTION

5. In the New Industries, New Jobs the digital economy, which includes the digital media industries within Skillset's footprint, has been identified as one of the key growth sectors for the future UK Economy. Moreover, on regional level, the Creative Industries (where Skillset's footprint form a large part) is also a priority sector for the South West.

6. Skillset together with and e-skills UK (Sector Skills Council for Business and Information Technology) were commissioned by Lord Carter to submit a joint response on skills for Digital Britain. In the Final Report the Government acknowledged "the SSC's clear articulation of the challenges facing the sector and is committed to playing its part in addressing these skills challenges"; many of our recommendations were incorporated in Chapter 6 of the final report on Education and Skills and we have joined, together with e-skills UK on the partner Contact Group supporting the implementation of Digital Britain.

7. Moreover, Skills for Growth recognised that the "Sector Skills Councils are critical to supporting employers' engagement with the skills system, as well as providing authoritative labour market information in their area both now and for the future." Within this strategy, RDAs are expected to work closely with Sector Skills Councils in order to produce their respective regional skills strategies.

⁸ The Skillset Media Academies form a network of colleges and universities across the UK which are industry approved centres of excellence in television and interactive media.

⁹ The Skillset Screen Academies form a network of colleges and universities across the UK which are industry approved centres of excellence in film.

 PROSPECTS FOR THE REGION

8. Creative Media is thriving in the South West, with strong clusters of businesses in the Bristol-Bath area and in Plymouth. Particular strengths include publishing (especially in Bath), independent film and TV production (Bristol), animation (Bristol) and interactive media (Bristol and Plymouth).

9. Key regional employers include: Future Publishing, TwoFour, Aardman, E3, Endemol West, BBC Natural History Unit, Tigress. In Bristol, the Pervasive Media Studio, a collaboration between Watershed and HP Labs, is a centre of excellence researching new applications for emerging digital technologies. Eleven production companies from the South West feature in Broadcast Magazine's 2007 'top 50 by turnover' survey, more than any other region, with three South West companies (Aardman, Twofour and Tigress) in the top four. 25% of global wildlife film and TV output comes out of Bristol.

10. Brief Encounters (Bristol, November) is the UK's leading short film festival. Also based in the region is Wildscreen, the world's largest natural history film festival, the Screenwriters Festival (Cheltenham, October), and thriving local festivals eg the Cornwall Film Festival.

11. Data from Skillset (2008 Creative Media Workforce Survey):

- (a) The South West is host to 8% of the UK creative media workforce.
- (b) At the time of the survey (May 2008), the South West (along with East London) had the highest proportion of respondents currently in work (92%).
- (c) Survey respondents in the region reported lower than average income in the past 12 months.

CREATIVE INDUSTRIES ACTIVITY AND THE SOUTH WEST REGIONAL DEVELOPMENT AGENCY (SWRDA)

12. Within SWRDA, the creative industries sector is the responsibility of the Clusters team, within the Enterprise and Innovation Directorate. SWRDA's skills team, within the People and Skills Directorate, also addresses the creative industries as a priority sector. Skillset links with both teams.

13. Current SWRDA-funded initiatives include:

- (a) *Talent Retention*: an initiative to retain, train and redeploy talent at risk of losing employment due to the recession. Delivered in the creative industries sector by Bristol Media <http://www.press.southwestrda.org.uk/2009/07/06/south-west-rda-invests-17m-to-retain-the-regions-talent/>
- (b) *iNETS*: an innovation network for the creative industries, currently in the final phases of the commissioning process.

14. Whilst both SWRDA's skills and enterprise teams invest in creative industries support, there is still a lack of strategic coordination across programmes, leading on occasion to duplication of effort and a confusing array of offers to businesses. Investment is not always based on timely evidence. SWRDA's own evidence on the sector is 6–9 years old [see Appendix 2] and investment does not reference Skillset's more updated research data. There has been no consultation with Skillset in the setting of regional sectoral skills priorities for 2010–11. We hope that this will change as the process of defining regional skills priorities progresses.

15. Hiccoughs in the commissioning process under SWRDA's Creative Industries Framework 2008–11, along with shifting funding allocations and priorities have resulted in discontinuity of support in the sector and a confusing, disjointed picture for businesses.

16. Nevertheless, SWRDA, along with South West Screen, has made significant investment in projects that have resulted in business and technological innovation, for example the Pervasive Media Studio (www.pmstudio.co.uk).

PARTNERSHIPS

17. Partnerships across the skills, employment, and creative industries fields are strong in the region:

- (a) The South West Creative Economy Partnership, a pilot proposed as Commitment 18 of *Creative Britain*,¹⁰ led on coordinating activity between major public funders and strategic agencies, including Sector Skills Councils, Arts Council England, South West Screen, SWRDA and local authorities. Whilst the partnership formally disbanded in January 2010 (on completion of the 2010 pilot and exhaustion of DCMS funded support), the partners will continue to work together through other vehicles, with a focus on high level advocacy for the unique strengths of the creative sector in the South West.
- (b) The recently formed (October 2009) BBC-Bristol-Anchor collaboration <http://bristol-bbc-anchor.org> is a partnership, supported by SWRDA, South West Screen, the BBC and Bristol City Council, that aims to build on talent in Bristol to develop a "media innovation test-bed". The partnership has priorities on infrastructure, innovation, skills, TV and film production, and archives. It is too early to comment on the effectiveness of the partnership, but already it is proving a positive forum for partnership working.

¹⁰ *Creative Britain, New Talents for the New Economy*, DCMS and BERR, February 2008.

- (c) Since October 2009, the Regional Employment and Skills Partnership Creative & Digital Media Alliance has been chaired by Skillset. The partnership, which is resourced through SWRDA, brings together such partners as the LSC, Sector Skills Councils (Skillset, Creative & Cultural Skills, e-Skills, and, to date, Skillfast UK), SWRDA (representatives of the skills and enterprise teams), South West Screen, Connexions, higher and further education etc. The Alliance offers a welcome opportunity to coordinate skills activity and a positive forum for joint working and information exchange. Joint priorities include broadening workforce diversity; coordinating information, advice and guidance; matching training to emerging business needs in a rapidly changing economy; linking the STEM agenda to skills gaps in creative media; ensuring appropriate reach of initiatives to rural parts of the region.
- (d) The region has a number of sub-regional media business networks, originally part funded by SWRDA through South West Screen, and led by industry that are active in promoting members' work and offering networking and training opportunities. For example: www.bristolmedia.co.uk, www.thegmg.org, www.pm-p.com. With changing funding priorities, these networks are now expected to be self-sustained.

BUSINESS SUPPORT

18. Business and enterprise skills, along with management and leadership, remain key training and development needs for the industry in the region, as well as nationally. The Business Support Simplification Programme has proved a challenge; although there are some individuals within Business Link and the LSC who are strong champions of the creative industries, businesses often report that advisors do not understand the unique constraints and challenges that they face.

19. Engagement with Train to Gain Management & Leadership training in the region under the sector [Skillset] compact has been strong, but with compact priorities shifting to larger SMEs (of which there are few in the sector), it will be more difficult in the future for growing businesses to access support through Train to Gain.

HIGHER EDUCATION AND FURTHER EDUCATION

20. The South West has recognised strengths in Creative Media education:

- (a) It is host to three Skillset Media Academies (the largest concentration of any English region) and the only Skillset Screen Academy (Bournemouth) in England outside London.
- (b) Universities South West convenes a Creative Industries Special Interest Group. This group has been effective in coordinating activity in response to the Cultural Olympiad (RELAYS—www.universitiessouthwest.ac.uk/relays.aspx) and has commissioned research on the synergies between tourism and the creative sector.
- (c) The Centre for Digital Entertainment (www.digital-entertainment.org/news.html) is a partnership between the Universities of Bath and Bournemouth and industry partners that has been awarded £6.3 million from the Engineering & Physical Sciences Research Council to offer a unique, industry supported doctoral programme to train the next generation of leaders in computer animation, games and digital effects.

SKILLSET CREATIVE AND DIGITAL MEDIA APPRENTICESHIPS

21. The South West, along with London and the North West, is one of three regions in which Skillset is launching its new Creative and Digital Media Apprenticeship framework. Whilst the South West has a vibrant creative economy with internationally competitive businesses, the geography of the region, with a rurally dispersed population means that delivery of apprenticeships presents particular challenges. Recognising the Creative Industries as a priority sector, SWRDA has allocated additional seed funding to support the rollout of Creative and Digital Media Apprenticeships in the region.

APPENDIX 1

SKILLSET

Skillset is the Sector Skills Council (SSC) for Creative Media which comprises TV, film, radio, interactive media, animation, computer games, facilities, photo imaging and publishing.

SSCs are licensed by the UK Government and by Ministers in the devolved administrations to tackle the skills and productivity challenge by sector. They are independent, UK-wide organisations, are employer-led, and actively involve trade unions, professional bodies and other stakeholders in the industry. Skillset is one of the first relicensed SSCs, as announced in May 2009 by the UK Commission of Employment and Skills. Skillset was commended, amongst other things, for its “strong track record of close engagement with the Creative Media Industries”.

APPENDIX 2

THE CREATIVE INDUSTRIES IN THE SOUTH WEST (DATA DRAWN FROM THE SOUTH WEST CULTURAL OBSERVATORY, STATE OF THE SOUTH WEST www.swo.org.uk/sotsw08/index/section249/)

South West Regional Accounts show, for the creative industries sector:

- revenues of £5.54 billion (2001);
- GVA £1.847 billion (2001), contributing 8% to the national Economy and almost 4% of total regional Gross Value Added (GVA) on 2002 figures;
- employment of 144,000 with growth of 8.2% between 2000 and 2004, a workforce made up of 89,000 jobs in the sector plus an additional 55,000 in other related creative occupations;
- significance of the digital content media sub-sector because of its high value output and export potential and contribution to the region's ambition for a knowledge-based economy and emphasis on creativity and innovation; and
- data suggests some growth of business size/although micro-enterprises (fewer than 10 employees) accounted for 32.5% of employment in 2001, small enterprises (10–49 employees) increased their share of employment over the period 1998–2001 from 24.2% to 26.6%; 26% of businesses in this sector have been established in the period 1999 to 2004 with sub-regional variations.

25 January 2010

Memorandum from the Alliance of Sector Skills Councils (SWE 09)

1. INTRODUCTION

The skills partners in the South West of England welcome this opportunity to share with the committee our experience in addressing the need to grow the economy out of recession. This submission has been co-ordinated by the Sectors Manager, South West Regional Employment and Skills Partnership (RESP) whom is also the South West Alliance Regional Manager. It represents the collective views of Sector Skills Councils (SSCs) with significant interests in the region and regional partners on how to address the sectoral NINJ agenda in the South West.

It outlines how SSC's are working with South West partners to promote the five sectors identified in the Government's New Industry, New Jobs including: digital economy, low carbon technologies, life sciences, advanced manufacturing and the creative industries. The submission will also include the regional approach to supporting rural and remote economies.

2. BACKGROUND AND CONTEXT

In the South West we are committed to partnership working, so as early as August 2008 the RESP and Alliance sectors' functions were combined to ensure effective engagement in activities, coordinated and a cohesive approach from the main organisations highlighted below.

Regional Employment and Skills Partnership (RESP)

The RESP unites the entire business and learning community in order to ensure that there is a demand led approach to tackling the skills challenges and priorities in the South West. The regional skills priorities have been determined from a comprehensive regional skills and gaps analysis.

The Director of the RESP Jim Neilson also manages the role of Director of Skills at the South West Regional Development Agency (SW RDA). This has allowed a joint RDA/RESP approach to the main skills issue including the promoting of skills relating to NINJ sectors and technologies as the evidence will demonstrate. RDA teams have adopted a 'matrix working' approach, which ensures that the Agency maximises the skills and experience within each of the teams and strengthens its ability to provide a well-informed and prompt response to its partners. An example of this is the Employment and Skills Team's close work with the Sectors/International Team in their engagement with the National Composites Centre.

The Alliance

The Alliance is an organization comprising of all 25 licensed SSC's, the employer-driven organizations that articulate the voice of employers on skills issues that amount to c. 90% of the UK's workforce. Its core purpose is to:

- Act as the collective voice of the SSC's.

- Promote understanding of the role of the SSC's within the skills system across England, Scotland, Wales and Northern Ireland.
- Co-ordinate policy positions and strategic work on skills with stakeholders across the four home nations.
- Help build the performance capability of the SSC's to ensure they continue to work effectively on the employer driven skills agenda.

3. NATIONAL STRATEGY

3.1 *Partnerships for Growth*

Partnerships for Growth (A National Framework for Regional and Local Economic Development) published 10 December 2009. Below is the evidence that responds to the three main sections addressed in the strategy.

3.2. *New Industry, New Jobs (NINJ)*

NINJ is an active industrial strategy for Britain, with the British Government actively working to ensure our people and businesses are equipped to compete successfully in the global economy emerging from this downturn. Specific mentions are made to:

- Rolling out high speed broadband to give access to virtually all of Britain's homes and businesses. In the South West partners and regional funding is being utilised to increase accessibility. A pilot in Cornwall actnow reach has been developed though European funding (Rural Renaissance) aimed at boosting broadband use in rural Cornish communities.
- Investing and laying the foundations in exciting but pre-commercial technologies like wave and tidal energy, and electric vehicles. This is specifically of interest to the South West region and activity is listed below.

This paper seeks to make a strong response to both of these strategies and to demonstrate the inclusive and holistic partnership approach to meeting the needs and demands on the NINJ sectors.

3.2.1 Sectors and New Industry, New Jobs Focus

The South West sector's activity is fully integrated into partners sectors activity, mechanisms and strategy development and, will correspond with the NINJ requirements of a "closer sectoral focus in unlocking potential in specific sectors." The RDAs' nationally are aligned to the specific NINJ areas. The main focus areas are listed below and include the national RDA lead, SW RDA lead and SSC lead contacts.

<i>NINJ area</i>	<i>Lead RDA (T&FG)</i>	<i>SW RDA contact</i>	<i>SSC Lead</i>
Low Carbon Industrial Strategy	NWDA	Claire Gibson	Energy & Utility Skills to Lead
Digital Britain	YF	Charlotte Lane	e-Skills
Life Sciences & pharmaceuticals	EEDA	Gugs Lushai	Cogent
Advanced manufacturing	EMDA	Graham Harrison	Semta
Aerospace		* note SW leading on Composites	
Composites			
Industrial biotechnology			
Plastic Electronics	* Plastic electronics lead One North East & SW contact	Charlotte Lane	
Professional and financial services			Skills for Justice
Engineering construction			Construction Skills
Industrial opportunities in an ageing society			

This movement where possible, worked closely with the RDA sectors leads, in the above areas ensuring that all linkages are made to the SSC and NSA sectors activity in the South West.

3.3 Current Alliance group meetings following a re—focus to meet the NINJ agenda and to include regional partners

Objectives of meetings:

The South West led on a “cluster” approach, through the work of the Services Industry footprint SSCs and this was found to be an effective approach enhancing resources and providing invaluable networking/sharing of best practice opportunities leading to it being adopted by other footprint clusters. Each Alliance group currently has a regional activity plan featuring issues, needs and gaps over an annual period. This approach also ensures it is easier for partners to engage with a number of SSCs collectively rather than on an individual basis allowing project linkages to be made at one meeting ensuring funding potential is enhanced.

This approach has resulted in joint project working and initiatives including enhanced overall communications as detailed below.

Following the release of the NINJ strategy these Alliance groups were re-aligned to include the NINJ emphasis. These include:

<i>Alliance Groups</i>	<i>Members</i>	<i>Updates</i>
Low Carbon Economic Area Alliance	RESP (Chair) Asset Skills Summit Skills Proskills Construction Skills E & U Skills Skills for Logistics LLUK SEMNTA/NSAM IMprove Cogent Lantra Go Skills Skillsmart Retail Partners including Regen SW, Primare, SLIM, AOC, Rezolve RDA, NAS, ECITB, FDF , Train to Gain, H Job Centre Pluc & RESP. Links to BIS and DECC, GOSW, SW Councils	This groups activity includes: Sharing best practice and knowledge transfer, LMI/Data/ Research Linking to national groups Marine Energy/Low Carbon Economic Area research Low Carbon High Skills project Addressing provision issues Addressing findings from SLIM Green theme event Addressing low carbon transition plan Addressing low carbon industrial strategy Leadership and management activity Employability Information Advice & Guidance (IAG) for this area STEM links
Manufacturing Alliance	SEMNTA/NSAM (Chair) Improve Proskills Cogent Partners including RDA, NAS, fdf , Train to Gain, Job Centre Plus & RESP, Links to Exeter LESB.	The Manufacturing Alliance is working regionally on a partnership delivery of Business Improvement Techniques and Productivity Analysts programme Achieving the needs identified in the Manufacturing cluster report Information Advice and Guidance Employability Leadership & Management IAG STEM links
Services Industry Alliance	Go Skills (Chair) People 1st/Tourism Skills Network Skillsmart Retail Skills active Skills for Logistics LANTRA Asset skills Partners including RDA, NAS, fdf , Train to Gain & RESP	Exeter Airport skills shop Bristol airport skills plan London 2012 Olympics and Paralympics Games skills needs action plan Bristol transport quality partnership Visitor Economy Accessibility project Welcome to Britain Cabot Circus skills shop

<i>Alliance Groups</i>	<i>Members</i>	<i>Updates</i>
Creative and Digital Media Alliance	Skillset (Chair) Creative & Cultural E Skills Partners including RDA, NAS, South West Screen, Arts Council, <i>fdf</i> , Train to Gain & RESP, AOC, JCP, GOSW, NAS, USW	Partnership approach to key organisations and activities. Influencing strategic investment to this sector cluster Working with providers to ensure they receive up to date LMI and skills need information. Key themes include: Diversity Higher level skills Innovation Leadership and Management New Entrants Low Carbon Economies The group is influenced by key policy and strategy. Including regional projects.
Public Services & Voluntary Community Alliance	Skills for Care (Chair) Skills for Health Lifelong Learning UK Children’s workforce development council Skills for Justice/Third Sector Body Partners including RDA, NAS, <i>fdf</i> , Train to Gain & RESP	Apprenticeships Diploma Demography Voluntary sector Leadership and management Employability IAG

3.4 Other regional fora to meet the sector and spatial agenda

3.4.1 Cross Sector and Virtual Groups

The current Cross Sector Alliances ie Leadership & Management/Skills for Life cross sector themes have been embedded into the Alliance groups and are a standard agenda item at each meeting. The previous action plans for these groups will be mapped into the Alliance group action plan to ensure that no activity is lost. Skills for Life “Champions” will be nominated and trained and become an integral function of each Alliance group.

In order to support this agenda for the SSCs and all partners, we have developed virtual groups utilising Huddle, a web-based collaboration and project management tool, which includes:

Cross sector themes—this enables sharing of data and virtual discussions:

- Employability and Skills for Life.
- Leadership & Management.
- Skills Accounts linked to IES agenda.
- Labour Market Intelligence.
- SSC and RDA cross national group.

Alliance groups—each group (as listed above) has a Huddle workspace to aid communications and joint working.

3.4.2 National—SSC and RDA meeting

The South West led on arranging a fora of SSC Chief Executives and RDA Skills Directors this resulted in a very positive meeting to discuss future working arrangements and enhanced partnership working. Focus was around aligning national strategy to regional to meet the requirements of Skills for Growth. Outcomes have include joint working on the Join Invest Scheme, Employer Engagement LMI sharing and longer term proposals.

3.4.3 SSC and Partners day

Key issues that have been covered at recent meetings have included World Skills and STEM. This fora provides an opportunity for all local and regional partners including SSCs and National Skills Academies (NSAs) to meet and receive information on projects, issues, needs, activity, plans and opportunities.

3.4.4 NSA Leads Forum

This meeting provides an opportunity to discuss the progress of the NSAs and future developments of recently proposed NSAs.

Within this group various activities supporting the NINJ agenda, for example:

NSA Process Industries (NSAPI)

The South West is the leading region for supporting the aims outlined in the UK Composites Strategy this had led to joint activity both nationally and regionally including the South West Composites Gateway and commitment to the establishment of the National Composites Sector.

NSAPI is responding to the opportunities for growth in Advanced Composites, regionally and nationally, and has recently submitted an Expression of Interest to extend its remit to cover Industrial Biotechnology and Advanced Composites. If the Academy is successful, the South West will be central to the development of a national network of Centres of Excellence and Academy Centres for Advanced Composites. The Academy is also currently engaging with providers within the region, and seeking opportunities to extend the reach of the Academy provider network into the South West to cover the Polymers sector, which represents 8% of the UK workforce within this sector.

NSA for Construction

ConstructionSkills has set up a dedicated Future Skills Unit (FSU) to look at the links between construction and the new sectors of: Advanced Engineering (particularly the Manufacturing sector) and the Low Carbon sector. Additional to that, they are working with the Talent Retention project (as outlined below) for Level 3 and above and linking in to the two sectors above and also investigating a combined link with Nuclear.

They are also fully engaged in producing a new SW Skills Action Plan for CSkills that includes tasks under: Attracting and Retaining Talent, Developing Talent, Improving Business Performance and Strengthening the Skills Infrastructure. Within those areas are linked “QCF”, Modern Methods of Construction, Academies, Sustainability (local people to local jobs) and Collaboration with other SSCs to develop an integrated approach.

National Skills Academy Manufacturing (NSAM)

NSAM have been appointed as the accreditation body for SC21 trainers and have been working with key regional employers to implement the scheme such as Kembrey wiring.

Other key regional employer working includes Honda with whom NSAM have been implementing supply chain events and business improvement techniques and lean manufacturing.

3.4.5 Marine Energy Skills Forum

As this is a key sector and priority for the region this forum has been established by a cross section and spatial mix of partners including SSCs in the South West to achieve collaboration on various activity including research and links to the SW HE projects (as outline later).

3.4.6 Sectors Labour Market Intelligence (LMI) group

Objectives of this group:

To share with regional partners (including the RDA economics team) and promote the sectoral LMI that is available nationally and regionally including the following Alliance products:

- Sector Skills Assessments—skills assessments will be produced by each SSC.
- Research Calendar.
- LMI Regional Templates.
- Skills Monitor.
- A map of Standard Industry Codes (SIC) fit to sectors.
- Information Advice and Guidance.
- Alliance recession briefing.

To utilise and promote UKCES initiatives including:

- National Strategic Skills Audit.
- The Almanac.

The sector LMI group will also utilise and promote to other regional and national research specifically to this agenda:

- National NINJ research and Regional NINJ (RDA commissioned research).
- LCEA research including ARUP, SSC research and other relevant international and national papers and reports.

The sectors LMI group membership includes and utilises:

3.4.7 Skills Learning Intelligence Module (SLIM)

SLIM exists to bring information and intelligence on skills and learning to policy makers and practitioners across the South West. As a “module” of the South West Observatory, its aim is to enable programmes and projects that promote skills and learning to be informed by the best available evidence. They provide access to growing archives of labour market research, networks, data, news and good practice, and information.

SLIM recently held a Learning Theme for all local, regional and sectors partners Green Skills, Green Jobs; Opportunities for the South West Low Carbon Economy. A final report is available on the SLIM website at: <http://www.swslim.org.uk/themes/themespast.asp?themeID=27>

4. REGIONAL POLICY, STRATEGY AND FRAMEWORKS

4.1 *Regional Priorities Statement (RPS)*

This statement is critical in ensuring the sub-regional, regional and sector skills needs are addressed through Skills Funding Agency investments from 2010 onwards. It sets out over three years key skills investment priorities, these will be annually refreshed. Local Authorities directly and through Local Employment and Skills Boards have and will play a key role alongside Sector Skills Councils and other regional skills and business partners.

High growth and NINJ sectors and technologies are the main focus of this document, which has gone to BIS for signoff and discussion with the Skills Funding Agency. In the South West it provides significant detail eg composites skills needs in the Aerospace sector by level and type.

4.2 *The South West Regional Skills Strategy*

This statement is critical in ensuring the sub-regional, regional and sector skills needs are addressed through Skills Funding Agency investments from 2010 onwards. It sets out over three years key skills investment priorities, these will be annually refreshed. Local Authorities directly and through Local Employment and Skills Boards have and will play a key role alongside Sector Skills Councils and other regional skills and business partners.

High growth and NINJ sectors and technologies are the main focus of this document, which has gone to BIS for signoff and discussion with the Skills Funding Agency. In the South West it provides significant detail eg composites skills needs in the Aerospace sector by level and type.

4.3 *European Funding*

European Social Funding (ESF) Frameworks/Regional Refresh

The ESF Regional framework refresh process has now been completed by Ekosgen. This follows a series of consultation events, interviews with stakeholders and partners including SSCs. Headline themes have been presented to both Programme Monitoring Committees.

For the SW Competitiveness area the Framework key themes include: focussing the recession response on the hardest to reach, and the young unemployed; an integrated cross-fund approach to low carbon, and an increase in level 3 skills provision from 28% to 40% spend of Axis 2 monies.

For the Convergence area the recommendations include: five integrated investment themes that are to be taken forward on low carbon, enterprise and entrepreneurship, key sectors, ecotown (St Austell Clay Country), digital, and a similar increase in level 3 skills provision.

The Programme Monitoring Committees have signed off the Frameworks and they are available to view on the RESP website. Co-Financing Organisations are now using the frameworks to update their CFO Plans for the second half of the programme.

Regional and local funded projects specifically relevant to sectors and NINJ include Hartpury College’s South West Enabling Environmental Technologies a project which is developing and delivering training in environmental technologies.

Regional Development Programme for England (RDPE) skills framework

A skills framework for this funding has been developed and involved in depth consultation with local and sector skills councils and bodies. This skills framework will aid the funding available to the South West rural communities.

European Regional Development Fund (ERDF) funding utilisation

This European funding stream has been aligned to regional and local skills priorities and sectors. The programmes priorities include; increasing innovation and knowledge, enterprise and growth and urban enterprise.

For example this funding stream has been used to match partners funding for projects such as iNets and Low Carbon High Skills.

5. ACHIEVEMENTS THROUGH PARTNERSHIP WORKING ON THE SECTORAL SPATIAL AGENDA IN RESPONSE TO NATIONAL AND REGIONAL POLICY

5.1 *STEMSW*

This is a South West RDA funded project that aims to raise the profile and uptake of Science, Technology, Engineering and Mathematics (STEM) subjects at all levels and address the skills deficit in the South West. The project has three key elements: the second strand being Partnership and Information which is being managed by the RESP, working with key partners including participation from businesses and employers across the region and also the appropriate SSC's to ensure that there is a sectors approach adapted to the project.

5.2 *iNETS*

The iNets programme will provide and develop a world-class innovation and knowledge transfer resource for business and industry in the SW; extending through regional business networks the reach and scope of the Technology Strategy Boards (TSB's) Knowledge Transfer Networks (KTNs) and delivering a step change in existing regional innovation activity. The iNets will transfer knowledge to regional companies, encourage investment by UK and international companies and promote the South West as a significant force for technology and innovation. The iNets project has been funded by utilising European funding and RDA core funding. The project is focused on the South West's highest value added sectors including ICT, Creative Industries, Advanced Engineering, Environmental Technologies and Biomedical. The project is in embryonic stages and will include links to appropriate SSC's.

5.3 *Talent Retention*

The Talent Retention program is designed to combat skills flight from priority sectors of the SW economy as a result of redundancy or structural change and, to facilitate the retention, development and redeployment of an increasingly flexible, skilled and change-adaptable workforce ie match talent to opportunity to retain skills in key economic sectors.

The first phase of the project will focus initially on two sector pilots covering Advanced Engineering and, Creative and Digital Media sectors and then further priority sectors will be considered.

5.4 *Marine Energy and Low Carbon Economic Area (LCEA) research*

RDA funding has been allocated to fund this vital piece of skills research, and the first phase of the research will focus on Marine Energy, it will then be extended to cover the entire low carbon footprint. This is a collaborative project involving fdf, SSCs, Regen SW and Primare. The research will initially involve primary research collating and mapping existing research projects. The outputs from this work will also be used to inform the Low Carbon High Skills project that the South West RDA has recently commissioned.

5.5 *Low Carbon High Skills*

Running in parallel with the aforementioned research is a project approved which will invest £1.2 million of South West RDA funds, together with £140K of Universities South West fund into a Low Carbon High Skills project. The project will involve developing new courses, and adapting existing ones for the low carbon sector. The important point is that it will focus on demand identified directly with businesses, not starting, as traditionally happens, from the supply side. This project is a collaborative project involving a large number of region partners.

5.6 *The Population Debate*

This theme will look at the growing, ageing and more diverse population which has been identified as one of the key factors influencing the long term development of the economy, sustainability and well being in our region. In April 2010 a “horizon scanning” exercise will take place to stimulate and capture thinking about how, in the context of a significantly ageing population, the South West region can manage paid and unpaid employment and active ageing. The horizon scanning exercise will have a sectors focus and the resulting information will be used to inform future policy and strategy.

5.7 *National Composites Centre*

The Composites Gateway project is a knowledge transfer and training focal point for the advanced composites industry. It started in late 2006 in response to industry’s needs to coordinate the approach to skills improvements in the regional aerospace sector. This led to the South West RDA funded Aerospace Training South West which worked with a group of sector companies to understand and articulate a “Demand Signal” for essential skills. LSC funding from the pathfinder programme was achieved. This started in early 2009 and draws on the rich diversity of composite design, manufacture, assembly, test and repair in the region. The main aim was to increase the capacity of training providers to support the sector in an emerging technology where the course content would be constantly changing.

The results have been:

- Advanced Composites Master classes for FE training professionals.
- Working with SSCs to develop Qualifications Credit Frameworks specific to composites.
- A significant role in the UK Composites Strategy Skills Group with the aim of developing the Composites training pipeline.
- Inclusion of a major skills element in the National Composites Centre (technology development and transfer facility).

5.8 *Qualifications Credit Framework (QCF)*

Regional workshops have been held to update all SSC Regional Managers and Partners as to progress of the QCF. This will ultimately lead to a more flexible qualifications delivery model for employers and employees. It will also enable work based training and learning to be recognised and formally accredited as a qualification. Therefore there has been regional activity in readiness of the frameworks availability.

5.9 *UKCES—Simplification of Skills and 2010 Review consultations*

The South West partners and stakeholders were involved in regional visits to consult on the Simplification of Skills and 2010 Review.

5.10 *The South West Nuclear development project*

The South West has one operational nuclear power station, two in the process of decommissioning, a decommissioning research reactor, a major technology development centre and two probable new build sites. 2,500 people are employed in operations and technology development and 1,080 in decommissioning. Of the current workforce 54% will be retired by 2025. A new build reactor will need approximately 4,500 people at the peak of a 60 month build programme and there are likely to be four reactors in the South West being built over a 10–15 year period starting in 2012. Developers would like to be able to source at least 50% of their workforce from the region or a 90 minute travel to work area. The scale of the challenge and opportunity requires immediate and delivery led action.

Throughout 2009, the South West RDA has worked with the Learning and Skills Council (LSC) to fund a South West hub of the National Skills Academy Nuclear to be named “Energy Skills Centre” at Bridgwater College. This centre initially looks at the New Industries, New Jobs sector “nuclear” and will be able to address other Low Carbon energy sectors as the needs arise in the region. The facility will cost £8 million, the South West RDA have contributed £2 million and the LSC (via the NSA Nuclear) £2.25 million. It will house a double height workspace for crane operating, a Working at Heights simulator and other industry contributed equipment. Additionally there will be state of the art workshops and laboratories in a BREEAM Excellent building.

This centre has been developed by the College in partnership with the NSA Nuclear Steering Group, British Energy (current power station operations), Magnox South (reactor decommissioning) and latterly, EDF Energy (nuclear new build). The investment is in the building however the outputs and outcomes relate to the skills outputs in the first five years of the centre, skills needs analyses, the relationship with the businesses that allows the continual review of course provision against their needs, the partnership with other Further Education Colleges and Higher Education Institutions to deliver the sheer scale of skilled employees required by the nuclear new build programme. The centre will act as the one stop shop to bring together Business Link, Train to Gain, Job Centre Plus and other delivery organisations such as Talent Retention redevelopment programme.

5.11 *Flybe Training Academy*

The state-of-the art building adjacent to Exeter International Airport, scheduled to open late 2010, is part-funded to the sum of £4.3 million by the LSC's new Capital Specialisation Fund (CSF) with an additional £2.8 million contributed by the South West RDA.

It will provide world-class training not only for its own staff but will also enhance the carrier's growing reputation for providing an international training facility for the airline industry as a whole and for offering specialist training for companies involved across the travel-related spectrum.

It will support delivery of appropriate vocational qualifications for Flybe staff and assist in growing its reputation as a world-class training centre. It will also enable the airline to take a lead in moving the Government's Skills Agenda forward by delivering training and skills' development to local companies in line with the RDA and the LSC agendas. This will include "over-training" for companies involved in the full spectrum of the sector such as delivering the Skills Shop facility for Exeter International Airport. The Skills Shop project included a sector "cluster" approach with a number of SSCs working on this project.

January 2010

Memorandum from TUC South West (SWE 10)

THE NEED FOR BOLD LEADERSHIP AND PLANNING

The government's carbon reduction targets must be met. We know most the actions that are needed and the work to be done. But success depends upon bold leadership, effective planning and strong co-ordination. Reliance on the invisible hand of the free market has left us with a deep recession, an energy sector dominated by vested interests and a largely unregulated labour market that must now be steered to meet future skill needs.

The challenge is great but so are the opportunities. Properly planned the low carbon economy offers the South West a chance to boost skills and employment prospect for thousands of workers.

DOMESTIC ENERGY CONSERVATION

Domestic energy conservation demanded to meet the targets requires a considerable ramping up of current efforts. The Energy Saving Trust has considered what needs to be done. Their scenario planning for the region shows that if every loft is insulated and all possible wall cavities filled, we save 643,203 tonnes of CO₂ on the way to a target of 3,558,447 tCO₂. To meet the rest, appliances will need to be upgraded, standby switched off, light bulbs changed, solid walls insulated, biomass heating fitted and new PV units installed in considerable numbers of dwellings. The challenge is massive and the existing approach appears patchy and confusing. A house-by-house, street-by-street commitment is needed. Some house-holders need help with loft-clearance. Many need comprehensive advice on energy saving, recycling and water conservation. Opportunities to fit micro-generation and smart meters should be exploited at the same time. The high levels of "hard-to-treat" properties in the South West means that additional investment will be needed. The need for innovation is great. Public confidence is essential. Good, trustworthy advice is essential.

A holistic approach makes sense but joining up key agencies, suppliers, grants and investment needs political will and leadership at every level.

To do the job properly, many thousands of workers will be required with a range of skills. Energy Saving Trust calculate that some 73,302 full-time equivalent jobs for a year would be required to do this work.

FUTURE ENERGY GENERATION

The South West is set to change from a net importer of electricity to one of the country's generators. The geography of the region provides for considerable potential for renewable energy but not without controversy, huge investment, innovation and skills.

The proposed new nuclear plants at Hinkley Point and Oldbury will require considerable numbers of workers, many with specific and high level skills. The renewables obligations will require considerable expansion of all types of renewable energy regeneration proposed. The Atlantic Array and West of Wight wind farms will be major civil engineering projects. The Wave Hub construction has started and offers the hope of significant development for the Cornish economy.

To meet renewable energy targets the power of the Severn tides will have to be harnessed in some form. There are several options under review any of which will be a huge construction project. The Cardiff to Weston barrage would employ over 17,000 construction workers over seven years and boost to manufacturing would be enormous.

SUPPLY CHAIN DEVELOPMENT

The South West economy is not ready to meet all these opportunities. Small firms will need help and encouragement to collaborate and form joint ventures to stand a chance of winning the big orders. EDF have stated that they want a maximum of 150 supplier contacts, the smallest to be around £12 million. In France they restrict the chain to two tiers to maintain control but acknowledge this may not be possible given the UK's fragmented economy.

Any Severn Tidal project will be a civil engineering challenge of global significance.

The expertise of our universities will need to be focused on the enormous challenges this low carbon future presents.

Collaboration between projects is in the public interest and competing interests must be required to work together.

There should be a shared interest in the development of local supply chains and multi-project equipment for example custom-built ships may be required to build a Severn lagoon or barrage. Similar dredgers, cranes, earth moving vessels and the like may be needed for different projects.

Could the earth extracted to build power stations be used for a tidal lagoon or required flood defences? Each project developer will be focused upon their own deadline and success measures. The public interest, however, demands co-ordination and regional oversight.

Any Severn tidal project will need electrical components and turbines on a scale never seen before. Global suppliers will need to work together to supply the giant turbines but we need to plan to gain maximum benefit to the South West economy through local manufacturing, local labour schemes etc. Manufacturers will need sufficient notice and certainty to prepare to meet the challenge. They will need time to develop capacity and train staff.

SKILLS AND LABOUR

The way labour is utilised and employed in these projects will be critical to the economic and social impact within the region. Examples elsewhere are mixed. The good intentions of the Olympic Delivery Agency and unions have proved difficult to enforce down the tiers of contractors. These aimed to establish minimum standards, tackle bogus self employment, facilitate trade union access, promote safety, local labour, skill development etc.

Construction has long suffered from the insecurity of short-term projects and fragmented business structure. Reliance on sub-contractors has left inadequate control over manpower planning. Effective public intervention and planning is needed.

Working together with the sector skills councils, training providers, employer and unions, the RDA should lead this process. If there was a case for a powerful RDA this must be it.

The role of unions must be recognised. The workforce will move from site to site and be a common element amidst matrix of projects. Properly planned the future holds the promise of a relatively secure, safe career for those employed. Without planning and support the region will become a hostel to temporary camps of workers.

The new energy skills centre at Bridgwater College is welcome investment. Ideas to help regional workers access the Hinkley site such as park and ride schemes are also welcome and should be considered in the context of all potential projects.

NOT JUST ENERGY

House building is at a post-war low. To meet the needs of the region, it will have to increase despite the threat of a period of "planning blight" if there is no effective spatial plan above local authority boundaries. New houses must be built to high environmental standards. A new generation of construction workers, trained in new techniques (sometime traditional methods) and able to use the best available products, will be needed.

There are other projects such as the deep water container port of Bristol, electrification of the railway line from London, nuclear decommissioning, etc will need a labour market able to supply the skills at the right time.

EQUALITIES

These projects are not being undertaken close to major population centres but instead in rural areas. Making creative links to disadvantaged communities in the South West should be considered. The nature of the jobs means that few women will see much for them in these opportunities. Efforts to break-down the barriers for women to enter this labour market should be expanded.

Work to promote STEM subjects in schools needs even more support. Flexible working, and family-friendly practices should be championed from the start.

LEARN FROM BEST PRACTICE

Regional leadership should promote good practice from proven success stories. The building of Wembley was done badly and finished late, over budget and blighted by accidents and poor safety.

Terminal Five at Heathrow learnt from this and was built on time, in budget and with an impressive safety record. Key factors were:

- Commitment to direct employment on agreed terms and conditions.
- Quality employment standards—monitored and enforced through the supply chain.
- High standards for Health and Safety.
- Acknowledgement of union role and provision of access of site.
- Learning environment with broad access to training and learning at workplace.
- Brokerage of local labour programmes.
- Shared commitment to equalities issues.

PLAN TOGETHER NOW

The case for a strong regional economic agency has never been stronger. IT needs to be empowered to build on the work it is already doing to help develop a sustainable economy. It needs a secure future and sufficient authority and funds to command the leadership role now required of it. The RDA needs to utilise its reach into the region's business sector and strengthen its partnership building capacity to include the voices of workers and communities.

2 February 2010

Supplementary memorandum from South West Councils (SWE 11)

TOTAL PLACE PILOT IN BOURNEMOUTH, DORSET AND POOLE

Dorset, Poole and Bournemouth is one of 13 pilots in the Government's Total Place project.

Each pilot area has its own theme. The aim of the Dorset Total Place Pilot is to secure improved outcomes for older people, at less cost, through improved collaboration between agencies, a deeper engagement with citizens and communities and a genuine focus on place.

Recent figures show that more than 27% of Dorset's population is over retirement age—significantly higher than the national average of 18.7%. By 2025, the number of people aged over 85 in the county will double to more than 40,000.

The partners involved in the pilot include the county council, the two unitary authorities, six district councils, two primary care trusts, fire and rescue services and the police. County council chief executive, David Jenkins, is chairman of the area's Total Place project board.

The Project Board have recently published a report to Government which sets out the findings and conclusions of the work to date, and proposes a set of next steps.

The report identifies that money could be saved, and services improved, by:

- reducing dependency on secondary health care and intensive adult social care;
- increasing investment in community service and preventative activity; and
- sustaining investment in universal services and social capital.

The overall vision is that older people will be able to live independent lives longer, where possible receiving care and support at home, thereby reducing the number of older people avoidably admitted to secondary health care, or unnecessarily receiving intensive social care services.

In their Transforming Community Services strategies, NHS Dorset and NHS Bournemouth and Poole are planning to reduce the number of older people admitted to secondary care in an unplanned way by 15% over a three year period, and meet the needs of those people through improved community services delivered by integrated health and social care teams.

This objective will form the core element of a Total Place strategy to achieve the aim of "delivering improved outcomes for older people at less cost".

It is anticipated that reducing the number of unplanned admissions, over a three year period, will result in cost savings totalling £18.3 million.

The estimated cost of alternative (preventative) provision, such as community dementia services, telecare services or extra care housing, is £6.6 million.

There is also a cost associated with provision of universal services and social capital so that older people can meet their needs with the least recourse to specialist services and maintain their independence and well-being. This has yet to be quantified, but will need to be factored into any calculation of overall savings.

TOTAL PLACE IN THE SOUTH WEST

The concept of “Total Place” has been rolled out across the South West with £1.75 million of Regional Improvement and Efficiency Partnership (RIEP) funding to help drive efficiencies and join up services around citizens.

Total Place will help Local Strategic Partnerships to transform public services locally, deliver better value for money and improve the experience of local residents.

Individual Action Plans are in development by each LSP which will specify the level of efficiency savings anticipated. Strong Chief Executive peer review arrangements have been put in place to ensure robust delivery against specified ambitions.

Gloucestershire

The focus is on “dysfunctional families” and reducing re-offending, with a particular emphasis on improving the co-ordination of, and capacity to deliver, domestic abuse interventions to avoid re-offending.

Devon/Plymouth and Torbay

The project will address the issues experienced by families and individuals with the most complex needs, living in the most deprived areas of the sub-region. The three interlinked elements of the project are economic inclusion, integrated offender management and multi agency intervention for healthier and safer home lives for children.

West of England

The project’s focus is sustainable communities and contains four workstreams:

- Think Family—delivering improved outcomes/services for families and young people, more effective use of resources and reduction in duplication.
- Improving Services in the Community—developing new ways of commissioning and providing adult social care provision.
- Low Carbon—analysing carbon footprint, assessing the economic impact of climate change and peak oil and ensuring that local economic development activity takes full account of the challenges and opportunities ahead.
- Asset Management—achieving better use of joint assets.

Somerset

The core cross cutting theme of the Somerset Total Place programme is “to remove barriers to health and well being”. The project will focus on individuals and families with complex and high level needs. Activity will be focused on:

- transforming health related community services; and
- transforming support for families with the highest needs.

Wiltshire and Swindon

Working closely with a range of partners, including the Police and NHS, Wiltshire and Swindon Councils will remove the obstacles to wellbeing with the active participation of individuals within communities. “Total Place” will focus on creating and sustaining an environment in which people can be physically and emotionally healthy.

Cornwall and Isles of Scilly

The project’s focus is Neighbourhood Management Services. It aims to strengthen and clarify the council’s approach to community engagement, neighbourhood management, consultation and small community regeneration.

4 March 2010

Letter from Minister for the South West to the Committee Chair (SWE 12)

During my evidence session on 22 February I offered to write to the committee on three points:

1. A summary of meetings of the Regional Economic Task Group (RETG) since October 2009;
2. The number of successful applicants for the Enterprise Finance Guarantee (EFG) Scheme as a percentage of all applicants and comparisons with other regions; and
3. Outputs from the Green Economic Recovery Action Group.

Since October 2009 RETG has met on 26 November and 18 February 2010. (The January meeting was cancelled in view of the fact that Cabinet in the South West had been due to take place the following day.) I enclose the minutes for these meetings. I also enclose summary meeting notes,¹¹ which are used by members of the Task Group to disseminate within their constituent organisations.

The Department for Business, Innovation and Skills has provided the attached table which records the number and value of EFG eligible applications and of loans offered or drawn down. It should not be used as a performance league table as there may be factors affecting SME gaining access to finance in a region which may not be EFG-related. The Department also want to avoid EFG figures being used to highlight a competitive advantage over other regions, with the potential for media generated conflicts. With this in mind, figures are not provided as a percentage as this would show a distorted view of the distribution of EFG. Therefore, for a true comparison EFG distribution is shown as a ratio of Business Stock in a region.

In response to the last point, I also enclose copies of the SW RETG Green Economic Recovery Action Group's six month delivery plan and its February 2010 update.¹²

8 March 2010

EFG by Region		Total Eligible Cases	Ratio: No. of eligible EFG applications per 10,000 businesses	Total Value of Eligible Cases (£m)	Number of New Loans Offered to Customers	Ratio: No. of eligible EFG loans offered per 10,000 businesses	Total Value of Offered Loans (£m)	Number of Offered Loans Drawn Down	Ratio: No. of eligible EFG loans drawn down per 10,000 businesses	Total Value of Drawn Loans (£m)
East Midlands	658	20.61	73.7	627	19.64	67.14	517	16.19	55.59	
East of England	982	20.11	88.98	934	19.13	83.58	763	15.62	68.8	
London	1,061	13.26	123.7	997	12.46	112.74	793	9.91	90.37	
North East	290	21.28	27.8	278	20.40	26.49	238	17.47	22.59	
North West	1,017	22.42	100.07	939	20.70	90.22	799	17.62	74.96	
South East	1,274	16.57	127.92	1,221	15.88	122.84	998	12.98	99.32	
South West	976	21.39	90.84	937	20.53	84.79	790	17.31	70.77	
West Midlands	808	22.16	81.07	765	20.98	76.46	641	17.58	63.6	
Yorkshire and The Humber	603	17.44	62.37	561	16.22	54.78	462	13.36	43.57	
Wales	452	22.45	36.04	434	21.55	33.98	341	16.94	25.82	
Scotland	739	22.94	95.38	591	18.35	80.45	514	15.96	71.34	
Northern Ireland	105	8.29	19.01	94	7.42	17.22	78	6.16	14.08	
No Region Details As Yet*	1,773		274.49	-		0.00	-			
Total UK	10,738		1,201	8,378		851	6,934		701	

Notes: *Regional information is not available for all "eligible" applications as postcodes are only recorded once an application has passed the initial eligibility stage.

This table records the number and value of EFG eligible applications and of loans offered or drawn down. It should not be used as a performance league table as there may be factors affecting SME gaining access to finance in a region which may not be EFG-related.

The ratios above show the number of EFG loans if they were distributed in the same proportion as UK VAT and PAYE registered businesses. (e.g. if London has a 15% share of VAT and PAYE registered businesses and the total number of EFG loans offered is 1,000 the comparator would be 150).

Businesses may apply for a loan from any of the participating lenders who will assess which form of lending, including the Enterprise Finance Guarantee, is most appropriate. We do not hold figures for those businesses which are instead offered a normal commercial loan, or are rejected for failing to meet the lenders' normal commercial criteria.

¹¹ Information provided, not printed.

¹² Information provided, not printed.

Letter from Minister for the South West to Committee Chair (SWE 13)

Follow up to the Government's response to the first report of the South West Regional Committee.

Thank you for your letter dated 10 November 2009 that acknowledged the Government's response to the Committee's first report. I am also grateful to the Committee for the opportunity to clarify recommendations four, seven and 26. I trust that the following clarifies:

RECOMMENDATION 4

States that there is "no inconsistency" in the treatment of customers requesting Time to Pay through their local tax offices or the Business Payment Support Service. Does this extend to the standards of advice provided and whether customers are referred to the scheme help line? If so, how does the Government account for the evidence of the Federation of Small Businesses that such inconsistencies are occurring?

There should be no difference in the standards of service provided either through local HMRC tax offices, HMRC contact centres or when customers are referred to the HMRC Business Payment Support Service helpline. With the volumes of businesses that HMRC deals with on a daily basis there will be some isolated cases that may fall short of HMRC high standards. HMRC will strive to put these right where they occur.

However, my Officials in the Government Office for the South West have asked the Federation of Small Businesses to provide details of any inconsistencies now or in the future so that they can be investigated.

RECOMMENDATION 7

Draws attention to the creation of the Green Recovery Action Group. Can the Government assure us that the remit of this sub-group will include developing pro-active initiatives with businesses and other organisations within the region as well as reacting to initiatives from central government?

The Green Economic Recovery Action Group is now established and meeting every two months. To ensure business representation; the Federation of Small Businesses, CBI and TUC are core members of the group and dependent upon the nature of the discussion additional organisations are invited to provide their industry view point.

The remit of the group is fundamentally to develop regional initiatives to stimulate economic recovery; to identify barriers that are constraining economic growth and actions to overcome them as well as the identification of specific opportunities to generate work for SW businesses, including small and medium enterprises (SME's).

As an example of the groups activity; public sector procurement and in particular, issues with local procurement and engagement with SME's, was identified as constraining economic growth. Sustainable procurement therefore formed the substantive discussion item at the second meeting of the group.

As the role of the public sector in progressing sustainable procurement is significant an action was identified for the Strategic Leaders and SW Councils to actively promote Local Authority adoption of the findings of the SW Councils report on sustainable procurement.

Links have also been made with the NHS to share best practice and an action is now underway to map collaborative interagency purchasing to identify areas where there is potential to join procurement to sustainability.

Forward Commitment Procurement has also been identified as a significant opportunity in the region; enabling businesses to differentiate themselves in offering procurement solutions. A representative of Johnson Matthey Fuel cells, who has extensive experience on this agenda, is now working to identify tangible areas for action for the group to take forward.

The Green Economic Recovery Action Group has also identified lack of capacity funding as constraining economic recovery and made links with the RETG skills subgroup to drive action forward on this issue.

The next meeting of the group will focus on domestic energy efficiency, community renewables and new nuclear to develop initiatives to stimulate economic recovery working with the Energy Savings Trust, Regen SW and the Environment Agency as well as business.

RECOMMENDATION 26

Makes reference to work promoting the role of the Regional Minister in general. Will this programme include regular updates to the region on the lobbying work you do within Whitehall on the region's behalf and will you undertake to provide us with such updates?

Recommendation 26 emphasises the key role of Regional Ministers in representing the views of the region to central government. This includes both reporting the views of stakeholders, and championing key regional issues of benefit to the region, both bi-laterally with ministerial colleagues, and collectively, through the Council of Regional Ministers and the Regional Economic Council.

An example of the first type of representation is a letter I wrote to Liam Byrne at the beginning of November which set out regional stakeholder perspectives on a range of issues in the lead-up to the Pre-Budget Report. An example of the second is my active engagement over the past couple of months. In

putting the case to Andrew Adonis for proceeding with the re-dualling of the Swindon-Kemble railway line. I am pleased to say that this has reached a positive conclusion. As you will be aware, this issue, which commands widespread regional support, was raised at the South West Grand Committee.

I agree with the Committee that my work in Whitehall on behalf of the region should be visible and open to scrutiny. The Committee's report also recommended that I ensure that I am reporting back not only to members of my Regional Economic Task Group (RETG), but also to those outside the Group.

I have asked the RETG Secretariat to produce a one-page summary of each meeting, and a brief update on regional economic conditions, to help members with this task (for information I have attached October's summary).¹³

If you have any further questions on any of the above or my work as Minister for the South West region then please do not hesitate in contacting me.

9 December 2009

¹³ Information provided, not printed.

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