

# REGIONAL ECONOMIC STRATEGY FOR SOUTH WEST ENGLAND 2006 - 2015

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The Regional Economic Strategy consists of the STRATEGY document and DELIVERY FRAMEWORK.

These are supported by six documents that provide further detail or background information: EVIDENCE BASE, SPATIAL IMPLICATIONS, STRATEGIC CONTEXT, REVIEW OF RES DELIVERY, CONSULTATION SUMMARY and REFERENCE GUIDE.

These are all available from the South West RDA website on [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

THE REGIONAL ECONOMIC STRATEGY SETS  
OUT A CLEAR, SUSTAINABLE AND ACHIEVABLE  
VISION OF OUR SHARED FUTURE.



## FOREWORD

It is now six years since South West England published its first Economic Strategy.

In those few years we have seen many improvements to our region and, although we have not delivered all that we had hoped, there have been some quite remarkable achievements. There is now a confidence in the South West which bodes well for our future.

It is the future which concerns us in this Regional Economic Strategy.

The strategy sets out an ambitious picture of the future we seek for our growing economy and shows how that will contribute to the wider social and environmental prosperity detailed in the Integrated Regional Strategy (IRS). To achieve our ambitions we have to agree on what is important and how we can work together to deliver our priorities. A focus on delivery is the most important part of this strategy.

If it is to be meaningful, the strategy has to resist promoting everything as being of equal importance. Some things are more important and will have greater impact than others – and the region should concentrate on dealing with these things. This version of the Regional Economic Strategy provides links to the full range of economic development activity – but, crucially, sets out a very clear sense of priorities.

The Economic Strategy has been brought together following an unprecedented level of involvement from partners right across the region and from every commercial sector. Over 400 organisations have contributed their information and their ideas at meetings and in writing. This is very much a strategy for the region as a whole.

We hope you will agree that, with the Delivery Framework and other documents, the Regional Economic Strategy sets out a clear, sustainable and achievable vision of our shared future.



Juliet Williams  
Chairman, South West of England Regional Development Agency



# INTRODUCTION

## THE PURPOSE OF THE REGIONAL ECONOMIC STRATEGY

**The Regional Economic Strategy (RES) provides a shared vision for the development of the region's economy.**

DTI guidance states that: 'The RES must have a clear focus on economic development, and both it and actions to implement it, must be based on sustainable development principles set out in the March 2005 Sustainable Development Strategy'.

The RES is therefore concerned with the economy of the South West, within the wider context of sustainable development. The Strategy concentrates on those issues which are directly related to improving the economy and ensuring that more people can participate in that economy. It also recognises that a strong social fabric is an important part of the overall well-being in the region.

The test of a good strategy is delivery. To be successful, the RES needs to be owned by the region as a whole and draw on the resources of all the relevant partners (public, private and voluntary) in the region for its delivery. The South West of England Regional Development Agency is charged with leading the production of the RES, consulting widely about its content and keeping it under review.

## WHO IS THE STRATEGY FOR?

The Regional Economic Strategy for South West England is a key document for all regional partners and especially those involved in economic development, regeneration and promoting enterprise in the region.

It is designed to influence and guide what they do, but it can only work through influence and consensus.

For the public sector, the RES provides clarity about how to create the conditions that will encourage and support private enterprise. It also describes what the public sector can do to reduce disparities and tackle economic exclusion.

For the private sector, the RES provides clarity about regional priorities and the opportunities that arise from a developing economy. It also expects greater productivity from the region's public and private enterprises, by improving resource efficiency and the quality of employment.

## WHAT IS THE STARTING POINT FOR THE RES?

The Regional Economic Strategy does not work in isolation. It has to work with a number of other strategies and policies that exist at national, European and regional level. However, the economy of the region is primarily influenced by national, macro-economic policy.

Nationally, there are many relevant policies which affect the economy in the South West and therefore the make up of the RES – for instance: the government's new Sustainable Development Strategy "Securing the Future"; Sustainable Communities; and policies on productivity, technology transfer, trade, regeneration, rural services and culture.

From a European perspective, the Lisbon and Gothenburg agendas are focusing on the issues of enterprise, innovation and sustainability, and European enlargement has driven forward major changes in the way Structural Funds and the Common Agricultural Policy are delivered.

Regionally, it is important that the RES reinforces the aims set out in the Integrated Regional Strategy (IRS), and complements the Regional Spatial Strategy to ensure that the region is working in an integrated way and to agreed goals. The aims of the IRS are:

- to harness the benefits of population growth and manage the implications of population change
- to enhance our distinctive environments and the quality and diversity of our cultural life
- to enhance our economic prosperity and quality of employment opportunity
- to address deprivation and disadvantage to reduce significant intra-regional inequalities
- to make sure that people are treated fairly and can participate fully in society

The Regional Sustainable Development Framework also provides a clear context for how the RES can be delivered. The RES has also taken account of a number of recent regional strategies agreed with partners. For instance, the key objectives of the South West Skills Strategy; the Enterprise Strategy; the Environment Strategy; the International Trade Strategy and several others are incorporated into the Delivery Framework.

A more detailed analysis of relevant strategies is available in the Strategic Context Annex on the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

## SUPPORTING DOCUMENTS

This document sets out the vision and objectives of the Regional Economic Strategy and summarises the Evidence Base, Strategic Context and Delivery Framework. The documents that accompany this RES set out in much more detail the evidence upon which it is based, the policy context in which it is written, the process which informed its content and the actions and activities which need to be delivered. Taken together, these documents make up the whole RES (see Table 1).

These documents are available from the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

## CONSULTATION PROCESS

This strategy has been subject to extensive consultation with partners across the region, in Whitehall and Brussels. During the past ten months, over 400 organisations have taken part in meetings and conferences; and over 160 written submissions were received during the formal consultation period.

All these contributions have been considered in developing the revised RES.

Further details of the consultation responses are contained in the Consultation Summary Annex – available from the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

**Table 1:** Supporting documents

SUPPORTING DOCUMENTS	DESCRIPTION	PUBLISHED (PRINT/WEB)	REQUIRED BY GUIDANCE
<b>Delivery Framework</b>	A detailed programme of delivery with indication of lead roles and success measures	Y (print/web)	Y
<b>Evidence Base (Annex 1)</b>	Description of the state of the regional economy	Y (web)	Y
<b>Strategic Context (Annex 2)</b>	Analysis of national, European and regional policies that affect the RES	Y (web)	Y
<b>Spatial Implications (Annex 3)</b>	More detail on the RES implementation in different parts of the region	Y (web)	
<b>Review of RES Delivery (Annex 4)</b>	An analysis of the delivery and effectiveness of the current RES	Y (web)	Y
<b>Consultation Summary (Annex 5)</b>	A description of the processes for consultation and the headline comments and responses	Y (web)	Y
<b>SEA / SA</b>	Strategic Environmental Assessment and Sustainability Assessment – prepared by independent organisations	Y (web)	Y
<b>Reference Guide (Annex 6)</b>	An index to show location of issues and themes within the RES – for example rural services or equal opportunities	Y (web)	

THE SOUTH WEST IS A RELATIVELY PRODUCTIVE AND WEALTHY REGION, WITH A DYNAMIC POPULATION, AND ATTRACTIVE ENVIRONMENT – THOUGH WITH SOME PERSISTANT POCKETS OF DISADVANTAGE.



1.0 CONTEXT

## CONTEXT – ECONOMIC PROSPECTS AND CRITICAL ISSUES

**This section provides a very short summary of the Evidence Base, produced for the RES consultation process in June 2005 and revised in February 2006.**

### PRODUCTIVITY AND PERFORMANCE

The South West is a relatively productive and wealthy region, with a dynamic population, an attractive environment and relatively few, though persistent, pockets of social disadvantage. In recent years, South West England has performed relatively well within a UK economy that, in turn, has improved its comparative position.

In terms of productivity – a measure of how well we use resources to produce the things we want – the region could perform better. In 2003, output per head remained 7% below the UK average. Within that, performance varied widely across the region – from well below average in Cornwall and the Isles of Scilly to above average in the Gloucestershire, Wiltshire and North Somerset area.

**Table 2:** Relative Productivity

2003	GVA (£BN)	% OF SW TOTAL	GVA PER HEAD (£'000)	INDEX (UK=100)
Gloucs, Wilts & N Som	40.4	53.9	18.5	114
Dorset & Somerset	15.9	21.1	13.2	81
Devon	13.4	17.9	12.4	77
Cornwall & IoS	5.3	7.1	10.4	64
S West	75.1	100	15.0	93

ONS 2005 This table uses statistical areas (called NUTS 3 areas) – the West of England is covered within Gloucs, Wilts and N. Somerset area.

Dorset and the rest of Somerset and Devon were also below the national average (see Table 2 – final column).

Other measures of economic performance, such as income per head, do not show such wide variation or such relatively low UK rankings. Whichever measure of economic performance is used, however, the region's productivity is vitally important; lasting prosperity is built on the productivity of our businesses and workers.

### COMPETITIVENESS AND INVESTMENT

South West England has performed well in terms of real growth (one of the fastest in the country in the last few years) and employment (lowest unemployment rates amongst the UK regions). It has a well qualified population with inventive businesses in several key industries. On measures of competitiveness and entrepreneurship, it ranks quite highly, with good rates of business creation and research and development. Moreover, the region's natural and cultural assets help our comparatively high quality of life and contribute to our wider prosperity.

Recent research into the South West's relative productivity points to other, less favourable, measures,

such as its low exports/employee ratios. Our basic skills levels need to be improved and, generally, the region does not invest enough in its physical and human capital, making it harder to compete in the global economy and to support our wider social, economic and environmental goals.

Economic connections between our cities and towns and their rural hinterlands need to be stronger. As well as better transport and communications, this reflects a need for wider networking between the region's businesses and key markets for labour, goods and services nationally, in Europe and around the world. The challenge is for our businesses to develop and spread best practice widely along supply chains and across sectors and to capture market advantage.

In South West England, intra-regional disparities are often greater than inter-regional ones, with more businesses in the north and east of our region influenced by the competitive pressures of dynamic neighbours than those further south and west. We cannot change the region's geography but we can minimise the barriers to competitiveness represented by time-distance from key markets. Difficulties in disseminating knowledge about new technologies, processes, and market opportunities can be overcome by building business, academic and community networks and by raising aspirations.

### PROSPECTS

Since 1992, the UK's unbroken economic upturn has helped to encourage planning for long-term regional development. Developing the conditions for South West businesses, people and communities to succeed is vital to the region's future prosperity and so we need to prepare for a range of possible economic conditions.



**Table 3: Regional Projections**

LIMITED – AVERAGE – STRONG	RECENT OUTCOMES 1994 - 2004	10 YR PROJECTIONS 2006 - 2016			20 YR PROJECTIONS 2006 - 2026		
Real growth (av % change pa)	3.2	2.4	2.8	3.2	2.4	2.8	3.2
Population (net change '000)	274	315	385	420	630	780	835
Employment (net change '000)	257	90	140	170	160	280	330
Housing (net change '000)	207	200	245	260	400	482	520

ONS population projections – rest based on detailed analysis of underlying trends and capacities. Employment figures are presented as FTE. The equivalent number of total jobs is based on the current job/FTE ratio of 1.29. Therefore net total job changes for the 3.2% growth scenario for both the 10 yr and 20 yr projections are 220,000 and 425,000 respectively.

No-one can predict with certainty how the South West will develop over the next 20 years. However, recent experience suggests that growth is likely to continue broadly in line with current trends. External factors may cause the South West economy to revert to the limited growth exhibited for much of the 1970s and 1980s. Alternatively, the region may achieve growth in line with average UK performance. However, the region needs to prepare for an outcome in which recent strong levels of growth continue. Table 3 shows some of the likely projections that arise from these alternatives: a more detailed analysis of these scenarios is included in the Evidence Base.

The region needs to plan for growth rates of between 2.8% and 3.2% as this reflects the most likely outcomes for the economy over the next 10 years. Growth at 3% per annum over 20 years implies doubling the value of the output over that period. Given the population and employment projections, this growth would be likely to depend on considerable improvements in productivity and on the availability of a flexible and highly skilled workforce.

## OPPORTUNITIES AND THREATS

In a world of rapid economic change, our competitors will not stand still. Businesses must build aspiration and invest intelligently. Where market failure exists and intervention is both feasible and in the public interest, the public sector must encourage competitive, yet sustainable, development in South West England. The wider and deeper integration of Europe provides market opportunities for South West businesses.

Faced with a world of dynamic demographic and technological change, the South West has the opportunity to raise its game. We need to develop and utilise untapped resources of skills, entrepreneurship, innovation and competitiveness – especially as we respond to the economic challenges and opportunities offered by a population increase, due to net immigration, of between 780,000 and 835,000 people in the next twenty years.

Demographic and productivity changes offer scope for employment and output growth across the region; in our urban centres, businesses and workforce.

We need to support areas of relative social deprivation. We need to tackle pressures on energy supply and use of resources, adopting more sustainable practices to combat climate change whilst being efficient and competitive.

It is important that regional investment responds effectively to global change, developing new products and services, disseminating knowledge and technology and creating sustainable, high quality jobs. The main external risk is cyclical economic volatility as a result of global or national economic instability, environmental changes or terrorism. The impact of off-shoring and outsourcing are concerns for some manufacturing and service industries in the South West.

Our ageing population will affect the patterns of demand for goods and services and employment. The 'low wage equilibrium' characteristic of some of our major industries, population change and 'peripherality' will all require attention if we are to deal with disparities across the South West.

## CRITICAL ISSUES

In the decade ahead, South West England needs to address five key issues:

- population growth, ageing and distribution
- business creation and retention
- rapidly changing industrial and employment mix
- technological and other knowledge dissemination
- energy, use of resources and climate change

A complete version of the Evidence Base Annex is available from the South West RDA website:

[www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

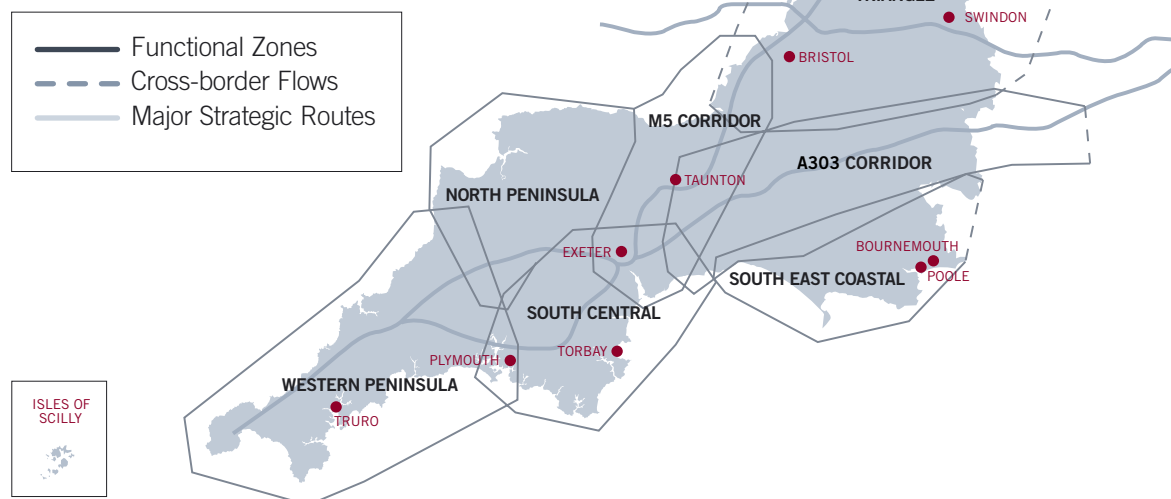


## CONTEXT – SPATIAL ECONOMY

South West England is characterised by a largely rural landscape, a long coastline, relatively few major cities and many small settlements. The major cities are the engines of the regional economy but the rural nature of much of the region remains a dominant feature.

To create the best conditions for success, it is important to understand how the economy actually works in different parts of the region. The work on Functional Economic Zones (Figure 1) provides a robust analysis of how different parts of the region's economy operate, providing a framework for addressing different needs and opportunities across the South West – within the context of the broader Regional Spatial Strategy.

**Figure 1:** South West England Functional Economic Zones



## SPATIAL IMPLICATIONS

Successful RES delivery will help ensure stronger and more sustainable communities in the region, as well as communities that connect and work better with each other. It is crucial for the region to plan for successful long-term growth – a key aim of the IRS. Successful RES delivery will include facilitating growth in places that can make a significant contribution to achieving regional objectives. This will recognise the diversity of the region, the need to reduce the region's eco-footprint and enhance its special environment. It will respond to past performance and future potential of the region's rural areas, towns and cities.

Working in conjunction with the Integrated Regional Strategy (IRS), Regional Spatial Strategy (RSS) and Regional Transport Strategy (RTS), the RES will support delivery of clear and agreed visions for our communities. These solutions will recognise the significant differences between and within settlements in the region. They will also allow the flexibility to support appropriate and balanced growth in different types of settlements and encourage entrepreneurial, innovative and cultural activity.

## CITIES AND LARGER TOWNS

The region will be bold and visionary in the transformation of its cities and larger towns, ensuring that they provide viable and attractive places to live, work, shop and play.

This change will be on a scale that maximises their potential and competitiveness, responding to and creating new markets that will help achieve critical mass and address key challenges such as congestion. Knowledge, technology and leadership are at the heart of successful cities. This means increasing investment in infrastructure, culture and regeneration.

The West of England, and in particular Bristol, has a lead role as a city-region of international, national and regional significance, and can use its status as a national Science City to strengthen the region's economic base. Plymouth has the potential for a far more significant role in the region as, for example, have Exeter, Bournemouth/Poole, Swindon and Gloucester/Cheltenham.

## MARKET TOWNS AND RURAL AREAS

Many of our towns will continue to make a valuable contribution to the region's economic performance, but the scale of growth in those towns is likely to be commensurate with their role, function and potential. Such growth will provide opportunities for the creation of more viable communities with a critical mass of businesses and services which can sustain those settlements in the future.

The key to successful rural communities is flexibility. This should allow support to be given to local solutions that meet the changing needs of rural communities. It will be important to address key issues such as access to jobs and services, affordable housing and significant changes to agriculture.

## COMMUNICATIONS

Strong and sustainable regions have a comprehensive and efficient communications infrastructure. Perceptions about transport and communications within and beyond the region are critical factors in private sector investment and location decisions. The work on regional productivity highlighted issues around connectivity and access to markets – businesses a long way from major markets (with travel times being as important as distance) tend to be less productive. Better transport infrastructure and reliable public transport services are key to a region's economic prosperity.

The region also needs fully to exploit the potential of ICT to overcome issues of connectivity and accessibility, and to reduce the need to travel to work or do business.

A more detailed description of how the RES delivery may affect different parts of the region is contained in the Spatial Implications Annex – Place Matters. This is available from the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

## CONTEXT – SUSTAINABLE DEVELOPMENT

**Sustainable development underpins our approach towards economic development in South West England. We want a dynamic, growing economy to continue into the future so we have to manage the economy within environmental limits.**

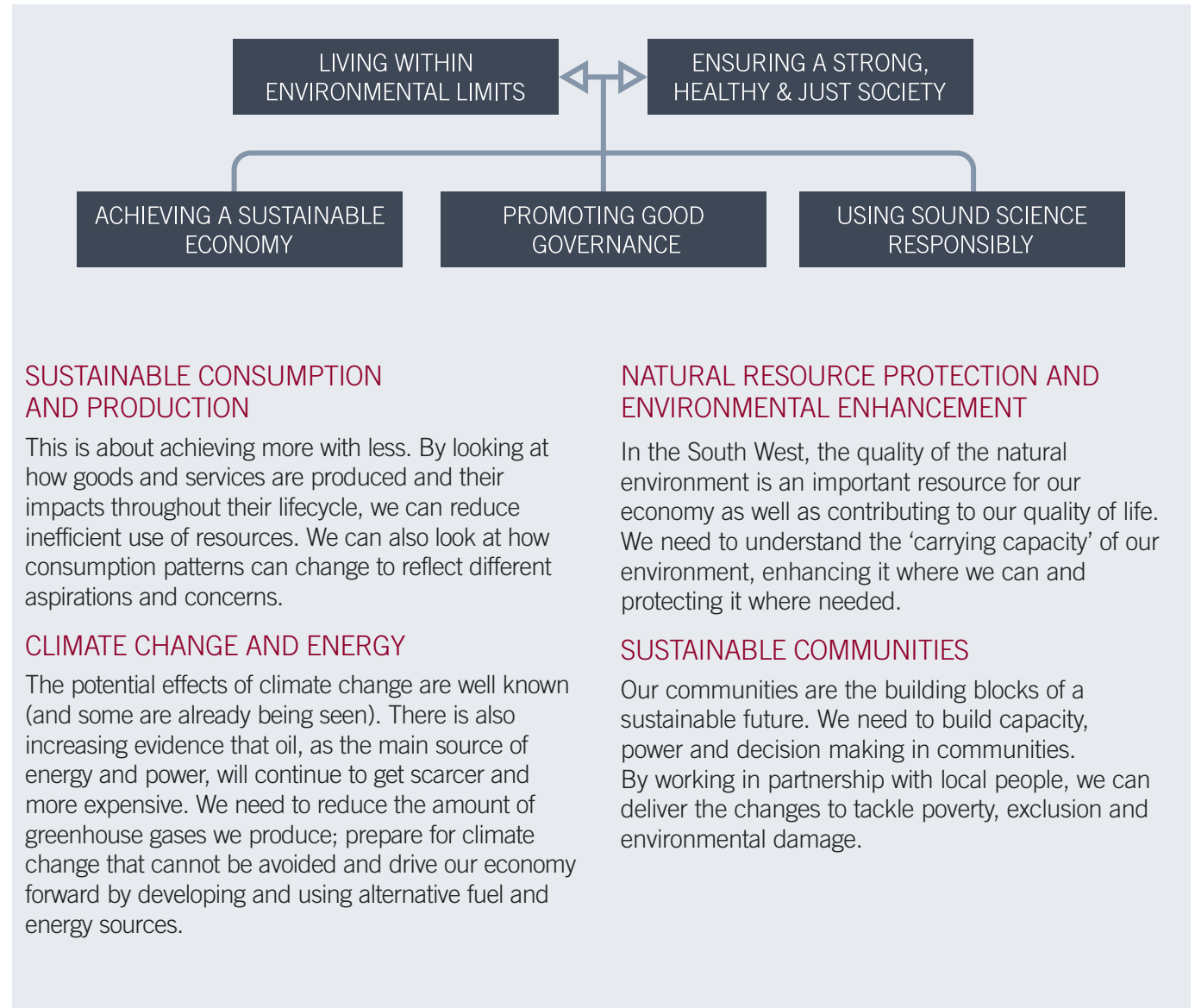
Our understanding of what contributes to sustainable development is growing – as is our appreciation of the benefits this approach can bring to business and the wider economy.

The Regional Sustainable Development Framework provides a good starting point for identifying what we can do – and do better. The UK Government's new Sustainable Development Strategy, 'Securing the Future', [www.sustainable-development.gov.uk/publications/uk-strategy/index.htm](http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm) establishes a set of principles and some shared priorities (Figure 2) which will guide the objectives and delivery of the Regional Economic Strategy.

In the context of this RES, we need to show how the region can continue to provide prosperity for its people through economic growth and by enhancing business competitiveness – but we need to achieve that success in ways that work with the environment and that respect the diverse communities in the region.

There is much existing good practice, for example on sustainable construction, social enterprise, renewable energy and sustainable tourism, which can be rolled out more widely across the region. There are excellent businesses demonstrating the economic benefits of resource efficiency and social responsibility – such as reduced costs, growth through innovation, new market opportunities and enhanced reputation.

The region is committed to reducing its environmental ‘footprint’ by adopting a low carbon approach to economic development; by improving resource productivity; by promoting renewable energy and by encouraging better environmental efficiency in private and public sectors. Equally, the region is committed to creating a more just society by increasing participation, involving communities in decision making and valuing the diversity that makes the region attractive.



**Figure 2:** UK Sustainable Development Strategy – Principles and Shared Priorities







IN ORDER TO COMPETE IN A MODERN GLOBAL ECONOMY, THIS REGION HAS TO MAKE THE MOST OF ITS NATURAL ADVANTAGES.

2.0 STRATEGY

## STRATEGY – VISION

**The vision sets out where South West England wants to go – giving a clear sense of direction.**

Our economy needs to take account of what is special here in the South West. It needs to take account of the competitive pressures that we face. It needs to take account of a growing population, and it needs to take account of the increasing environmental impacts we make.

Our Vision remains the same.

SOUTH WEST ENGLAND WILL HAVE AN ECONOMY WHERE THE ASPIRATIONS AND SKILLS OF OUR PEOPLE COMBINE WITH THE QUALITY OF OUR PHYSICAL AND CULTURAL ENVIRONMENT TO PROVIDE A HIGH QUALITY OF LIFE AND SUSTAINABLE PROSPERITY FOR EVERYONE.

Our Vision will be realised when the South West has developed an economy where:

- prosperity is measured by wellbeing as well as economic wealth
- knowledge, service quality and performance are key to business success
- more people can find jobs which fully utilise and reward their skills
- the region respects the environment as the foundation of people's quality of life and as a business opportunity

Running through the Vision, and therefore the RES as a whole, is a commitment to sustainable development and equality of opportunity.

We know that in order to compete in a modern global economy, this region has to make the most of its natural, competitive advantages. We are therefore adding a specific statement of intent which is both aspirational and distinctive.

SOUTH WEST ENGLAND WILL DEMONSTRATE THAT ECONOMIC GROWTH CAN BE SECURED WITHIN ENVIRONMENTAL LIMITS TO BRING PROSPERITY TO THE REGION.

Many enterprises and organisations in the region are already demonstrating how this can be achieved. They are showing the profitability and efficiency gains to be made through more sustainable business practices. This approach is consistent with the national Sustainable Development Strategy and the regional Sustainable Development Framework. The Evidence Base demonstrates some of the known environmental limits within the region at the moment – such as the lack of landfill sites for the disposal of waste. Nevertheless, more work needs to be done to define what this means for regional businesses and the regional economy as a whole. Over the next three years, the region needs to research and debate key issues around sustainable development so that the next RES can set clear objectives and targets in terms of operating within environmental limits. In the meantime, the region is committed to meeting, and perhaps exceeding, the national targets for CO<sub>2</sub> emissions and renewable energy generation.



## HOW CAN WE ACHIEVE THE VISION?

In order to make a real success of our economic potential, we need to create conditions whereby:

- more of the region's people have higher levels of basic skills
- more of the region's businesses recognise the benefits of competition and innovation
- the region has more ambition and leadership
- the region develops genuinely sustainable communities in the right locations
- the region ensures better connections with markets and ideas within the region and beyond
- the region ensures more people benefit from the economy
- the region generates an increasing proportion of its power from sustainable forms of energy
- the region invests in the capacity for future wealth – in people, place, and innovation and in the South West image

We need to make sure the economy will deliver opportunities for businesses. We need to promote new businesses and social enterprises. We need higher levels of investment in human and physical capital and higher levels of innovation to deliver more rewarding employment, stronger and more vibrant communities, a better environment and more efficient use of resources.

Better jobs, a cohesive and just society and a quality environment are all critical to the development of a successful economy in the South West. Any economy that aims to be successful over the long-term must also ensure that the social and environmental capital, on which it depends, is both protected and enhanced.



## STRATEGY – ECONOMIC DRIVERS

**Making all this happen means focus – not just on what we do but how we do it.**

The economic drivers listed here are central to the continued development of a successful and competitive economy in the South West. They are capable of improving delivery within and across the whole strategy, ensuring that priorities are delivered in ways which maximise their impact on regional economic prosperity. They apply equally to the public and voluntary sectors as to business. Ideally the drivers will work together to maximise their impact. The Delivery Framework illustrates how this can be done.

The regional drivers support and complement the Treasury's national 'drivers of productivity' (see p 22) which focus on improving business competitiveness.

### INNOVATION

WHERE PEOPLE PUT INNOVATION, CREATIVITY AND ENTERPRISE AT THE HEART OF THE REGION'S BUSINESSES AND ORGANISATIONS.

The need to build on a culture of innovation and enterprise remains of key importance to the region. Within a global economy, the South West region can no longer compete on cost alone and therefore needs to concentrate on added value through ideas, knowledge and technology.

To achieve this requires a culture of innovation and enterprise – a spirit, common across our private, public and voluntary organisations, that welcomes challenge and change; that takes risks; that innovates and that learns from pushing the boundaries of best practice.

### SKILLS

WHERE PEOPLE HAVE THE SKILLS AND ADAPTABILITY TO UNDERPIN A MODERN AND INCLUSIVE ECONOMY.

The fundamental basis of any economy is its people. It is the staff and managers in enterprises and organisations who create products and services that support the economy.

In an economy that has to compete worldwide and which seeks to create advantage through the application of innovation and technology, knowledge-based and technical skills are increasingly at a premium. High level skills and an adaptable approach to learning and working are therefore critical issues for the region.

### ENVIRONMENT

WHERE THE REGION'S UNIQUE ENVIRONMENTAL AND CULTURAL ASSETS ARE PROTECTED AND ENHANCED SO THAT THEY WILL CONTINUE TO ATTRACT INVESTMENT AND DEVELOP ECONOMIC ADVANTAGE.

The South West has special locational strengths which present very real opportunities for the region to gain economic benefit from environmental activity.

In particular:

- over 12% of the regional economy relies directly on the land and landscape
- quality of life (often associated with environmental quality and cultural opportunities) is a major attractor of investment, businesses, workers and tourists to the region
- business efficiency can be enhanced through better environmental management
- environmental technologies and services, such as renewable energy, represent a huge global market where the South West can become a leader

In identifying the environment as a key 'driver' for the economy, it is important to build rather than diminish the region's environmental and cultural capital. This will secure benefits for the region into the future.



# STRATEGY – ACHIEVING OUR OBJECTIVES

**The vision will be realised through three strategic objectives. At the highest level, these are the things that make our economy work.**

## 1. SUCCESSFUL AND COMPETITIVE BUSINESSES

Successful, competitive businesses create the wealth that is at the heart of the region's prosperous and sustainable future. They offer more jobs at higher levels of pay; they develop and make full use of the region's high skills levels; they produce higher quality goods and services; and ultimately they generate wealth for the region. Successful social enterprises make an important contribution to these outcomes. Good businesses will also, together with the public sector, take account of the region's social and environmental challenges, which are major determinants of the overall quality of life in the region.

The first strategic objective is to create the conditions that enable the region's businesses to be more successful by increasing their productivity.

In a modern economy, the conditions for success will also include a low carbon, high resource efficiency approach to doing business.

In the private sector, the best businesses are efficient and ambitious, productive and innovative. They train their staff and take risks with their own, and shareholders money, in the expectation of future returns. They aim to grow profitably, generate value added and, as a consequence, offer satisfying, rewarding and sustainable jobs. They act responsibly where they impinge on the wider social and natural environment.

The public sector's role is to build the foundations that will let the private sector's entrepreneurship thrive. The public sector will invest in areas of market failure, helping to disseminate the information and knowledge that businesses and workers need to compete, particularly with respect to skills and innovation, spreading 'best practice' throughout the economy. It has particular roles in the planning process and regulation, as well as with infrastructure development and the promotion of a culture to invest in competitiveness.

## 2. STRONG AND INCLUSIVE COMMUNITIES

A successful and sustainable economy needs to deal with imbalances, harnessing the talents of everyone to improve individual and regional quality of life.

This means tackling the causes of deprivation and exclusion but also focusing on opportunities for new sustainable growth through urban and rural renaissance. The South West's Integrated Regional Strategy emphasises the importance of developing comprehensive and coordinated responses to these complex issues.

The second strategic objective is to ensure that more people and communities have the skills, capacity and aspiration to participate in, and benefit from, the growing economy.

In an increasingly knowledge-driven economy, people with low or no qualifications face big challenges in entering and remaining in the labour market. While overall the region has a good skills base, many of the region's residents lack basic skills, qualifications and encouragement to learn.

There is clear evidence that much of the potential for future economic growth is concentrated in the region's cities and larger towns. "The Way Ahead", the sustainable communities plan for the region, sets out preliminary proposals for how we intend to meet this challenge. The South West needs to make these communities better places to live and work – improving environmental and social conditions as well the economy. It is increasingly important to re-connect these key cities and towns with their rural hinterlands, so that more people and communities can contribute to and benefit from the region's continuing economic prosperity. Addressing the need for more and affordable housing in the region will be a key factor in achieving the potential of these communities.

Some of the most deprived areas of the region (urban neighbourhoods, market towns and villages) are suffering from long-term structural economic decline and need comprehensive renewal programmes to secure their futures. The RES provides the framework for regeneration and renewal over the next 10 years.

## 3. AN EFFECTIVE AND CONFIDENT REGION

Successful regions display a number of common characteristics including a clear and well articulated image and purpose, strong leadership, and effective partnerships and networks to make things happen.

A successful regional economy relies on effective policy and action at a regional level. This means effective transport and communications; effective promotion and improvement of the region's assets; effective long-term planning and effective lobbying and influence at a national and international level.

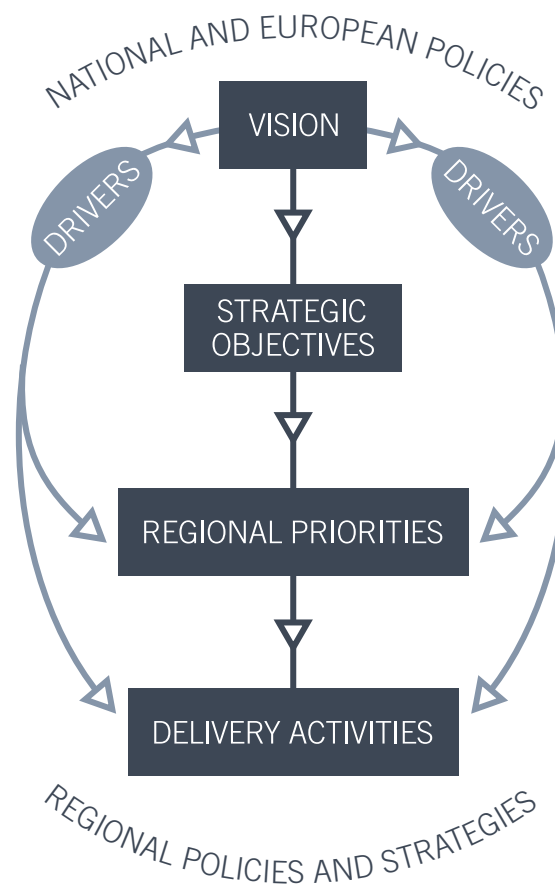
The third strategic objective is to ensure that the South West is working well as a region. It will have a more sustainable communications infrastructure that supports the needs of the economy. It will protect and enhance what makes the region so distinctive. It will also work better together, identifying the key priorities and promoting the region's assets.

Successful modern businesses depend on responding to the competitive push of dynamic markets, business networks and clusters. This is more difficult in peripheral parts of the region, but by no means impossible, particularly with rapidly advancing digital and IT communication systems. Nevertheless, transport remains one of the top priorities for businesses in the region. Congestion in urban areas, rural access and rapid and reliable connections to national and international markets are key concerns.

The South West needs to continue to attract investment, visitors and businesses to the region. To do this we need to build on what is great about the South West – our environment, culture and creativity. We need to promote a shared sense of what the region has to offer and an 'across the board' commitment to quality provision, focused on our customers.

Partnership approaches remain key to success in the region bringing clarity of purpose at regional, sub-regional and local levels and ensuring a shared commitment to delivery. The opportunities that arise from Local Area Agreements (LAAs) may require more flexible governance structures, stronger leadership and more effective partnerships.

**Figure 3: From Vision to Action – the structure of the RES**



## REGIONAL PRIORITIES

The strategic objectives will be delivered through 11 headline economic priorities – the most important issues that need to be delivered to secure a dynamic and growing economy.

In order to actively manage delivery of the strategy and assess progress we have identified progress measures against each priority. Many of these reflect the Government's Public Service Agreements (PSA) targets, whilst others have been developed with key partners. On the following page we summarise each priority and highlight key success measures. The Delivery Framework sets out in more detail what will be delivered under each priority and how we will monitor progress. The Delivery Framework is available in print or from the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

The RES as a whole seeks to support the delivery of the following Government target:

Demonstrate further progress on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle and narrowing the gap with major industrial competitors.

## PROGRESS MEASURES

SO1 SUCCESSFUL AND COMPETITIVE BUSINESSES	SO2 STRONG AND INCLUSIVE COMMUNITIES	SO3 AN EFFECTIVE AND CONFIDENT REGION
<p><b>1A Support business productivity</b> – Continuing to build on productivity improvements in the region’s businesses is the key to unlocking wider improvements in the economy.</p> <ul style="list-style-type: none"> <li>• increased business productivity</li> <li>• increased business resource efficiency</li> </ul>	<p><b>2A Improve participation in the economy</b> – The region needs more people to be economically active, so removing the barriers that prevent people getting into work and business is key.</p> <ul style="list-style-type: none"> <li>• increased levels of employment and training rates</li> <li>• reduction in proportion of disadvantaged groups not in education, employment or training</li> </ul>	<p><b>3A Improve transport networks</b> – Journey times from parts of the region to major markets represent a significant brake on productivity while congestion in urban centres remains a problem.</p> <ul style="list-style-type: none"> <li>• reduced journey times to major markets</li> <li>• increased reliability of public transport infrastructure</li> </ul>
<p><b>1B Encourage new enterprise</b> – Encouraging new and dynamic new enterprises is important for the future success of the economy.</p> <ul style="list-style-type: none"> <li>• increased start-up and survival rates</li> <li>• increased levels of enterprise in disadvantaged communities</li> </ul>	<p><b>2B Regenerate the most disadvantaged areas</b> Tackling deprivation in our communities provides real opportunities both for those communities and the wider economy.</p> <ul style="list-style-type: none"> <li>• reduced gap in productivity between the region’s least well performing areas and the rest of the region</li> <li>• increased levels of enterprise in disadvantaged communities</li> </ul>	<p><b>3B Promote and enhance what is best about the region</b> – The South West is distinctive and the region must both celebrate what makes it special – its environment, its culture and its creativity.</p> <ul style="list-style-type: none"> <li>• improved perception of the region by businesses and visitors</li> <li>• improvements to sustainability/quality of life indicators</li> </ul>
<p><b>1C Deliver skills for the economy</b> – The economy depends on a skilled and versatile workforce, so building a better skills base remains a key priority.</p> <ul style="list-style-type: none"> <li>• reduced number of adults in the workforce lacking NVQ2 or equivalent qualifications</li> <li>• increased levels of participation in higher education</li> </ul>	<p><b>2C Plan sustainable and successful communities</b> – We need to invest in successful and dynamic cities that can compete on the international stage.</p> <ul style="list-style-type: none"> <li>• improvements to sustainability/quality of life indicators</li> <li>• improved income – house price ratios</li> </ul>	<p><b>3C Improve leadership, influence and partnership</b> – We need to develop strong leadership and build on the existing culture of constructive partnership.</p> <ul style="list-style-type: none"> <li>• more joint targets and priorities across South West organisations</li> <li>• increased public investment into the region</li> </ul>
<p><b>1D Compete in the global economy</b> – Building trade and investment links internationally helps to make companies more competitive.</p> <ul style="list-style-type: none"> <li>• improved international trade performance of South West businesses</li> <li>• retention and growth of domestic and international investment in the South West</li> </ul>		
<p><b>1E Promote innovation</b> – Knowledge drives successful businesses. Encouraging a culture of innovation and better links to research and development is key to achieving this.</p> <ul style="list-style-type: none"> <li>• improved levels of innovation and ICT take-up in South West businesses and organisations</li> <li>• increased levels of collaboration between the region’s knowledge base and businesses</li> </ul>		

## IMPLICATIONS FOR NEXT TIME

The review of the Regional Economic Strategy demonstrated broad support for keeping the core of the strategy – the vision, drivers and strategic objectives – unchanged. When the RES is next reviewed, it will be 10 years since the region’s original economic strategy was published. At this stage, a more fundamental revision may be required to take account of changes in economic conditions, new challenges and opportunities and to reflect the long-term aims and objectives of the region.

### OUR ECONOMY: OUR FUTURE – THE SW DEBATES

As all of these issues are key to the successful development of the regional economy, it is proposed that regional partners start an open and creative dialogue on five of the most critical issues facing the region’s economy – beginning in the summer of 2006. Part of this process will be to better understand and respect the differing positions that many partners have on these issues and so enable a more honest and open debate.

The SW Debates will involve a clear scoping of the theme and the identification of research questions; commissioning both desk and primary research to discover best practice and identify options for debate; a series of major events involving a broad range of partners within and beyond the South West. A final event will be held to explore how these key issues might influence and affect each other; and to show where there is agreement on a way forward. For more information visit [www.southwestrda.org.uk](http://www.southwestrda.org.uk)

The SW Debates will take place within the context of regional priorities – as outlined, for example, in Just Connect (IRS), the RSDF and the RES.

**Figure 4:** The Five South West Debates

#### **Securing economic growth within environmental limits**

What does this mean for the South West? How can consequences be measured? What can we learn from elsewhere? What are the impacts of climate change and the need to reduce carbon emissions? How can we make sure that we take economic advantage of any changes?

#### **A growing, ageing and more diverse population**

How do we make sure we benefit from a growing population? What is the most sustainable way to manage such growth? How will we provide quality employment for our changing population? What are the business opportunities that might arise? How will we celebrate a more diverse cultural and racial mix? How can we better support the needs of migrant workers?

#### **Energy challenges**

Can the region become more energy self-sufficient? How far can renewable sources contribute, and over what timescale? Should we explore nuclear? How will the market for carbon-based fuels change as stocks diminish? Can we always rely on technology to provide solutions? What is the appropriate role for energy efficiency? Where are the business opportunities?

#### **Regional leadership**

Is this important? What difference would it make? Can we ‘grow’ leaders or do they emerge? Are we prepared to support leaders for the common good? How can we improve the quality of leadership in our regional organisations and in the business community?

#### **Competitive threats and opportunities from globalisation**

Where are the emerging economies and technologies? What sectors are likely to be affected in the future? Will we suffer from a ‘hollowed out’ economy? Can we do anything to mitigate or benefit from it? How important is international trade for productivity and prosperity compared with local and regional trade? What skills will be at a premium in the future? What are the South West’s real locational advantages?





THE VISION WILL BE ACHIEVED THROUGH THESE THREE OBJECTIVES – THEY ARE THE THINGS THAT MAKE OUR ECONOMY WORK.

## 3.0 STRATEGIC OBJECTIVES

# STRATEGIC OBJECTIVE 1: SUCCESSFUL AND COMPETITIVE BUSINESSES

## INTRODUCTION

The first strategic objective is to create the conditions that will enable the region's businesses to be more successful by increasing their productivity.

Competitive businesses create the wealth that is at the heart of the region's drive for a prosperous and sustainable future. This wealth is increased through innovation and increased resource and labour productivity, enabling competitive businesses to:

- offer more jobs at competitive levels of pay
- make full use of the region's high skills levels
- produce higher quality goods and services; and, ultimately
- generate revenues to allow more public investment in key services such as education and health

## CONTEXT AND EVIDENCE

The Evidence Base for the RES highlights a range of factors influencing the competitiveness of the region's enterprises, most of which are linked to levels of productivity – a key measure of business efficiency.

Whilst the region's productivity rate has been improving, it remains below the UK average, and the disparities in performance between different parts of the South West are significant. Business productivity is influenced by a range of factors. Recent research has confirmed the importance of the Treasury's 'five drivers of productivity', and provides the starting point for identifying priority activity to support competitive businesses.

**Investment:** Levels of investment in productive assets, such as capital and labour, is an important determinant of competitiveness. Whilst investment levels have grown in the South West, the region continues to have relatively low levels of business investment in capital equipment. The region needs to focus on improving the environment for increased levels of investment.

**Enterprise:** New business formation is vital to regional productivity and competitiveness. The South West has relatively high levels of entrepreneurial activity and should continue to encourage a culture of enterprise (starting in schools). We also need to actively support new businesses with high growth potential whilst ensuring all enterprises have access to an effective range of generic business support.

**Skills:** Whilst the South West has a comparatively good skills base overall, there are some persistent weaknesses that the region needs to address, including reducing the levels of school leavers and employees with poor basic skills; addressing specific gaps in technical skills; and developing and utilising high (graduate) level skills more effectively. We also need a better match between employer demand and the supply of skills and training.

**Competitive Environment:** Exposure to competitive markets is a major spur for productivity improvements. Levels of international trade and overseas investment are relatively low, and connectivity with the UK's key economic hubs is an important factor. The region needs to place increased focus more on encouraging inter-regional and international trade, on promoting sustainable foreign and domestic investment in the region, and on improving access to major competitive centres, such as London.

**Innovation:** Whilst many of the region's businesses are innovative, performance is inconsistent across different areas, and in different sectors. We need to enable all businesses to identify and fill new market opportunities, to invest in research and development, and to develop or embrace new ways of delivering their products and services. Maximising the economic contribution of higher education institutions and other research establishments is vital.

Alongside these five drivers, future competitiveness will be influenced by a number of other factors. In particular, the conditions for future economic success will have to include a low carbon, high resource efficiency approach to doing business. This will in itself provide the potential for companies to drive down costs and take advantage of new market opportunities. Recent research has also shown that productivity is reduced with increasing time/distance from major markets, underpinning the importance of good transport and ICT connectivity.

## REGIONAL PRIORITIES

In order to support successful and competitive businesses, the public sector will need to invest in the following regional priorities to help provide the conditions to enable businesses to thrive:

**1A SUPPORT BUSINESS PRODUCTIVITY**

**1B ENCOURAGE NEW ENTERPRISE**

**1C DELIVER SKILLS FOR THE ECONOMY**

**1D COMPETE IN THE GLOBAL ECONOMY**

**1E PROMOTE INNOVATION**

The following pages set out progress made to date in each of these priorities, as well as areas of activity for 2006 - 2009. Further detail on activity is set out in the Delivery Framework that accompanies the RES – available from the South West RDA website: [www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006).

## MEASURING PROGRESS

The regional priorities required to deliver this strategic objective will be measured by the outcomes and outputs set out on p 19, within the wider context of the following Public Sector Agreements (PSAs):

- Regional Economic Performance
- Sustainable Development
- Productivity / Rural Productivity
- Employment
- Enterprise
- International Trade and Foreign Direct Investment (FDI)
- Science and Innovation
- Skills
- Sustainable Food and Farming

## REGIONAL PRIORITY 1A: SUPPORT BUSINESS PRODUCTIVITY

The performance of the region's existing businesses is the largest single factor in determining the future success of the regional economy, and thus has a major impact on quality of life in the South West.

Existing businesses need a climate in which they are able to become more competitive and grow in a way that is sustainable. Given the predominance of small and medium enterprises (SMEs) in the region, the development of an effective business support network is a key area for public sector involvement. This will provide companies with the advice, intelligence, and networks they need to make informed decisions about the development of their businesses.

Focused assistance to major industries, such as defence and aerospace, may be appropriate to secure wider economic benefit.

### Progress to date

Between 1998 and 2003, SW Gross Value Added (GVA) improved from 91% of the UK average to 94%, showing relative improvement.

Improving the effectiveness of business support has been a priority since the first RES in 1999, and progress has been made, including:

- establishment of the Rural Enterprise Gateway
- improved coordination between providers of business support and the transfer of Business Links to the regions
- development of finance initiatives such as the Regional Venture Capital Fund and the Angels Network to encourage investment

### Delivery Activities – 2006 - 2009

We need to build on this solid progress, and utilise new opportunities such as the regionalisation of the Business Link network. Themes 2 and 3 from the South West Regional Strategy for Enterprise provide the starting point for delivery activities in this priority.

We will seek to:

- enhance business support for SMEs
- improve access to finance
- develop specialist support for high growth businesses
- ensure rural access to business support services
- support resource efficiency in business
- promote regional sourcing and the development of supply chains
- deliver sustainable sites and premises for business growth
- implement the Strategy for Sustainable Food and Farming



## REGIONAL PRIORITY 1B: ENCOURAGE NEW ENTERPRISE

New enterprises are vital to the region's continuing economic prosperity. They develop in response to new or growing markets and help to keep the region competitive. Creating conditions that promote enterprise, by encouraging ambitious and creative people to take risks and move into new markets, supports the development of successful regions.

### Progress to date

Entrepreneurial activity amongst females is higher in the SW than elsewhere in the UK – 15 new firms per 1,000 females of working age.

There has been some success in encouraging new enterprise development since 1999 including:

- development of incubator and micro-business units for business start-ups
- establishment of the Regional Infrastructure for the Social Economy (RISE) to support new social enterprise

## Delivery Activities 2006 - 2009

The region needs to do more to promote and develop enterprise. We need to promote an enterprise culture where the benefits of success are seen to outweigh the risks of failure. This means teaching enterprise skills in schools and colleges, promoting self employment as a viable option and creating the conditions where new businesses can survive and grow.

Social enterprise is a vital element of the region's economy, providing jobs and services in their own right but also adding to the region's overall 'wealth' through a broad range of social and environmental objectives.

Successful social enterprises also have to operate in competitive markets, but need tailored support to help them become sustainable. The region needs to build on existing structures, to enhance support for social entrepreneurs.

The delivery of this regional priority is steered by the first, fourth and fifth themes from the South West Regional Strategy for Enterprise. We will seek to:

- develop a culture of enterprise
- promote and encourage the creation of new enterprises
- support new social and community enterprises
- promote enterprise in disadvantaged areas
- promote enterprise in rural areas
- encourage wider participation in enterprise

## REGIONAL PRIORITY 1C: DELIVER SKILLS FOR THE ECONOMY

Skills are at the core of improving regional economic performance and to increasing participation. A strong education system, providing high levels of basic and technical skills, is the foundation for continuing improvements in business productivity and competitiveness. Training provision needs to be driven by the demands of business and the needs of the regional economy.

### Progress to date

When surveyed 24% of employees in the South West had some form of job related training in the previous 13 weeks, in comparison to 22.2% for the UK as a whole.

There has been significant progress to address some of the issues identified in the Regional Economic Strategy in 1999 and 2003. For example:

- an increase in graduate attraction and retention rates, supported by programmes such as GRAD-SW, targeted regional marketing and the development of the Combined Universities in Cornwall
- the creation of the South West Enterprise and Skills Alliance (SWESA), now the South West Regional Skills Partnership to improve coordination of post 16 skills activity in the region
- increased participation in higher and further education, and in modern apprenticeships



### Delivery Activities 2006 - 2009

The regional skills strategy and the work of the Regional Skills Partnership and wider Skills Alliance (formed by SWESA) will form the basis for activity to raise competitiveness through skills and learning. This will include raising levels of basic skills in the workforce, increasing training for management and leadership, and ensuring that demand for skills is matched by supply.

There needs to be more engagement with schools recognising their crucial role in building the workforce of the future. We will also continue to deliver tailored skills packages in some of the region's most important sectors and ensure that the skills required by business are delivered in a flexible way through further and higher education providers. We will seek to:

- encourage an efficient and adaptable labour market
- develop workplace skills and training
- inspire people to improve their employability skills
- ensure high quality and flexibility training provision

### REGIONAL PRIORITY 1D: COMPETE IN THE GLOBAL ECONOMY

The extent to which the South West is able to participate in a global economy will have a significant bearing on the region's future competitiveness.

The region needs to continue to develop a climate in which more of our businesses trade internationally, and where companies from outside of the South West are attracted to invest in the region.

For a number of reasons, official figures may under report the extent of international trade by South West companies, and there has been some improvement to performance over the last nine years. Nonetheless, it remains the case that a relatively low proportion of the region's economic output is generated through exporting, and that foreign direct investment into the South West remains low.

#### Progress to date

Between 1999 and 2004 the value of goods exported by South West firms rose by 33.2%, in the same period exports in the UK rose by 14%.

The region has taken forward a range of activity since 1999 to stimulate trade and investment.

Recent progress includes:

- a revised International Trade Strategy, coordinated by the South West Team of UKTI
- an enhanced 'Passport to Export' Programme
- the successful relocation of the Met Office to Exeter

### Delivery Activities 2006 - 2009

Trade and investment are important in stimulating business competitiveness. The South West International Trade Strategy identifies key activities that enable the region to operate in a global environment. We will seek to:

- encourage and support regional businesses to trade internationally
- attract and retain domestic and foreign direct investment

## REGIONAL PRIORITY 1E: PROMOTE INNOVATION

Modern economies rely increasingly on knowledge and innovation. Businesses need to continually develop their products and services if they are to remain competitive. Keeping up to date with rapidly changing markets, technologies and competitors is a critical component both for business success and for more sustainable futures.

Encouraging a culture of increased innovation in all organisations – be they public, private or voluntary – is crucial as it can help to drive up productivity as a whole.

The Lambert Report highlighted the need to raise demand for and provide access to knowledge, particularly in higher education and other research establishments, as a key building block for a successful and prosperous regional economy.

### Progress to date

Business expenditure on research and development increased by 57% between 2000 and 2004, compared with 16% in England as a whole.

Recent progress has included:

- development of the South West Science and Industry Council
- improved business – HE collaboration through schemes such as the Knowledge Exploitation SW (KESW), Tamar Science Park and Exeter Innovation Centre
- initial development of S-Park – the Science Park for Bristol and Bath
- the introduction of initiatives to support innovation in SMEs including Inspire SW and the Grant for Research and Development
- a regional roll out of schemes to support business innovation through ICT such as Wiltshire Smartplace
- development of the SW Manufacturing Advisory Service (SWMAS) encouraging innovation in manufacturing companies

### Delivery Activities 2006 - 2009

The delivery of this regional priority will be largely based on the objectives set out in the region's Innovation Strategy and ICT strategies. We will seek to:

- develop a culture of innovation in the region
- increase the contribution that science and technology makes to the economy
- encourage collaboration between business and the region's knowledge base
- maximise the take-up and exploitation of ICT for business

## SECTOR APPROACH

**Most types of business support are available to all businesses in the region** – for instance the Venture Capital Funds, the Manufacturing Advisory Service or the Business Link service. However, there remains a benefit in focusing some interventions to specified industrial sectors which have growth potential or need support to adapt, such as agriculture and defence. This approach is not exclusive and does not constrain partners in the region from identifying specific opportunities that may arise in other sectors, where the private and public sector can work together.

A sector based approach allows for specific assistance to deal with specific issues within that industry. It means that there can be a focus on those areas where there is clear market failure, where some public sector support would add value and where it can be shown that intervention would make a significant difference to the economy of the South West.

Different partners have different approaches to sector development.

For instance, the Learning and Skills Council has identified sectors where there needs to be a focus on improving skills and the operation of an efficient labour market, while at the same time supporting overall regional economic growth.

The RDA has identified eight priority sectors for specific intervention, which have been selected for one of the following reasons:

- 1 They are strategically important for the region and would benefit from some targeted assistance
- 2 They are sectors going through major transition and need assistance to meet the challenges of that change
- 3 They are sectors which, though small at the moment, offer real opportunity for future growth in the region

Support for these sectors (and the selection criteria) will be kept under review as once the key issues have been addressed with a particular sector, it may be more appropriate to work with other sectors.

There are other key sectors (see Table 5) which are important to the region because of their size or linkage with other industries. Although the public sector will relate to these sectors in different ways, it is important that their influence is recognised and that a commitment is made to understand the changing needs of these sectors.

The public sector is the largest employer in the region and can have a significant influence on the economy through its spending and its regulatory powers. This RES proposes a number of targeted initiatives to encourage the public sector to become more productive and innovative, and to use its regulatory and purchasing power to improve economic performance in the region.

**Table 5:** Important Regional Sectors

SECTOR	DEFINITION	RDA PRIORITY	LSC PRIORITY	OTHER KEY SECTORS
Advanced engineering <sup>1</sup>	Esp. aerospace and defence-related	■		
ICT <sup>1</sup>	Esp. semi-conductor design and wireless	■		
Marine <sup>1</sup>		■		
Food and drink <sup>2</sup>		■		
Tourism <sup>2</sup>		■		
Creative industries <sup>3</sup>	Esp. digital media	■		
Environmental technologies <sup>3</sup>	Esp. renewable energy and waste	■		
Bio-medical <sup>3</sup>		■		
Health and social care			■	
Retail			■	
Engineering			■	■
Construction			■	■
Public administration				■
Finance and business services				■
Distribution and transport	Inc. logistics			■
Paper and printing				■





### **Advanced engineering and aerospace**

Aerospace and defence industries are very important to the economies of the Bristol area, Gloucestershire, Dorset, Yeovil and Plymouth. There is a critical need to maintain competitive advantage through application of new technologies and highly advanced engineering through the supply chain.

### **Food and drink**

Food and drink is a diverse and largely successful industry. However, agriculture, which is fundamental to rural and small town communities, is going through huge changes. By better integrating the up and down stream processes, value can be added and competitiveness increased throughout the food and drink sector.

### **Creative industries – especially digital media**

A small but growing industry which plays on the natural advantages of the region, it also expresses much of the distinctiveness and creativity that makes the South West an attractive location for investment and relocation.

### **Tourism**

Traditionally important to the region, tourism drives the perception and reputation of the South West and provides employment to many in otherwise marginal economies. There is a pressing need to improve the quality of the offer and to make the industry more productive and more sustainable.

### **Marine**

Given the length of our coastline, it is no surprise that the marine sector has been identified as a priority. Now concentrated on leisure, marine and defence related activities, the most important centres are Falmouth, Plymouth and Poole.

### **Bio-medical and healthcare**

With growing clusters of medical companies linked to university specialisation in Bristol and Plymouth, this sector has enormous potential to grow. It needs to take advantage of the increasing need to deliver healthcare services to an ageing population and the opportunities to develop new healthcare technologies.

### **ICT – especially semi-conductor design and wireless networks**

In the South West, we have the largest cluster of semi-conductor design companies outside the United States, helping to create a large and dynamic sector overall. With emerging expertise in wireless networks, this industry offers real opportunity for growth in a very competitive global market.

### **Environmental technologies**

Building on some excellent companies and research centres, the South West can exploit many of its natural advantages to develop renewable energy and waste technologies – for ourselves and for export.

### **Health and social care, construction, retail and engineering**

The Learning and Skills Council (LSC) priority sectors of health and social care, retail, engineering and construction are important because they have a significant impact on the economic success of the region or sub-region and have a high need for skills at level 3 (two 'A' levels or NVQ3 equivalent) or below.

They also include at least one of the following factors:

- a high percentage of the overall workforce is employed in the sector
- the sector has a high turnover of staff and needs to develop the skills of replacement staff
- the sector has a high probability of growth in the region or sub-region
- the sector has a high probability of declining, and the decline needs to be carefully managed

## STRATEGIC OBJECTIVE 2: STRONG AND INCLUSIVE COMMUNITIES

### INTRODUCTION

A successful and sustainable economy needs to deal with imbalances, harnessing the talents of everyone to improve individual and regional quality of life. This means tackling the causes of deprivation and exclusion, and planning for strong and inclusive communities in the future. We aim to ensure that all people can participate in, and benefit from, a growing and sustainable economy; and that our cities and towns can develop as dynamic and thriving places.

### CONTEXT AND EVIDENCE

The South West is often described as a diverse region. In economic terms, this is particularly true - with wide disparities in prosperity between geographical areas and between different groups of people.

#### **Economic Exclusion and Inequality**

In an increasingly knowledge-driven economy, people with low or no qualifications face big challenges in entering and remaining in the labour market. The region lags far behind the national average in terms of entry level numeracy skills and only 40% of the workforce has above entry level ICT skills.

Without these skills, many of region's residents will clearly remain disadvantaged, both socially and economically.

There are a number of groups that experience consistently higher levels of economic exclusion than the population at large. Black and minority ethnic and disabled people are far more likely to be unemployed or in low paid jobs. Many older people find it hard to re-enter the labour market; and women still face inequality of pay and disadvantage through, for example, lack of childcare.

We need to have the skills, capacity and aspiration to ensure that communities and residents can participate fully in the economy. Tackling the inequalities that prevent individuals from fulfilling their economic potential is therefore a key component of creating strong and inclusive communities.

#### **Disadvantaged Communities**

Poverty, deprivation, and underachievement persist in parts of the South West. Bristol, Plymouth, Torbay, Gloucester and Bournemouth all have concentrations of multiple deprivation with significant numbers of people experiencing combinations of poor housing, degraded environments and educational underachievement. Deprivation in rural areas tends to be more dispersed with challenges around low income, poor transport and lack of access to essential services. Cornwall ranks amongst the poorest areas in Europe, with Penwith the most deprived district in the region.

Despite considerable investment, we have had little impact in addressing some of the fundamental issues that affect the region's most deprived communities. We need to develop innovative and effective solutions that tackle their structural weaknesses and link these communities with more successful areas.

#### **A Sustainable Future**

There is clear evidence that much of the potential for sustained future economic growth is concentrated in the region's cities and larger towns. The region needs to support the development of dynamic, international cities. 'The Way Ahead', the sustainable communities plan for the region, sets out preliminary proposals for how we intend to do this, providing a framework for moving forward over the next ten years.

We also need to encourage a continued renaissance in our market towns and rural areas. A key challenge for the South West is to connect our cities and towns with their surrounding hinterlands so more people can contribute to, and benefit from, the region's continuing economic prosperity.

## REGIONAL PRIORITIES

Supporting prosperous communities across the South West is a central theme of the region's Integrated Regional Strategy which seeks to deliver a fair and prosperous region for all. Maintaining and developing a competitive and growing economy is fundamental to achieving this but we also need to focus on developing strong and inclusive communities. We will do this through three regional priorities for activity in the RES:

### 2A IMPROVE PARTICIPATION IN THE ECONOMY

### 2B REGENERATE THE MOST DISADVANTAGED AREAS

### 2C PLAN SUSTAINABLE AND SUCCESSFUL COMMUNITIES

The following pages set out progress made to date in each of these priorities, and set out areas of activity for 2006 - 2009. Further detail on activity is set out in the Delivery Framework that accompanies the RES – available from the South West RDA website:

[www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

## MEASURING PROGRESS

The regional priorities required to deliver this strategic objective will be measured by the outcomes and outputs set out on p 19, within the context of the following Public Sector Agreements (PSAs):

- Regional Economic Performance
- Sustainable Development
- Productivity/Rural Productivity
- Employment
- Enterprise
- Neighbourhood Renewal
- Skills
- Sustainable Communities

We will also monitor and report on measures of intra-regional disparities, reflecting the diverse nature of the South West.

## REGIONAL PRIORITY 2A: IMPROVE PARTICIPATION IN THE ECONOMY

Although the South West continues to enjoy relative economic prosperity, many people in the region are still economically excluded – because of where they live or through lack of skills and confidence. Government reforms to the benefit system are encouraging greater participation and supporting innovative ways to help people back into employment.

It is important that the region fully utilises the assets and experience of all its people, from whatever background and of whatever age. Our people make a crucial contribution to the economy and this can be developed in many ways to help them realise their potential – to the benefit of both the individual and the wider economy.

### Progress to date

The unemployment rate has fallen from 4.5% to 3.2% in 2005 – compared to a UK figure of 4.7%.

Increasing economic participation was identified as a key action in the 2003 RES. Since then, progress to improve participation in the region includes:

- setting up Equality South West
- success of Combined Universities in Cornwall (CUC) in widening participation in Cornwall
- increased capacity of South West Forum and the agreement of a Regional Compact
- Business Link Wessex were the best Business Link in the UK for work on women's enterprise
- Somerset Pathways to Work pilot

### Delivery Activities 2006 - 2009

Globalisation and the knowledge economy offer the region considerable opportunities and it is critical that we continue to focus on ensuring that all the region's people have the opportunities to fully participate in, and benefit from, the region's continuing economic success. Tackling inequalities that prevent individuals from fulfilling their economic potential is a key component of creating strong and inclusive communities. We will seek to:

- raise individual's skills and aspirations for work and enterprise
- ensure that there is equality of access to work, training and business advice
- strengthen the voluntary and community sector as a catalyst for economic inclusion

### REGIONAL PRIORITY 2B: REGENERATE THE MOST DISADVANTAGED AREAS

Despite the region's relatively buoyant economy, some areas continue to suffer relative disadvantage. Many of the most disadvantaged neighbourhoods lie within the region's major cities, particularly in Bristol and Plymouth where low skills, unemployment and poor housing and health are key challenges. In the region's rural areas, low pay and limited access to essential services and transport create pockets of deprivation.

Whilst there has been progress in improving the economic, social and environmental fabric of some communities, work to address deprivation must continue to be prioritised if the region's economy is to be genuinely sustainable.

#### Progress to date

In 2004, only 8.6% of Super Output Areas (SOAs) in the South West belonged to the 20% most deprived SOAs in England.

Regeneration of disadvantaged areas needs significant and sustained investment. In the South West, there are number of initiatives including Objective 1 (Convergence Funding from 2007) in Cornwall, Neighbourhood Renewal and the Market and Coastal Towns Initiative (MCTI) that are helping to tackle the causes of deprivation.

Key achievements include:

- between 1999 and 2004 the rate of GVA growth in Cornwall has been at twice the rate of the UK economy as a whole
- the introduction of Rural Renaissance and the Market and Coastal Towns Initiative has provided new approaches to tackle rural disadvantage
- the development of new approaches to urban regeneration through the Building Communities Initiative

### Delivery Activities 2006 - 2009

The South West needs to support local partnerships to focus on the critical issues facing the region's most disadvantaged communities to ensure that these areas are able to develop sustainable futures. We will continue to focus on those areas in greatest need, adopting good practice and innovative approaches to tackle historical patterns of disadvantage. We will seek to:

- support areas with the greatest concentrations of multiple deprivation
- support the communities of greatest need in rural areas



## REGIONAL PRIORITY 2C: PLAN SUSTAINABLE AND SUCCESSFUL COMMUNITIES

We need to ensure that the region's work to address historical disadvantage in communities is matched by effective planning for sustainable and successful urban and rural communities of the future. The challenges and opportunities arising from population growth and increased global competition are significant. We want to have access to well paid jobs that fully utilise the region's skills and experience; to afford good quality housing; and to continue to benefit from a wonderful environment. We must therefore face up to, and embrace, the opportunities and challenges of the future to plan for success.

### Progress to date

'The Way Ahead', the region's Sustainable Communities plan, provides preliminary proposals for how the South West will actively manage future development and growth so that it is sustainable.

The region has begun to focus on developing dynamic, international cities capable of attracting global businesses, the best creative talent and high levels of investment. In addition, many of our market towns are now developing ambitious plans for their futures.

Key achievements include:

- establishing the Mackay Vision for Plymouth
- planning for Bristol Arena
- development of Gloucester Docks
- Market and Coastal Towns Initiative (MCTI) and Rural Renaissance

### Delivery Activities 2006 - 2009

To meet these needs, the region needs to be bold and aspirational in planning for the future. Addressing severe weaknesses in existing infrastructure, particularly around transport and housing, is key and will also mean investing in the capacity of our communities to fully participate in the planning and development of their areas.

We will seek to:

- promote the renaissance of the region's largest cities
- secure a sustainable future for rural areas

## STRATEGIC OBJECTIVE 3: AN EFFECTIVE AND CONFIDENT REGION

### INTRODUCTION

Successful regions display a number of common characteristics including a clear and well articulated image and purpose, strong leadership and effective partnerships and networks to make things happen.

They have effective transport and communications networks; they nurture and promote the assets of the region and they successfully lobby and influence at national and international levels.

### CONTEXT AND EVIDENCE

In terms of its physical geography, the South West is the largest region in England, distinguished by being a very elongated peninsular. Some areas of the South West, most particularly Cornwall and parts of Devon, are relatively peripheral to major economic markets.

Access and exposure to the competitive push of such markets is critical to the development of successful, sustainable companies and has been identified as a key determinant of productivity. Overcoming actual and perceived peripherality is challenging but better transport links and advanced digital and IT systems offer more sustainable solutions.

Urban congestion, particularly in the greater Bristol area, is seen as a major transport challenge constraining future economic success. If the region's major cities are to fulfil their potential as drivers of future regional prosperity, they must have an efficient and sustainable transport infrastructure. In terms of

rural accessibility, 20% of households in the region still have no regular bus service within walking distance – the highest level in the UK.

We have the country's finest natural environment, demonstrated by the largest number of designated areas; we have some genuinely world-leading business clusters, such as silicon design and digital media; and we have a number of genuinely international icons including Eden, Stonehenge and Bath as well as the Glastonbury and Cheltenham festivals. We need to maintain and enhance these assets, and to use them to raise the profile and image of the South West.

Since 1999, the South West has made significant progress in developing effective regional and sub-regional partnerships that have enabled the region to work more effectively to deliver focused and coordinated policies and programmes. Over the next decade we will face significant challenges to our continued economic, social and environmental well-being including increased competition from emerging global economies such as China, from climate change, population growth, and tighter EU and UK government budgets for economic development and regeneration.

We need strong regional leadership and a genuine commitment to working closer together to ensure that we plan for and respond positively and creatively to these challenges.

### REGIONAL PRIORITIES

There are three regional priorities that will delivery this strategic objective:

#### 3A IMPROVE TRANSPORT NETWORKS

#### 3B PROMOTE AND ENHANCE WHAT IS BEST ABOUT THE REGION

#### 3C IMPROVE LEADERSHIP, INFLUENCE AND PARTNERSHIP

The following pages set out progress made to date in each of these priorities, and set out areas of activity for 2006 - 2009. Further detail on activity is set out in the Delivery Framework that accompanies the RES – available from the South West RDA website:

[www.southwestrda.org.uk/res2006](http://www.southwestrda.org.uk/res2006)

### MEASURING PROGRESS

The regional priorities required to deliver this strategic objective will be measured by the outcomes and outputs set out on p 19 in the wider context of the following Public Sector Agreements (PSAs):

- Regional Economic Performance
- Sustainable Development
- Sustainable Communities

## REGIONAL PRIORITY 3A: IMPROVE TRANSPORT NETWORKS

Improving transport networks continues to be a key priority for the region. Connectivity, particularly the reliability and resilience of access routes to major markets such as London and the South East, are consistently identified as an essential component to support a successful economy. This is particularly important in a region like the South West that is challenged by its geographical characteristics and its peripheral nature. For example, to travel by train from Bristol to Penzance takes twice as long as it takes to travel from Bristol to London. Studies on productivity and intra-regional differences and assessments of regional ports and airports and mainline rail routes provide detailed analysis of the region's transport needs.

Our cities and towns cannot realise their economic potential and accommodate the projected population and economic growth without better transport networks. To support the economic development and regeneration opportunities in these areas, and particularly in the West of England, we must address the problem of congestion through sustainable transport measures. As well as increasing supply of transport capacity, evidence shows that demand management can be delivered through initiatives such as charging schemes and travel plans which, together with the greater use of ICT, can have a significant impact.

### Progress to date

22 million rail journeys were taken by South West residents during 2004/05, an increase of 36% since 1996/97, which is in line with the national average over the same period.

The region has made a number of important steps forward to improve transport networks in the last few years:

- preparation of a robust long-term strategic transport strategy for the West of England
- critical investment in the main strategic road and rail routes – M4/M5 and rail access to London Paddington
- development of Bristol Airport, including direct access to the United States
- sea/rail freight interchange facilities at Bristol Port

### Delivery Activities 2006 - 2009

The transport strategy within the Regional Spatial Strategy provides a strategic steer for developing and programming transport schemes. In the future, the region may have greater influence over priorities for transport infrastructure improvements. It is therefore vital that these are identified and agreed upon.

This includes improvements to strategic road, rail, air and sea networks, enhancing the reliability and speed of existing public transport, enabling people to make smarter travel choices, and ensuring the region has sufficient capacity to deliver the essential transport interventions. The RES priorities are therefore to:

- enhance connectivity, providing access to markets and tackling peripherality
- reduce congestion in the main cities and towns

## REGIONAL PRIORITY 3B: PROMOTE AND ENHANCE WHAT IS BEST ABOUT THE REGION

Perception is critical to business and investment decisions and to where people decide to live and where they choose to visit. The South West has to compete with other regions in the UK and elsewhere if it is to sustain its economic prosperity and growth. We have much to sell as a region, in particular the dynamism of our big cities, the quality of our natural environment and the creativity of our people. There are huge opportunities we can offer to businesses – to be successful without compromising other elements of quality of life.

### Progress to date

Over the past six years the South West has developed strong regional partnerships including South West Tourism and Culture South West.

There has also been significant investment in the region's branding and image. Key developments include:

- the South West England branding and marketing campaign which has generated additional off peak visitors to the region, and is starting to change business perceptions of the South West
- development of regional strategies for waste management and the natural and historic environment which set out action to preserve and enhance and capture the economic benefits in the context of broader sustainable development

- improvements to iconic developments including Eden, Bristol Harbourside and South West Coast Path
- securing the Olympic sailing events for the London 2012 games

### **Delivery Activity 2006 - 2009**

The South West needs to continue to attract investment, visitors and businesses to the region. We need to develop a shared sense of what the region has to offer and an across the board commitment to quality provision focused on our customers. We will seek to:

- improve the way the region is perceived
- build on existing strengths to develop the South West as the leading region for sustainable development
- develop and promote high profile regional projects and events
- maximise the opportunities for the region from London 2012

## **REGIONAL PRIORITY 3C: IMPROVE LEADERSHIP, INFLUENCE AND PARTNERSHIP**

Successful economic regions are characterised by strong leadership, effective representation and genuine partnership working. By investing in the development of shared purposes and priorities, successful regions increase the impact of their own interventions and attract more public and private investment for infrastructure and development projects. They also prepare and influence public policy to ensure that it supports their vision without creating unnecessary barriers to economic development and growth.

### **Progress to date**

Over the past 6 years the region has made significant progress in agreeing shared visions and priorities and developing strong partnerships and networks.

Key achievements include:

- agreement on the South West Integrated Regional Strategy (IRS), providing the framework for future regional development
- development of sub-regional and local partnerships to link regional and local economic development activity
- establishment of the South West Observatory; creating:excellence; Equality South West; SW UK Brussels Office and other regional organisations to improve coordination
- development of the SW Cohesion Partnership to ensure that the region maintains its position in EU Structural Programmes

### **Delivery Activities 2006 - 2009**

A partnership approach remains key to success in the region. This brings clarity of purpose at regional, sub-regional and local levels and ensures a shared commitment to delivery. Opportunities for stronger partnerships, such as those offered by the Local Area Agreement process, need to be realised. The region will face a number of significant challenges over the next ten years including the continued growth of the Chinese and Indian economies and climate change. We need strong regional leadership and a genuine commitment to working closer together to ensure that we plan for, and respond positively and creatively to, these challenges. We will seek to:

- encourage an integrated approach to economic development
- improve the effectiveness of South West representation at national and EU levels
- improve understanding of the state of the region





A KEY TEST OF THIS STRATEGY WILL BE HOW EFFECTIVELY IT IS DELIVERED. IT WILL REQUIRE THE SUPPORT OF PARTNERS AT EVERY LEVEL AND EVERY SECTOR.

4.0 DELIVERY

## DELIVERY

A key test of this strategy will be how effectively it is delivered. This will require the support and resources of partners at every level (regional, sub-regional and local) and in every sector (public, private and voluntary).

It is important that local partners use the Regional Economic Strategy to guide activity locally – thereby ensuring better integration and more efficient delivery on the ground. The RES Delivery Framework describes in more detail what needs to be done and which organisations will be taking forward those activities.

## KEY PARTNERS

It is recognised that there are key roles for businesses and business organisations in making the regional economy more successful and more dynamic.

Equally, we recognise the important role that local authorities and sub-regional partners play in delivering locally-based projects in ways which are sensitive to local needs. There are many ways in which the voluntary and community sectors support economic development – in terms of the numbers of people they employ and train; in terms of their involvement in the development of social enterprise; but especially their role in the delivery of services to and within local communities.

## INTER-REGIONAL COOPERATION

Just as this strategy aims to integrate activities around the region, so it also aims to deliver some activities in partnership with other regions. For example, several regions and Wales are keen to lobby together for improvements to Reading station; there is a need to improve the marketing of tourism destinations that cross regional boundaries (such as the Cotswolds); and more needs to be done to ensure that sector activity is integrated across regional borders where appropriate (for instance working on marine sector with the South East). This will be incorporated into the delivery of the strategy.

## DELIVERY FRAMEWORK

The Delivery Framework sets out activity that will be taken forward in 2006 - 2009 to address the 11 regional priorities identified in this Strategy. It sets out confirmed activities with lead organisations and measures of progress, and proposed activities which are critical to the delivery of RES but where further work is required to agree delivery mechanisms in the region.

Annual progress reports will be published in April 2007 and April 2008, setting out how activities are being taken forward under each of the priorities. The reports will also highlight amendments and additions to the Delivery Framework to reflect new opportunities and challenges for the region.

The Framework will be comprehensively reviewed in 2008 - 2009 as part of the next planned review of the overall strategy.

**A glossary of terms and abbreviations can be found at the back of the Delivery Framework.**

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A SUMMARY IS AVAILABLE ON AUDIO TAPE.

ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀਆਂ ਕਾਪੀਆਂ ਸਾਉਥ ਵੈੱਸਟ ਆੱਫ ਇੰਗਲੈਂਡ ਰੀਜਨਲ  
ਡਿਵੈਲਪਮੈਂਟ ਏਜੰਸੀ (ਖੇਤਰੀ ਵਿਕਾਸ ਏਜੰਸੀ) ਤੋਂ ਆਡਿਓ ਟੇਪ 'ਤੇ ਮਿਲ  
ਸਕਦੀਆਂ ਹਨ।

這份文件另有錄音帶，可向英格蘭西南地區發展署索取。

اس دستاویز کی کاپیاں آڈیو ٹیپ پر ساؤتھ ویسٹ آف انگریڈ ریجنل ڈیولپمنٹ ایجنسی سے دستیاب ہیں۔

इस दस्तावेज़ कागज़ात की कॉपीयाँ (नकलें) इंग्लैंड की साउथ वेस्ट  
रिजनल डिवेलोपमेंट एजेंसी से ऑडियो टेप पर मिल सकती हैं।

ਸਾਊਥ ਵੇਸਟ ਆਫ ਇੰਗਲੈਂਡ ਰੀਜਿਓਨਲ ਡੇਵੇਲਪਮੈਂਟ ਏਜੇਂਸੀ ਏਰ  
ਕਾਫ਼ ਥੇਕੇ ਏਹ ਦਲਿਲਾਟ ਆਡਿਓ ਟੇਪੇ (ਕਾਸੇਟੇ) ਪਾਓਯਾ ਯਾਵੇ।

Nuqulka ama koobiga qoraalkan waxaa laguugu diyaariyey  
cajalad ood ka dhagaysan kartaa, waxaanad ka heli kartaa,  
South West England Regional Development Agency.







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