

Sectors Research

Dartmoor's Sector Outlooks – Final Report to Dartmoor National Park Authority

February 2013

SERI 

with

The RED Group, Plymouth Business School

and

ECORYS



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Sectors Research

Final report

February 2013

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1. Introduction – Dartmoor’s Sector Outlooks

“What is clear to me, whether we adopt a sectoral approach or a more local, place based approach, is that growth is everyone’s business. Government can set national policies and create an environment where business can flourish, but success depends on businesses and individuals, working together”.

No Stone Unturned, The Rt Hon the Lord Heseltine of Thenford, October 2012

Introduction

The application of the Employment Growth Model (described in detail in the interim report) identified a short list of sectors which had the potential to create significant employment growth in the Dartmoor National Park area, and which would be the focus of further research and consultation to establish the barriers to their growth, and opportunities to ensure potential growth is realised. These were

- Tourism and leisure (including bars & restaurants, sports and recreation, and accommodation)
- Construction and property; and
- Business services (including computer consultancy, management consultancy, and a range of other professional scientific and technical services).

It should be stressed that these sectors are not seen as those that will be the sole drivers of employment growth in Dartmoor, but they exhibit a range of factors that have been very closely correlated with high levels of employment growth in the past. At the same time they are of a scale that means there is existing critical mass upon which to build, and are relatively unconstrained by any infrastructure limitations. They therefore have the potential to create significant numbers of new jobs in the future.

As well as job creation – an important aim in itself, there are also differing opportunities, in these three sectors, to increase productivity and higher value jobs. In order for them to do this, however, it is important to understand what local actors can do to help these sectors achieve this potential growth. While it is dynamic and entrepreneurial people in dynamic and competitive enterprises that will be the creators of future growth, there are a range of possible actions, in the case of each sector, that should be considered by local partners, that may enable private enterprise to flourish. It is also important, however, to reflect and recognise the unique characteristics of the National Park, in identifying where the emphasis should lie.

Backing the winners?

It should also be stressed, however, that while we have identified the shortlisted sectors above, this does not imply that there is no need to ensure that growing businesses, in whichever sector they occur, should have the support they might require. This is particularly important in a small and dispersed economy such as Dartmoor, where successful local enterprises that can create local jobs and whose activities are consistent with the aims and objectives of the National Park, are perhaps more important individually than in larger economies. There are sure to be important businesses, or clusters of businesses, in sectors not identified above where local action can encourage high levels of sustainable growth.

It is also interesting to note the synergy of the shortlist with Lord Heseltine's recent review, in which he asserts:

"It is tempting for policy to focus on a few select, top-end sectors and on high growth companies. The fashion changes, but at the moment it is high tech and exports to the new markets that are paraded as the easy solutions. They are important, but ultimately they are not enough to ensure a broad-based competitive economy. We cannot ignore the performance and growth potential of the mass of businesses across all sectors including construction, logistics, retail, hospitality and health and social care, which have traditionally provided a high proportion of the employment opportunities in this country"

Our consultations in the development of the sector outlooks that follow, with national organisations and businesses across the shortlisted sectors, revealed some universal themes in terms of the role that local partners can play in enabling growth which would apply to all sectors. Put simply, these could be summarised as "leaving the private sector to get on with it". While regulation was often seen as a barrier to growth, it was also accepted that this was not something that could be changed locally. However, there was a general view that the most significant contribution that Local Authorities (in particular) could make was to take a more enabling stance to local business, whether this be through planning or procurement. This creates particular challenges for the National Park where planning is perceived, by some in the business community at least, as a major constraint to business growth and investment. However, it is clear that economic development is fundamental to the National Park's objectives and that appropriate development that creates local jobs is supported. Ensuring that the message that the National Park is "open for business" is clearly articulated is perhaps the single most important thing that the National Park Authority could do to encourage job creation.

There is also clearly appetite for more joined up partnership working between the private and public sectors, with Chambers and other business organisations playing a leading role. This also reflects Lord Heseltine's recent review in which he outlined the need for a radical improvement in how businesses are engaged and supported at a local and sectoral level and a coordinated business support infrastructure, led by the private sector. He also points clearly towards Chambers of Commerce as providing this support (or being the conduit to it). While the Dartmoor Partnership exists to promote and support the tourism industry in the National Park, and the Corporate Forum for National Parks provides a means of dialogue for "big business" nationally, at the local level there is no forum for the wider business community to engage with policy makers and inform and influence strategic thinking. The Lake District's Business Task Force was set up in 2006, and is a forum that can provide additional specific knowledge and expertise on the issues, challenges and successes behind achieving the "prosperous economy" theme of the National Park's vision. This model is one that could be effectively replicated for Dartmoor.

Mapping against the UK industrial strategy

The shortlisted sectors also show some synergy with those priorities outlined in the UK's industrial strategy which identifies those sectors could make the greater contribution to future economic growth and employment at a national level, and then considers where intervention could add most value. The following three broad sectoral priorities are identified:

- Advanced manufacturing, including aerospace, automotive and life sciences.
- Knowledge intensive traded services, including professional and business services, the information economy and traded aspects of higher and further education.
- Enabling sectors, such as energy and construction.

In the latter two, the Dartmoor shortlist is closely aligned with UK priorities. It clearly identifies knowledge intensive professional and business services and construction. These two are clearly seen as engines of future growth, both locally and nationally. The other sector on the Dartmoor shortlist, tourism and leisure is one that is inextricably linked to the very nature of the National Park and where there is the potential to create significant numbers of local jobs.

Developing Sector Action Plans – mapping the route

Lord Heseltine's review recommended that, at central government level, a clear policy for each sector of the economy was needed, conceived in conjunction with industry and academia. This should be reflected at a local level to ensure that the opportunities to create growth are seized, and the barriers to its realisation removed.

The research and consultation undertaken as part of the development of the Sector Outlooks that follow, was aimed at providing some high level indications of the barriers to growth and what actions local partners might take to remove them. It was beyond the scope of the current work to develop comprehensive action plans. We have recommended, for each shortlisted sector, that a more detailed action plan is needed. These should be developed as a partnership between the private and public sectors, helping to map out a shared vision of the direction of travel needed to realise growth potential.¹

The Sector Outlooks also need to be considered in the context of those produced for the whole of Devon, as some activities and interventions are clearly most appropriately delivered at a sub-regional (or even greater) geographical level. However, the unique factors that influence business within the National Park boundary are reflected in these National Park specific Outlooks.

Specialisation and comparator areas

The shortlisted sectors are not necessarily those that exhibit the highest level of local specialisation. While many sectoral analyses have traditionally focused on specialisation to focus intervention, at a local level, industrial specialisation can be seen as potentially having both positive and negative effects. There are wider benefits to the economy overall of spatial concentrations of industrial output through potential productivity gains. However, for any particular local area, the impact on standards of living will be determined by which industries are specialised locally. In general, an area with specialisms in high productivity sectors is likely to have higher incomes amongst its residents than an area with specialisms in lower productivity sectors.

The negative effect of specialisation can occur if an area is highly dependent on a particular industry and that industry is in gradual or sudden decline. As an example, a local area can be highly impacted by the closure of a major steel works or car plant, via its effect on the

¹ There are some excellent examples of sector action plans that have been developed for local economies, for instance those developed by Tees Valley Unlimited.

local area in terms of reduced employment and output and any knock on effects on other local businesses.

As such, local policy makers are often simultaneously interested in policies around clusters and encouraging specialisms to their areas to attempt to gain the benefits that can accrue from such a specialism whilst also being interested in their areas 'resilience', namely how well the area would cope with negative shocks to the economy and particularly to any existing local specialism. As such, an ideal situation is often considered to be one where an area has a number of different specialisms, rather than being heavily reliant on a single industry. The profile of the National Park outlined below shows that while it is heavily reliant on the public sector, and tourism related activities, below this there are a wide range of sectors that support over 1% of Dartmoor's total employment.

Dartmoor's Sectoral employment – total scale

Around 20% of employment in the National Park is in the public sector (particularly education), with the sector accounting for over 2,000 jobs. Retail activity is also important, employing over 1,600 people in 2011. The following analysis excludes these dominant sectors, to identify those other sectors that are currently important.

In the table below we show those **sectors that have the highest overall employment in the Dartmoor National Park** and include all those which account for over 1% of total employment, excluding the public sector and retail / wholesale. It should be noted however, that the data presented below will include some employment that lies just outside the National Park boundary but is included within the lowest geographical level at which the data is available.²

Table 1: Sectors that have the highest overall employment in the Dartmoor National Park. Actual employment, 2011

Sector	Total Employment 2011	Comment
Accommodation	1,000	Nearly 10% of Dartmoor's employment is related to tourism accommodation providers.
Food and beverage service activities	950	As with accommodation, this underlines the importance of tourism and leisure
Residential care	530	
Specialised construction activities	450	This is an important employment sector in most rural areas and is principally small local trades people.
Construction of buildings	400	
Land transport and transport via pipelines	350	The majority of this employment is in road freight transport
Mining and quarrying	230	The data shows two clusters of employment in the South Hams, and Teignbridge (although the South Hams employment may relate to activity just outside the

² We have used a statistical definition of the National Park based on 23 Lower Super Output Areas.

Sector	Total Employment 2011	Comment
		National Park boundary)
Real estate activities	220	
Sports activities and recreation	210	
Civil engineering	210	
Office administrative, office support and other business support activities	180	This includes a cluster of activity related to call centre operation in Teignbridge (possibly one company)
Manufacture of textiles	170	The only manufacturing sector that employs more than 1% of the National Park's workforce
Computer programming & consultancy	170	This includes some employment in the software development and consultancy sub sectors.
Services to buildings and landscaping	170	
Travel agency, tour operators etc	160	
Libraries, archives, museums etc	160	Mainly in tourism related activity
Activities of membership organisations	150	
Activities of head offices, management consultancy	140	This is almost entirely management consultancy
Other professional, scientific and technical	130	This includes some specialist design activities and a range of other technical services

Below the dominant tourism and leisure sector, Dartmoor has a large number of sectors that employ more than 1% of its workforce, and the picture is of a very diverse economy, made up of many small sectors. The National Park may therefore have a more balanced and less vulnerable economy than commonly believed. Many of these smaller but important sectors are service related, often those with a high proportion of micro-enterprises including consultants and business services, and include some high value sectors such as software development and consultancy and management consultancy. These are generally small sectors where individuals can work from home.

Dartmoor's Sectoral employment – recent trends

While those sectors that are the biggest in employment terms are obviously important, we also need to understand those sectors that have seen employment grow over recent years to identify trends that may be important. The table below shows which **sectors have grown the most in absolute terms between 2008 and 2011**, although caution does need to be

exercised in the interpretation of this, as the reliability of trends in the data becomes less as very small spatial areas.

Table 2: Dartmoor Sectors that have grown the most in absolute terms between 2008 and 2011

Sector	Employment Growth 2008-2011	Comment
Construction of buildings	190	Reflecting growth across Devon, the data shows that construction employment has doubled since 2008.
Residential care	170	Reflecting the trends elsewhere.
Accommodation	170	This important sector has continued to grow.
Land transport	170	
Specialised construction	160	
Travel agency / tour operators etc	110	
Manufacture of textiles	90	There has been some growth in this sector since 2008.
Other professional, scientific and technical	70	
Manufacture of electrical equipment	30	
Motion picture, video & television production etc	30	

While growth has mainly been in those sectors that are traditionally strong, there has also been lesser growth across a range of different sectors, including some in manufacturing, and there are a wide range of sectors which have seen modest growth since 2008. Much of this economic activity is hidden from the casual observer, as it does not require large premises.

The profile outlined above provides the context against which the shortlisted sectors can be viewed, and underpins our analysis that follows in the Sector Outlooks

The role of skills – what the future holds and the role of local partners

A universal issue raised by all consultees was the importance of skills to their future growth. The architecture of skills funding and provision is in the midst of dramatic change which will have significant implications for businesses, but which will also present opportunities for local partners to shape skills provision to meet local needs.

Recent changes to both the Employer and Learner Responsive (ER and LR) [post-compulsory] skills systems will be fully in force by 2014/15. Complex in detail, the aggregate picture is one of a shift toward greater contributions from both employers and learners, with less fully funded learning and more co-funded and entirely unfunded. In terms of co-funding, some will be in the form of loans (Government-Backed Loans through the Student Loans Company), some as grants.

As well as a 'technical' change, this also represents a cultural change. With employers and learners expected to play an increasing part in paying for their learning, the skills system will increasingly become marketised – the intention will be to drive both improvements in supply (with providers having to up their game), and communication of demand (with employers and learners needing to effectively articulate their needs).

Views on both the supply and demand sides differ as to the effects this is likely to have. In heavily regulated sectors, where accreditation is a pre-requisite (eg, electrical installation, HGV driving, aspects of the care sector with minimum numbers of qualified personnel being stipulated), this is likely to have a positive impact on quality and supplier responsiveness and demand will remain strong.

In other sectors where qualifications are not pre-requisites, these changes, some believe, will lead to a collapse in demand. Particularly at higher skills levels (L3 and above, or level 2 where an individual already holds at least a level 2 qualification (eg, the 're-training' scenario)) as, at these levels, the extent of fully funded and co-funded training diminishes rapidly. An unintended consequence of this then could be that the availability of certain training will reduce, as providers look to develop their offer where demand is, to a greater or lesser extent, guaranteed.

There will be a potential role for economic development stakeholders here in **mapping potential demand shifts and providing targeted resources to ensure the skills system remains capable of providing a full range of training and learning.**

The recent changes also set minimum contract values for providers (£500k p.a.) to ensure SFA resources were concentrated in providers of scale.

Again, views differ as to the effect of this with some high profile failures of providers [rightly or wrongly] attributed to this, where failure to secure larger contracts and an absence of smaller contracts created cash crises in some smaller providers. It is unclear whether broader economic issues was a more significant factor than the policy decision to insist that smaller providers sub-contracted and therefore lost some of their independence.

However, there is also a contrary and, arguably prevalent, view that minimum contract values has created some useful consolidation and innovation in the skills system (particularly in relation to sub-contracting or the formation of co-operative training companies, bringing together previously disparate providers).

With minimum contract values here to stay, **dissemination amongst provider networks of best innovative practice in relation to partnering and collaboration would help maintain the necessary competition to make the market function effectively** for employers and individuals.

At a policy level, the continued drive on apprenticeships is important. In particular, the shift toward Higher Level Apprenticeships (L4 and L5) has the potential to offer productive alternative routes to serious qualifications for learners. However, despite the centrality of this policy, at higher levels apprenticeships will increasingly need to be co- or fully-funded. Given their duration and cost, this may become prohibitive for employers [*leaving aside concerns that endure in some business quarters that investing in apprenticeships are a commercial risk as they cannot require a 'return of service'*]. There is a potential role here then for

economic development stakeholders to **support the take up of higher level apprenticeships in particular through targeted resourcing.**

When considering how best the skills system can be supported to play a strong role in economic development, the role of research is vital. Nationally, regionally and locally research reports abound that explore the skills needs and future demands of sectors and the fitness of the skills system to address these. However, these are not taken on and communicated by the various economic development stakeholders consistently. And, as a consequence, the skills system (and here we principally mean providers) cannot plan its offer systematically, intelligently or with confidence, relying, arguably on incomplete evidence, or very time-limited / near term drivers.

If the providers are to be supported to play their full part, they must be able to access reliable market information that is endorsed by both the economic development community (Local Authorities, LEP, SFA, JCP at the very least) and, critically, by the business community. **Joint commissioning of research** by these bodies in full dialogue with providers would be the ideal, but, in the absence of that, the collation, **analysis and dissemination of existing research on a systematic basis** would provide the skills supply side with an evidence base on which to predicate their future delivery.

There is evidence that, whilst some providers are being bold, investing in developing curricula and facilities to meet future needs (whether related specifically to employer demand or a different client group such as that through JCP), some providers continue to provide what they have always done. Whilst some of this institutional inertia will be a result of a lack of clarity over how future skills needs will show out, some of it is also likely to result from the lack of clear market signals now, from employers. The pressure to create a responsive skills system is on both sides. Yes, the provider will need to actively seek understanding of the market place, but employers must also be proactive in communicating their needs to the providers. And, the best way for employers to do this is through channels such as the Employment & Skills Boards or sector / location specific groups and fora. At present it is fairly clear that this communication is not always effective. The structures are in place, and so there needs to be a **re-doubled effort to connect providers with businesses** (and individuals) and for businesses to back up their calls for changes with commitments to train their staff.

The Local Authorities and other **economic development stakeholders can play an important role here.** They sit on ESBs, LEPs and often college boards and are often the only organisations who can (and should) play a **synergistic role** – helping scope, commission and fund research, brokering relationships between providers and business groupings through incentivised action, and so on. An example might be Torbay Development Agency's role in bringing together the Torbay Hi Tec Forum (comprising the Bay's large number of electronics and photonics sector businesses) and helping this group articulate their demand for a better electronics offer from South Devon College, which is now stating to bear fruit.

Economic development stakeholders and providers should also **be alert to major programmes and projects which will have an inherent skills demand** and, as they are often long in development, can provide sufficient lead time to enable resources, facilities and curricula to be put in place. Prime examples of this might be the skilled engineering,

construction and process control employment (and attendant skills) related to Hinkley C in Somerset, or the very large scale civil and general construction employment related to the Exeter and East Devon Growth Point.

The Sector Outlooks

The three Sector Outlooks that follow provide a snapshot of current features and trends in the shortlisted sectors, and based on desk research, national and local consultation, provide some indication of the interventions that could be shaped in more detail through further engagement with business.

Dartmoor Priority Sector Outlook - Business Services

Sector snapshot

What is it?

The business services sector is highly diverse and covers a range of professional and technical services, of which the most important for Dartmoor are:

- Computer programming and consultancy;
- Management consultancy (the provision of advice and assistance to businesses and other organisations on management issues, such as strategic and organisational planning; financial planning and budgeting; marketing; and human resources) and head office activities; and
- Specialist design, quantity surveying, environmental consultancy etc



Where is it now?

The three business service sectors outlined above employed around 1.1 million people in England in 2011, the biggest being head office activities and management consultancy with employment totalling 512,000.

In the Dartmoor National Park area employment totalled 450 in these sectors in 2011, around 4% of the workforce. The largest proportion of this is in the computer consultancy subsector.

Significant employment clusters in business services can be seen in South Hams and Teignbridge. These reflect the presence of the most significant workspaces in the National Park, such as Chuley Road and Linhay Business Park, both in Ashburton.

Recent and future trends

Recent Trends

The business services sector made a strong recovery (relative to the rest of the economy) from the 2008/09 recession in 2010 and continued to grow steadily in 2011³. However growth has slowed due to the wider economic uncertainties and a renewed focus on cutting costs. Nationally administration and support services have remained the most buoyant, while 'other professional, scientific and technical activities' have declined.

The particularly strong recent growth in output seen in the business-to-business services sector reflects increasing demand for services rising in line with higher client confidence. However there is evidence that this increase in output is not mirrored by an increase in

³ Barclays, 2012

employment and some still are of the view that there is excess capacity, contributing to a further contraction of the service sector workforce. It will likely require sustained output growth before confidence increases to a level where new jobs are created.

Against this national backdrop employment in these sectors has fallen slightly within the National Park since 2008.

What does the future hold?

Professional and business services are a source of UK comparative advantage and the sector has in the past made a very significant contribution to UK growth. Going forward, this sector is likely to benefit as other industries restructure and outsource activities and rising incomes increase demand for more sophisticated goods. In the recently published BIS Economics Paper⁴ the Government's commitment to building and maintaining strategic partnerships with the business service sector and developing business competitiveness was underlined.

Societal drivers indicate there is likely to be significant increasing domestic and global demand for business services; while UK business has the potential knowledge and skills to exploit new market opportunities. Most commentators therefore predict that business services will see the greatest growth in the coming years, and that the success of small businesses in the types of sector outlined above will be key to the long term recovery.

For those which are IT reliant there is expected to be continued growth, as technology changes mean continual need for consultancy and support while the increased use of outsourcing amongst public and private sector organisations may also help sustain demand. However, growth outside London and the South East is forecast to lag behind, particularly given the greater dependence on public sector activity (Barclays, 2012).

Outsourcing by the public sector has created opportunities for some businesses, but there is no clear evidence that this will be a continuing or sustained trend, and it is perhaps more likely that some organisations will look to outsource while others will be taking services back in house.

Longer term there are likely to be some significant changes facing business support companies such as call centres. By 2020, the call centre as we currently know it may not exist. Agents will instead work remotely, from home, or community-based 'hub' buildings. As high-speed wireless internet connections become the norm, there is less need to have agents grouped together in the same location. The move towards more home working may well provide opportunities for people in more rural areas, such as the National Park, as long as connectivity is of an appropriately high quality.

⁴ BIS Economics Paper No 18, Industrial Strategy UK Sector analysis, September 2012

Opportunities and challenges

Attracting and retaining people

The availability of staff or skills has frequently been identified as a key barrier to growth in this sector, and this was no different in the consultations undertaken to inform the current research. There is concern that the recession may result in either de-skilling, as those losing employment do not return to the sector, or a reduction in entry-level recruitment. Furthermore, continued uncertainty amongst employers has encouraged them to take a reactive, as opposed to a proactive, approach to their investment decisions in training and development activities⁵

Evidence suggests that limited labour supply is a particular issue in the National Park, in part due to the tendency of young people to leave Dartmoor to go to University and not to come back to work.

Skills gaps are mainly identified as technical. For those businesses with a core use of ICT, and in particular those in computer consultancy / services etc, there is a concern that not enough young people have the required ICT skills on leaving school to enable them to study a relevant degree at University. There has also been criticism that most IT courses at HE level do not prepare graduates for work in the sector. Other gaps relate to more general business roles.

Employers in Dartmoor may find it more difficult to attract skilled labour due to a perception that the area is not one where high tech (in particular) business services are located. In addition wages in Devon generally are lower than in the South East. Businesses therefore have to attract quality people on the back of quality of life issues. This is where Dartmoor may therefore have an advantage, in attracting people to work in a National Park, with the quality of life benefits that are associated with this. However, the issue of house prices is well documented, and availability of affordable homes, or rented accommodation will be a significant barrier to attracting young people, in particular, to the area (this is an issue beyond Dartmoor boundary as much as it is within the National Park).

Innovation

NESTA's 2009 report on sectoral innovation found that "Business and Management Consultancy" was the most innovative of all nine sectors it examined. Small consultancy firms are particularly good at introducing new services or products. In terms of firm size, smaller firms in the sector were more likely to be innovators than larger, the converse of the pattern exhibited in other sectors. This sector is strong on accessing external ideas and using different skill groups, relying heavily on team working. Over a fifth of sales are for innovative products, and the sector is strong on image building and self-promotion. However, there are wide variations in innovative activity among firms within the sector, and increasing innovation will be key to local sectoral growth and added value.

⁵ UKCES 2012.

Infrastructure and premises

While most in the sector in Devon more widely do not see the availability of quality premises as a constraint, there may be an issue of limited growth on space in the future. The lack of speculative development (as opposed to “build to order” bespoke development) may mean that those small enterprises that require “innovation centre” type accommodation will find rents higher and appropriate accommodation harder to come by.

However, planning, premises and connectivity were considered the key constraints on business services firms wishing to expand in Dartmoor. What units exist are at capacity, but there is no appetite for the speculative development of new units. The need for more high quality space for growing businesses in locations that are appropriate, and that allow businesses to grow in, or near to, their base is a key challenge. DNPA policy is to allow for change of use of existing employment units (e.g. retail to office) and there is also scope to diversify agricultural units, (e.g. creating office spaces on farms).

Connectivity is also seen as a significant constraint for many businesses. While the roll-out of Next Generation Broadband will have an impact more generally, and will benefit consumers and general business uses, those that provide IT related services require far more bandwidth than this provides, needing dedicated fibre to the premises solutions and synchronous lease line services. Solutions such as the creation of an internet exchange bringing together a number of customers needing lease line services to form a special purpose vehicle that aggregates their collective lease line needs and purchases the connection in bulk has helped achieve very significant cost savings in other parts of the Country.

Finance and investment

There is a perception that finance is still a key barrier to business growth, but there are a number of different views as to the reasons for this. While there is no doubt that banks are reluctant to lend to businesses that do not have established track records etc, there is also a perception that many businesses need assistance to become investor ready.

Some of the difficulties businesses have in accessing finance are because the loan proposition is fundamentally unsound, or that the case, whilst sound in itself, is not well articulated. Too few businesses have the skills to make them appear attractive to banks and other external investors. Only 23% of those responsible for making finance decisions in SMEs have financial qualifications or any financial training⁶.

Another constraint for some is public sector procurement frameworks and the fact that small local businesses may find it difficult to win contracts to supply large public sector organisations

Business demand is also an issue - One of the constraints on those knowledge intensive business services is a lack of awareness and understanding of what they can do for other businesses. It is claimed that companies in Devon are less used to working with a business

⁶ SME Finance Monitor, 2011

services company than in other parts of the country, and struggle to see the benefits and return on investment.

Developing a Sector Action Plan

As this summary outlines, the business services sector is heavily influenced by macro-economic conditions. The role of local partners will therefore be limited in terms of the sector as a whole. In addition, it is the view of many businesses that the most important thing that can be done is to let them get on with running their businesses and creating wealth. It is also unlikely that there are a significant opportunities for Dartmoor in isolation, as opposed to its role within a wider Devon strategy for the sector. The exception may well be to counter the perception that the National Park is somehow “not open for business” and to promote the opportunities for business services companies within or on its fringes. Using successful IT (for instance) businesses as examples of an “enterprising National Park” could be a key part of this.

There is also value in establishing a forum or network for businesses that operate in Dartmoor, and that are not tourism or land based, to provide a route for joined up policy making and information sharing. Other, more Devon focused actions could include:

The availability of skills and staff

- Working with Productive Skills for Devon and Somerset and Employment and Skills Boards to ensure that the professional and skills needs of companies in the sector are met locally. This might mean working with sector representatives / Sector Skills Councils in assessing education and training needs at all levels in the sector.
- Working with HE partners to increase the opportunities and take up of graduate internships. The Unlocking Cornish Potential model is one that should be supported through future ERDF investment in the County.
- Similarly, working with HE providers and employers to increase the number of Higher level apprenticeships will be an important strand of activity to provide businesses and young people with beneficial opportunities.

Access to appropriate office space.

- There are likely to be continuing constraints on speculative development, and this is likely to impact most on those small businesses looking to grow. The impact of this for Dartmoor is that successful small businesses may have to move away to grow. However, evidence is lacking on the extent to which this is actually a problem. A business survey of enterprises within the National Park would provide evidence of barriers to growth including premises, and labour market issues.
- Despite perceived planning barriers, there are opportunities to deliver appropriate high quality “innovation centre” space that provides a supporting, creative environment for dynamic businesses, building on existing provision that is at capacity in the larger settlements.. The role of HE Institutions in this should be central to facilitate knowledge transfer and collaborative innovation.

- While rural enterprise hubs (funded through the Rural Growth Network pilot) may be an important part of the solution, means to encourage private sector development, especially agricultural diversification bringing redundant buildings into economic use, should be considered, potentially through a grant scheme supported through Rural Growth Network investment, but also through a more generally enabling approach to planning.

Connectivity

- High quality ICT infrastructure is perhaps the area where there is most support for action. This is seen as most pressing in more rural areas. The roll out of Superfast Broadband will help consumers and some businesses, but there is also a need for infrastructure that meets the needs of web based business service enterprises. Local partners should continue to push for the full range of appropriate technologies, and consider the feasibility of the establishment of a Community Interest Company or similar to provide wireless connectivity in more dispersed rural areas.

Stimulating innovation and growth

- Local partners have a key role to play in maximising the local benefits of the range of interventions such as Regional Growth Fund investment, Innovation vouchers, Rural Growth Network etc. Raising awareness of opportunities for local businesses is vital as is ensuring that investment programmes (such as the revenue element of the RGN) genuinely respond to business need.
- Access to finance is one of the areas where chambers of commerce, as partners of the LEPs, could play an important role in ensuring that businesses have easier access advice on preparing loan applications at local level. Chambers will also be well placed to facilitate links between businesses and local banking and investment communities.

Dartmoor Priority Sector Outlook - Tourism

Sector snapshot

What is it?

This sector includes three areas of business activity that are inextricably linked to the tourism industry. These are the serving of food and beverages, accommodation provision and sport and recreation activities.



Where is it now?

Employment in the three sectors outlined above totalled 2,200 in 2011. This is just under 20% of total employment in the National Park⁷. The largest proportion of employment in the sector is in accommodation where employment totalled 1,000, but restaurants, cafes and bars also supported employment totalling 950.

This compares with national data which shows that employment totalled just under 2 million in 2011, or 8% of all employment.

Tourism is one of the most significant drivers of the Dartmoor economy and its reach is far more significant than employment in the sector alone. It has potentially significant indirect impacts on a range of sectors (in particular retail and food and drink manufacture). According to STEAM figures 2.95 million visitor days were spent in Dartmoor in 2011 with expenditure totalling £119 million.

It is also a sector which has a direct link to one of the statutory purposes of National Parks – “to promote opportunities for the understanding and enjoyment of the special qualities of the area by the public”. The tourism and leisure sector, in providing opportunities for people to engage with and understand Dartmoor’s unique features needs to be seen within this wider strategic context.

Recent and future trends

Recent trends

Within the National Park area, there has been a 20% increase in employment in accommodation and food and beverage serving since 2008⁸ with the biggest rise coming in the accommodation sub sector. Interestingly there has been a trend towards full time employment in this sub sector while the food and drink serving sub sector has seen a reverse trend of more part time employees.

⁷ Note that we have used the definition of the National Park area based on Lower Super Output Areas.

⁸ Caution does need to be exercised when assessing trend data for an area as small as the National Park, as the data becomes less reliable at smaller spatial levels.

It is estimated that output of the hotel and catering sector rose by 3.6% between 2004 and 2009⁹. This was slower than in the previous five years, and reflects the impact of the recession which saw output fall by 3.5% in between 2008 and 2009¹⁰.

Nationally, output in the tourism sector grew by over 11% between 2000 and 2010 and the sector now accounts for around 6% of UK GDP¹¹. Hotels and restaurants alone account for 2.9% of UK GDP and 3.3% of South West GVA¹².

The decline in the value of sterling during the recession has increased the attractiveness of the UK as a holiday destination, however sterling has gained strength more recently and by May 2012 was worth 10% more against the euro than it was in May 2011 (UKCESa 2012)¹³. The recession led to a squeeze on consumer spending, with 2009 seeing the net loss of 4,685 businesses¹⁴. In the short-term holiday breaks within England (particularly for 1-3 nights) are set to increase in 2012 compared to 2011, although an analysis of holiday intentions in 2013 suggests a sharp rise in visits abroad at the expense of domestic tourism¹⁵.

Nationally the wider leisure and hospitality sector has felt the impact of the recession and constraints on discretionary expenditure particularly harshly. While consumers have placed the annual holiday high on their expenditure priority list, it is days out and eating out that have seen particular declines. However, the restaurant sector has proven more resilient during the recession than expected. However, with implications for Dartmoor it is the chains in particular, that have been quick to understand the consumer shift to “bargain hunting”, offering regular promotions to support volumes. By contrast, many of the independents (who dominate the Dartmoor market) have struggled to compete on value for money.

What does the future hold?

Two key trends point to a long-term increase in demand in the tourism sector nationally, which will present opportunities for the sector locally.

Firstly the relatively wealthy ‘baby boomer’ generation are retiring in greater numbers and are likely to use their higher disposable income to eat, drink and go on holiday more. These consumers are likely to place considerable importance on high level customer service¹⁶. Research in the south west has revealed older visitors to be particularly interested in sampling local food and learning about local history and culture, although the challenge for Dartmoor will be to beat competition for this market from other parts of the UK¹⁷.

Secondly, long-term tourism forecasts from the UNWTO (2001) predict that as the world population increases and the global middle class expands, global international arrivals will likewise rise, reaching 1.6 billion in 2020. The UK is seen as a likely beneficiary as more

⁹ Dartmoor and its Reaches 2009

¹⁰ Dartmoor and its Reaches 2009

¹¹ UKCES, Sector Skills Insights: Tourism, 2012

¹² UKCES, Hospitality, Tourism and Sport Sector: Sector Skills Assessment, 2012

¹³ UKCES, Sector Skills Insights: Tourism, 2012

¹⁴ UKCES, Hospitality, Tourism and Sport Sector: Sector Skills Assessment, 2012

¹⁵ Visit England, 2012

¹⁶ UKCES, Sector Skills Insights: Tourism, 2012

¹⁷ Experience Market Research, 2009

people are able to travel to the country¹⁸. However, most overseas visitors are likely to be concentrated on a few “global” attractions.

Forecasts produced by Working Futures have projected an increase of 11% in the UK tourism workforce between 2010 and 2020. The share of total employment in higher professional occupations and associate professional and technical occupations is also expected to increase over this period from 27.4% of the total workforce to 30.3%.

Recent research shows that the leisure and hospitality sectors will continue to feel the impact of tightened discretionary expenditure. In a recent survey, PWC found that the areas consumers expected to cut down the most were drinking in pubs and bars, and eating out. Conversely fewer identified cutting back on short breaks or holidays¹⁹. This presents a mixed picture for businesses on Dartmoor, as day trip expenditure may be constrained while short break and holiday spend may be more resilient.

Of particular importance for the tourism and leisure sectors in the coming years is significant technological development including:

- Online booking and mobile technologies
- Customer Relationship Management (CRM)
- Online social networking
- Data security
- Technology to enhance the customer experience – such as apps and smart card technology

These provide both opportunity and challenge, the latter particularly for smaller businesses.

Opportunities and challenges

Visitor levels to Dartmoor have remained broadly static for the past five years at just under 3 million (although 2010 saw visitor numbers topping 3 million). It is felt that there is additional capacity for more visitors, not just in the off season, and that there is also the opportunity to get people to stay longer. Currently many visitors either come as a day trip from the Torbay or South Devon coast, or visit as a stop off en route to Cornwall or the coast. Attracting longer stays and making Dartmoor a destination in its own right is seen as a key objective going forward.

Consumer Demand

Stimulating demand through a range of targeted marketing activity is therefore seen as important. However, while the rise of the “staycation” may have benefited Dartmoor tourism businesses to date, it is likely that the economic downturn will continue to impact on consumer spending and confidence in the sector for some time, and the full impacts of economic re-balancing may still to be fully felt, in particular in terms of public sector job losses. Employers have reacted by asking existing staff to work shorter hours, not replacing

¹⁸ UKCES, Sector Skills Insights: Tourism, 2012

¹⁹ What’s happening in Hospitality & Leisure - A review of sector trends and the deal market, PWC, 2012

permanent staff that leave, reducing the money spent on recruitment and cancelling plans to expand the number of permanent staff²⁰.

The importance of a range of visitor focused campaigns to stimulate a sustainable increase in visits is, of course, recognised. The National Park has seen initiatives such as Active Dartmoor and Paws on Dartmoor, and such schemes will continue to be an important component of the wider strategy to develop the visitor offer in a sustainable way.

Similarly large scale events also play a key role in widening opportunities for visitors, whether this be regular events such as the Ten Tors, the Tavi 7 and other races, or national events such as the Tour of Britain. Such events provide both a direct economic impact, but also can bring the special qualities of Dartmoor to new cohorts of visitors, some of whom may return.

PWC's report on the leisure sector identified a number of consumer trends which present opportunities for businesses to exploit. Those with potential resonance for Dartmoor include:

- The increasing importance of older groups as leisure consumers;
- Health and wellbeing as a key consumer concern; and
- Polarisation with "value" and "luxury" being the growing segments.

Technology and innovation

The Dartmoor Partnership's Tourism Strategy 2009-2015 highlights the need for tourism businesses to embrace e-commerce including social networking, podcasts, audio tours and Customer Relationship Marketing.

The importance of information technology in tourism has increased tremendously over the past years and the trend will certainly continue. However, since the technology itself is now available to almost everyone, its use alone does not necessarily bring a competitive advantage. The integration of IT into the organisational fabric of DMOs (for instance) is an important key to success, with real integration meaning that technology, advertising strategy and overall organisational mission are coordinated. However, it is difficult for many tourism businesses and marketing partnerships / organisations to keep pace with the evolution of new technologies, and there are opportunities to ensure businesses in Dartmoor are aware of new technologies and given support and advice in their adoption. Tourism-related organisations will be at a disadvantage if they fail to adopt these new technologies.

Sustainability is also predicted to become a key issue for sector and by 2030 will be a central and normal part of sector operations²¹. The need to reduce carbon emissions will increase the focus on the design and installation of materials to reduce energy consumption, while there is a growing risk of resource shortages or price increases as world consumption continues to grow²². However a survey of businesses in the south west revealed that only 40% had implemented a set list of measures to address climate change, suggesting that more may need to be done to encourage and support businesses in this area²³. The expectation that National Parks will be exemplars of sustainable development and initiatives

²⁰ People 1st, State of the Nation Report 2010

²¹ People 1st, Sector Skills Assessment for the hospitality, leisure, travel and tourism sector, 2010

²² UKCES, Sector Skills Insights: Tourism, 2012

²³ South West Tourism, Climate Change Tourism Business Survey 2010

such as Dartmoor First (which exists to recognise businesses' and other organisations' commitment to sustaining Dartmoor and its special qualities) should mean that the tourism sector locally is more active in this regard, but there is no concrete evidence of this. Often the drivers for such activity (as demonstrated through the Green Tourism Award scheme) are financial (through energy and other efficiency savings etc), and the business benefits of environmental business behaviours should be seen as of particular importance and influence when margins are being squeezed by reductions in discretionary spend.

Productivity / quality

Productivity in the sector is lower than average, with GVA per tourism sector employee standing at £20,000 in 2010 compared to £46,000 across the economy. The highest levels of productivity are in accommodation, while the lowest are in sports, food and beverages²⁴.

In order to increase the value of leisure and tourism, there is a need to increase the quality of the offer in Dartmoor and the spending of its visitors. More use could perhaps be made of Dartmoor's existing assets to develop themed breaks. As an example of existing initiatives in this regard, in 2012 the first phase of funding was secured for the "Moor than meets the eye" project. This aims to help people learn about and learn from the past and understand, appreciate and enjoy the cultural and natural environment, improving access in the form of heritage trails.

There is also considerable, and well recognised, opportunity to build on existing links between tourism providers and the Dartmoor agri-food sector, to add value to the local supply chain and to trade off the area's unique natural and landscape assets. Perhaps the most high profile example of this is the Ashburton Cookery school – nationally recognised and bringing considerable economic benefit to the local area. While these concepts are far from new, they are key to maximising the economic impact of the tourism sector beyond the tourism sector itself.

However, in relation to innovation and productivity, the demographic of many accommodation providers is a key issue. For many in this sector, their accommodation business may often be to supplement their income as a route to retirement. As such, there is no real drive to grow the business through investment in quality. Similarly, many choose to stay beneath the VAT threshold and so do not want to increase their turnover. While this cohort is an important and valuable element of Dartmoor's accommodation portfolio, it does reduce the wider drive to compete and improve quality of the offer. Competition is perhaps the most important stimulus to innovation and raising quality, and will fundamentally be limited where there are a large proportion of business owners who have little interest in growth.

Skills and recruitment

In the short-term skills gaps are a significant problem in the sector, with employers reporting that 84 staff in every 1000 are less than fully proficient in their job, compared with 54 per 1,000 employees across the economy as a whole.²⁵ Over a half of these skills shortages are in elementary occupations or skilled trade occupations which are both critically important

²⁴ UKCES, Sector Skills Insights: Tourism, 2012

²⁵ UKCES, Sector Skills Insights: Tourism, 2012

occupations for the tourism sector. Key explanations for these trends found by Davies et al (2012) include:

- Low number of applicants with the required attitude, motivation or personality.
- Potential applicants put off by the shift work/ unsociable hours.
- Not enough people interested in doing this type of work.
- Poor terms and conditions.
- Remote location/ poor public transport (a major problem in Dartmoor, particularly outside gateway towns).

Importantly the skills which employers saw most commonly as needing improving were customer handling skills.

The ability of the sector to effectively exploit the long-term rise in consumer demand will depend in part on the ability of managers to understand the strategic opportunities available and to motivate employees to improve their level of performance²⁶. According to service profit chain theory, having motivated employees who are happy in their jobs is critical to good customer service²⁷. Managers will also need to have a good understanding of the new technological developments in the sector, and there will be more emphasis on them to train staff to use this technology and to monitor customer interaction.

Despite these requirements, training for tourism sector employees, and particularly managers is relatively low compared to other sectors and has recently started to decline. The proportion of employees in receipt of training in the tourism sector fell from 29% to 23% between 2002 and 2009. Meanwhile workers in managerial positions, alongside those in professional, associate professional and technical occupations, receive much less training than those in corresponding occupations in other sectors do.

The major skill and staff shortages in the leisure industry centre around chef/cooks, though there are difficulties in recruiting high quality food service staff – hence the number of (mainly) Eastern European workers in front-line positions. Although anecdotal evidence would suggest that shortages in these occupations are not quite so severe as before the recession, the availability of skilled cooks and chefs is still a concern to most operators.

This is fuelled by the lack of interest in the hospitality as a career by British born nationals – a long-standing problem, coupled with the perception of long, unsocial hours and low pay in the industry. It's also exacerbated by the high prevalence of staff turnover in the hospitality industry which is officially claimed to be about 30 per cent but which in most cases is very much higher. Constant staff turnover necessarily leads to staff shortages but very often, the underlying problem employers face is not one of recruitment but of retention.

While major companies have good staff training schemes, the high number of owner operators in the industry, who have only a limited ability – and funds - to train staff, means that more emphasis should be placed on training. In many cases, this is the industry's Achilles Heel.

²⁶ UKCES, Sector Skills Insights: Tourism, 2012

²⁷ UKCES, Sector Skills Insights: Tourism, 2012

While the sector hasn't traditionally had very much involvement with apprenticeships, the number of apprenticeships in the sector has grown considerably since 2007/08, with the numbers of intermediate apprenticeships trebling since this time. However Shury et al. (2011) found that the sector's involvement with apprenticeships is slightly below average, and this is particularly concerning given the high level of recruitment of young people straight from education into the sector.

For the tourism sector more generally there is expected to be a need to replace retirees and people who leave the sector as well as to backfill jobs (where an existing employee is promoted and leaves an unfilled vacancy). Overall the tourism sector is expected to require over a million new recruits to replace leavers over the period between 2010 and 2020; a fifth of the total 2010 sector workforce. This poses particular challenges for Dartmoor, which has experienced continued out migration of young people, and has a limited supply of affordable rented accommodation appropriate for those who could fill these positions.

Planning Constraints / finance

While there are constraints on development outside of the largest settlements, there is still scope for small scale tourism development in the right place. While there is an argument that more accommodation is needed this could be located outside the National Park providing good infrastructure is provided to bring people in (e.g. the Wrey Valley Trail).

Probably the most pressing issue is lack of available funding for expansion and refurbishment by independent businesses. Even the availability of overdraft facilities to businesses that previously found them relatively easy to obtain is now difficult. Although there has been considerable expansion in the hotel industry in the last decade, this is almost entirely due to growth by public companies and not by independent operators, who are probably more concerned about modernisations and refurbishment than expansion.

Although many businesses found that trading conditions improved from the second half of 2009, it is likely that the recession will impact on consumer spending and confidence for some time. However, the downturn may result in more domestic visitors staying in the UK, which may mitigate the reduction in demand for labour or even lead to increased demand for labour in certain parts of the sector and the country²⁸.

Developing a Sector Action Plan

As this summary outlines, there is considerable uncertainty around the tourism and leisure sector. In the medium term a significant economic recovery may see a decline in domestic holiday-making with implications for Dartmoor tourism. However long-term trends predicting increasing tourist numbers present an opportunity for Dartmoor to increase visitor spend (partly through increasing opportunities to spend), providing its profile is sufficiently high.

Many of the findings above confirm the importance of the objectives set out in the Dartmoor Partnership's Tourism Strategy 2009-2015, such as the need to promote the Dartmoor Brand and to develop packages and clusters of activities to encourage day visitors to stay

²⁸ UKCES, Sector Skills Insights: Tourism, 2012

overnight. The Dartmoor Partnership could also consider undertaking specific work in the following areas:

Infrastructure

Improvements to access and accommodation may be essential if the tourism industry on Dartmoor is to sustain higher numbers. Given the planning constraints existing in the National Park, it will be critical for the National Park Authority to work with other partners which cover areas adjacent to the National Park. Specific actions could include:

- Working with Devon County Council and the three District Councils to develop a strategy for improving the accommodation offer in Dartmoor. This could involve development of “gateways” outside, but adjacent to National Park, the development of green infrastructure links, and efforts to promote farm diversification.
- Undertaking a Green Access Audit, to establish what options exist for reaching destinations by walking, cycling, train and water. A green transport surgery could also be set up, along the lines of the one held by Northumberland National Park in June 2012, to publicise green transport options to tourism and accommodation businesses which are in areas inside, or adjacent to, Dartmoor.

Promotion

Continued development of the Dartmoor brand will be essential if the National Park is to take advantage of long-term trends in tourist numbers. However, given the rising importance of international tourism, the partnership will also need to consider how to work partners in the wider Devon sub-region and beyond to ensure that Devon is placed firmly on the map. Specific actions could include:

- Developing specific packages aimed at targeting the “baby boomer” generation. Particular emphasis should be placed on the quality of the customer service which is provided.
- Working with the South West Tourism Alliance and other partners in the region to consider ways to target international visitors, including those from emerging economies.
- Consider ways to link local food provision to tourism. Specific work could be undertaken to utilise the findings and learn from the work of the Totnes food webs mapping project.

Training and Skills

The ability of tourist businesses to take advantage of a potential rise in tourism expenditure from the “baby boomer” generation will depend, in part, on the existence of high customer service skills amongst sector employees. However employers in remoter locations may be more reluctant to access provision. Consequently the partnership could consider:

- Delivering an assessment of training and skills needs amongst Dartmoor tourism businesses, in recognition of the importance placed by the “baby boomer” generation on high quality customer services.
- Consider how training could be linked to efforts to develop the Dartmoor brand. For example catering courses could be developed which focus on local recipes, while

customer service courses could include elements about the history of Dartmoor. The aim being to develop “a story” for visitors (particularly the over 50s) to improve brand association.

- Working with the national apprenticeship scheme to identify ways to improve the uptake of apprenticeships. The partnership could also look to engage with the National Trust’s own apprenticeship scheme to ensure there is sufficient take-up in the National Park.

Examples of good practice

- There is scope for more links to be developed between the tourism industry and the agrifood sector. Farm diversification models, such as Brimpts Farm are becoming increasingly popular, and more than half of England’s 57,000 farms are now believed to have diversified in one form or another.
- The Brecon Beacons National park developed a marketing campaign designed to increase visitor numbers. The campaign specifically targeted young affluent people living in London and the South East, food lovers, and those interested in walking/cycling.
- The province of Limburg in the Netherlands developed a project to combine staying in unique accommodation with visiting complementary cultural activities. Two to three days ‘Limburg cultural adventure packages’ and ‘Limburg culinary packages together’. The packages were targeted at couples aged 55+, couples aged between 25 and 40 and family groups.
- North Highlands College delivered a project to provide training to employees and residents in remote locations in community settings. The courses offered, including Customer Care and Exploiting the Gourmet Highlands, were particularly popular with employers.

Dartmoor Priority Sector Outlook – Construction and Property

Sector snapshot

What is it?

This sector includes two main components – the construction of buildings (commercial and residential), and real estate services. The latter includes renting or operating of own or leased real estate but excludes the development of building projects for sale.



Where is it now?

In 2011 the construction and real estate sector employed around 600 people in the National Park, over 5% of total employment. Nationally the construction and real estate sectors employed 730,000 people in 2011, around 3% of the entire workforce.

Recent and future trends

Recent trends

Employment and output in construction are both sharply cyclical and sensitive to macroeconomic conditions. The industry was significantly weakened by the 2008/09 recession, and the uncertainty this caused is thought to have changed house builders' preferences away from longer term projects with complicated planning conditions towards more profitable developments. It is expected that the lasting effects will include a shift in the balance between private and public housing demand with faster recovery for private work than for public due to substantial public spending cuts.

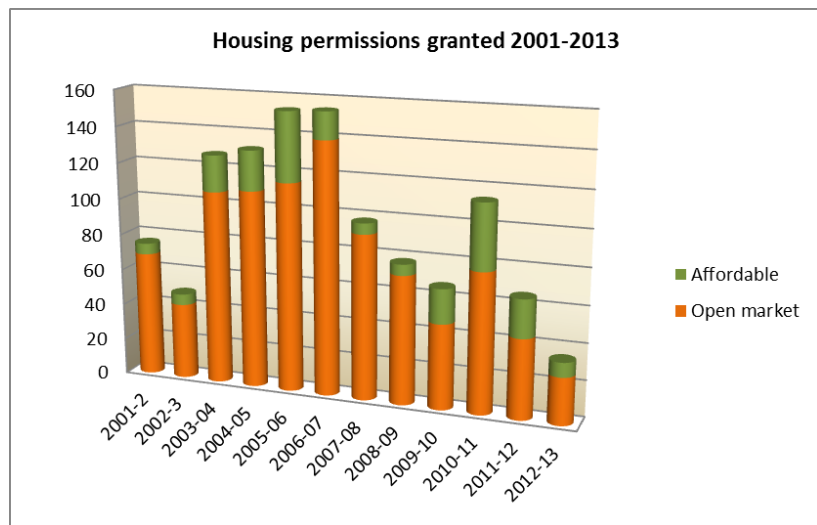
Within Devon, employment in the construction sector has seen marked fluctuation since 2008 reflecting the nature of the sector and its dependence on capital investment in development projects. Recent major projects in East Devon and Exeter led to significant increases in employment but there has been more recent declines. Despite falls in output, nationally construction employment has remained broadly static since 2008.

The real estate sector nationally saw a slight increase in employment between 2008 and 2011. In Devon, however, employment has fallen over this period, by around 6%. In contrast the data for the National Park shows an increase in employment since 2008. While the number of house sales has dropped markedly (almost by half) since 2006, this is from a very high number and at its peak the housing market in Dartmoor saw a turnover rate of around 10%. Prices have remained relatively resilient reflecting the situation in Devon more widely, and in Dartmoor this is reflective of the low number of homes at the lower end of the market, where most price decreases have been seen. Dartmoor has also been less vulnerable to the collapse in the second home market as it has a lower proportion of second homes in its housing stock than some parts of (mainly coastal) Devon and Cornwall.

Within the National Park, previous analysis revealed that between 1994 and 2004 the contribution of the construction sector to overall output in the National Park rose from 8.2%

in 1994 to 14.9%, at the same time as the contribution of agriculture and forestry fell²⁹. Growth was slower in the period from 2004 to 2009 with real estate/business services growing by 4.8% per annum and construction growing by just 1.4% per annum³⁰.

A good indicator of the state of the construction and property sectors is the trend in planning consents granted for residential development. The chart on the right shows clearly the contraction of the market since 2007 (despite a peak in 2010-11). This will have significant implications for the sector, and for the broader (and important in terms of numbers of micro enterprises) building trades.



What does the future hold?

The construction industry has been identified as one of the “enabling sectors”, crucial for economic recovery³¹. The UK is seen as having a comparative advantage in certain construction services, primarily engineering, architecture and activities associated with low-carbon built environment solutions. This advantage will be important in benefiting from opportunities driven by technological change, and increasing environmental awareness. Construction is heavily influenced by direct and indirect levers from the public sector, which procures around 40% of the industry’s output, and commitments to renew and expand national infrastructure are therefore significant to the sector.

Plans to increase house-building and infrastructure via government guarantees and other initiatives could provide a boost to the construction sector over the next year, while demand for engineering services may improve over the long-term³². The Government has earmarked £200 Billion for investment in public and private infrastructure investments over the next five years and has set-out a series of actions to stimulate and support the sector. This includes: support for first time house buyers; and changes to building regulations and public procurement processes. The extent to which this will have an impact on Dartmoor will be very closely linked to the speed with which residential development sites are brought forward.

The strategic development allocations in Dartmoor’s emerging Local Development Framework (due for adoption in June 2013), provide a clear indication of the likely demand for the construction sector, and the potential for local businesses to benefit. In the main there is an emphasis on larger, sometimes mixed use, sites with the smallest being a quarter of a hectare (for a minimum of 8 houses). Given the scale of these sites, their development is likely to be led by larger developers from outside Dartmoor, potentially bringing a workforce

²⁹ The Dartmoor Economy 1994-2004

³⁰ Dartmoor and its Reaches 2009

³¹ Industrial Strategy: UK Sector Analysis, September 2012

³² Barclays Sector Outlook 2012

with them, and with existing sub contracts for building trades. The opportunities for Dartmoor based businesses are more likely to come from other (windfall) housing sites which come forward. Windfall and household work (such as extensions, refurbishment and replacement dwellings) are likely to create more local employment opportunities than the strategic sites.

Opportunities and Challenges

Recent studies highlight a number of key barriers to growth and the efficient operation of the construction market. There is a broad consensus, spread both across the industry and its customers, that construction under-performs in terms of its capacity to deliver value and that there has been a lack of investment in construction efficiency and growth opportunities³³.

People – skills & recruitment etc

The construction sector has traditionally faced significant skills shortages, due to low investment in formal training and low qualification levels. The loss of workers during the recession is likely to have reduced investment in training aimed at long-term improvements in skills levels and there is concern that the sector will not be able to meet the demand for skills during the recovery. This is a particular concern in the South West, which has traditionally had the highest annual recruitment requirement of all the English regions³⁴. There has also been a reported decline in construction apprenticeships with the Federation of Master Builders raising the concern that quality was a relatively lower priority than the number of apprenticeship starts (although the National Apprenticeship Service has administered a large increase in apprenticeship starts this appears to have been at least partly as a result of prioritising volume over quality)³⁵.

The industry as a whole is recognising the issue of an ageing workforce but recruitment of young people remains at a low ebb. The Sector Skills Council and other stakeholders are working with universities to determine responsive, more open and flexible programmes.

There is, however, a wide range of relevant skills provision in nearby parts of Devon with a range of FE courses offered by South Devon College, and Exeter colleges, although there is little or no provision in the Petroc campuses (Holsworthy and Exeter) which are closest to Dartmoor.

Green Construction

The stakeholder consultations suggested that there are real opportunities around high quality and green construction. The Dartmoor National Park Management Plan 2008-2012 has already set out plans to ensure that, where possible, new developments include innovative design which reflect local distinctiveness and have high levels of energy efficiency. The development of training opportunities in green and traditional construction would give Dartmoor builders an advantage over construction firms elsewhere. There may also be potential, outlined in the Local Development Strategy (2008) to develop links between

³³ UK Construction Strategy

³⁴ Construction Skills Network South West 2012

³⁵ In evidence to the House of Commons Business, Innovation and Skills Committee, published November 2012

sustainable construction and the Forestry Commission's work on the timber processing sector.

Finance and investment

Wider financial constraints will also be important for the sector in Dartmoor (indeed smaller enterprises may be more vulnerable). While fall in demand (both in relation to the housing market and public sector projects) has had significant effects on the industry, there have been other constraints on the sector relating to the availability of finance. In the CBI/Speedy Services national construction survey, 40 per cent of respondents indicated that the availability of finance had deteriorated in the 12 months to September/October 2011 with particular impact on SMEs. Most companies believed credit conditions would worsen in the coming years.

A survey of the construction industry by the Civil Engineering Contractors Association (CECA) also found that finance was the main barrier to growth in the industry (2011).

More generally there is a broad consensus across the industry that there is lack of investment in construction efficiency and growth opportunities, which was further exacerbated by a fall in investment due to the recession. Procurement processes have also been identified by the industry as a constraint on growth and it is claimed that quicker procurement would encourage private sector innovation and efficiency, stimulating economic growth and boosting employment. In addition the nature of much public sector procurement is one that disadvantages smaller local suppliers.

Innovation

Construction is heavily regulated and according to NESTA³⁶ the sector is comparatively weak at all stages of the innovation process. There is less investment in new knowledge and process development and there are low levels of innovative activity. Firms are also less likely to access external knowledge or encourage employee team-working.

There is evidence to suggest that this is partly the result of a tendency for construction firms to concentrate on one market (e.g. local or regional). While construction tends to be seen as a 'low-tech', there is evidence that construction firms could benefit from higher levels of innovation (UKCES 2012).

One potential stimulus of innovation with a particular resonance for Dartmoor is the increasing focus on green or sustainable construction. There are a vast number of initiatives related to climate change, zero carbon and sustainability which have implications for construction, and the establishment of the Green Construction Board (GCB), a joint Government and industry group, aims to accelerate and grow the sustainable construction sector. Among the initiatives it is currently working on is a 'low carbon routemap', to map out the built environment's pathway to meeting the UK's 2050 carbon reduction targets. A further change will be the introduction of Building Information Modelling, which will bring design and construction teams together. This will result in greater levels of multi-disciplinary work. All public works will need to adopt this from 2016 and this equates to 40% of the work for the whole sector.

³⁶ Measuring sectoral innovation capability in nine areas of the UK economy, NESTA 2009

Those in the sector are concerned that green issues and modelling could have an impact on smaller firms. They will need support to get into these markets and both will require new skills. There is a fear that small firms could have real problems without an understanding of these areas.

Planning and regulation

While lack of finance was seen by local consultees as the most serious constraint on commercial development in the wider sub region, planning issues were also highlighted as of serious concern. It was felt that there was a need for the private and public sectors to work much more closely together to find solutions to the supply of employment land and the construction of employment space that will have much wider impacts on the local economy.

A related issue is that of rates on vacant property. While the intention of the reform of empty property rate relief was to lower rents, providing an economic boost, this is seen by those in the construction sector as a major constraint on speculative development, particularly in the current climate, and one that could constrain future growth. One potential action to generate activity would be the provision of a two year rate free period on new speculative development.

However, while these issues may be important beyond Dartmoor's boundaries, opportunities to develop new employment sites will remain limited within the National Park, reflecting its special characteristics. Such development that does occur will be focused on existing settlements, perhaps building on existing workspace. The focus of the local construction sector is likely to be almost entirely residential.

Developing a Sector Action Plan

As this summary outlines, the construction and property sector is heavily influenced by macro-economic conditions, especially the state of the housing market and the level of public sector investment in capital projects. Local Planning policy clearly outlines where residential development will be focused, and the future of the local construction sector will be inextricably linked to the speed with which development sites are brought forward, reflecting macro-economic conditions and the state of the housing market.

Beyond planning, the role of local partners will therefore be limited in terms of the sector as a whole, but there may be some targeted actions that will enable local enterprises to gain competitive advantage in growing markets for low carbon, green or traditional construction. While this sector snapshot provides some headline indications of where support may be required the next stage of developing a sector action plan should be to bring together businesses, membership organisations and public sector actors to discuss local barriers to realising the sector's growth potential, and to agree a set of coherent actions to seize the real opportunities for the sector in the future.

Skills

There is significant supply of construction related qualifications in local colleges, but the sector has traditionally had a high recruitment requirement. Colleges and the industry need to work closely together to ensure supply will meet demand in the future.

- Dartmoor National Park Authority should work with Productive Skills for Devon and Somerset, the three Employment and Skills Boards which include parts of Dartmoor, Local Authorities and providers to ensure a consistent and joined up approach to the development of a skills action plan for the construction industry, focusing on the development of expertise in sustainable and traditional construction techniques, and looking forward in particular to the role that ESF might play post 2013.
- Ways that local players can make it easier for young people to take on a construction apprenticeships need to be investigated, to increase the number of apprenticeships in the sector.

Innovation

The focus already placed by the National Park Authority on sustainable traditional construction techniques could enable Dartmoor to gain a competitive advantage in the development of green construction techniques. The National Park Authority should work with Devon County Council to consider ways of ensuring that construction businesses on Dartmoor are linked to the region's supply chain, and to explore how businesses can be encouraged and supported to expand their markets outside the south west.

Networking

The value of networks has been recognised in a range of sectors, enabling collaboration and information sharing. The feasibility of, and demand for, the establishment of a sector network should be assessed. This might build upon or complement existing networks such as those that exist in Somerset or Bristol.