

# Helping Businesses Thrive in Peripheral Rural Towns

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## Centre of Rural Economy

This research was undertaken through the Centre for Rural Economy at Newcastle University, which specialises in interdisciplinary social science, researching rural development and policy, food and society, and the wellbeing of rural communities.

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# Executive Summary

This is a report about business-led growth and its role within place-based revival. The report explores these issues by considering peripheral rural towns which are defined here as small towns distant rather than accessible to large urban areas. The towns considered within this report are between 2,000 and 12,000 in population.

## *Research Aim*

This research aims to investigate whether businesses can thrive in peripheral rural towns and, if so, the conditions needed for businesses to thrive in these locations. Whilst there has been much research into the potential for growth in rural areas, there has been a lack of focus on specific places and the challenges they face. Many studies have considered “rural” or sub-sectors of “rural” such as “peripheral rural” as generic categories whose economic prospects are assessed with little consideration of the outcomes within specific contexts. The opportunities arising will vary considerably between specific places and depend on a range of specific factors which would be difficult to assess or judge generically from national statistics.

## *Approach taken*

The research provided in this report is based on an extensive academic literature review and primary research in terms of contextual interviews from throughout the UK and detailed case study interviews in South West Cumbria, in the towns of Millom and Ulverston. The conclusions are reached through detailed consideration of this extensive evidence base.

## *Building our Industrial Strategy*

This research is consistent with the ideas developed within the government green paper “Building our Industrial Strategy”. Whilst the contribution of this research focuses primarily on the “driving growth across the whole country” pillar within the industrial strategy, it also considers other pillars “developing skills”, “supporting businesses to start and grow” and “creating the right institutions to bring together sectors and places”.

## *Key findings*

Four key findings emerge:

- Peripheral rural towns should not be neglected within policy.
- Many firms can and do thrive in peripheral rural locations. Their growth comes through their adaptation to local circumstances as their businesses grow. Local businesses contribute to national targets and bring hope for place-based revival.
- Policy needs to focus on helping places help themselves, where business growth requires sustained support at the local level which is sensitive to local opportunity and context.
- Government support needs to be supportive and sensitive to the diverse local activity emerging rather than leading and controlling.

## What conditions are needed for business to thrive?

### *Understanding the potential for business growth*

Industrial attraction is seen as being unlikely to be successful unless places can provide a niche which attracts entrepreneurs, such as residential desirability. Enhancing tourism should not be seen as the only option for revival. It is strongly argued that the following four strategies below should be given at least equal consideration.

- *Realising the potential within pre-existing businesses* - Evidence suggests that the key source of business growth is likely to come from pre-existing businesses. Located in peripheral rural areas often for personal reasons (lifestyle, family, grew up there), local entrepreneurs know their business can function there and are more likely to be loyal to the area as their firm grows.
- *Enhancing the entrepreneurial culture* - The future economic prospects for peripheral rural towns is likely to depend on local businesses and people with good ideas need to be encouraged to form and/or growth their business.
- *Tackling remoteness* - Although digital connectivity may help compensate for the remoteness of these towns, there has tended to be a rural deficit within provision. Improving digital connectivity needs to remain a priority for peripheral rural towns.
- *Improve the local workforce* - One challenge facing peripheral rural towns is recruiting skilled and professional staff. A combination of re-training and apprenticeships will make these towns more competitive and help tackle problems of deprivation.

### *Understanding opportunity*

Whilst some rural towns do need support, business opportunity can occur throughout the wider rural area and focusing specifically on towns in need could mean much potential is missed. It is important to consider the opportunities emerging within the region and the potential for peripheral rural towns to benefit from this.

- *The peripheral nature of the towns* - The nature of the towns' remoteness is a key factor affecting the opportunities arising within peripheral rural towns. The relationship with other (sometimes larger) towns can be crucial. This could be complementary, where, for example, peripheral rural towns may provide more desirable residential locations and/or visitor attractions. Being "out on a limb" will not help the opportunities available to the town.
- *Importance of amenity within revival* - Natural amenity, heritage and culture are often the key assets upon which such towns can enhance their local economy and can encourage housing as well as entrepreneurs and employees to move to these locations.
- *Not all towns want amenity-led growth* – It is often important to many local residents that their town continues to be an affordable residential location for low income groups. Gentrification is not always relevant or welcomed.
- *Opportunity is not purely determined by its context* – Luck plays an important role within local success. Opportunities are more likely to be taken advantage of within more favourable contexts in terms of places with local capacity and natural, heritage and cultural assets.

### *Creating a business friendly environment*

This research has highlighted a series of factors crucial in creating an environment which helps peripheral rural firms thrive. The following issues relate to the need for a sustained

local consensus and support which is sensitive to the diversity of local opportunity and context.

- *Leadership and collaboration* - The economic prospects of peripheral rural towns very much depend on the strength of the local leadership and there being an atmosphere of local collaboration. In the absence of such consensus, it is difficult to see how places can take advantage of the opportunities that arise.
- *Planning* - The usual constraint on growth within former mining or industrial towns is a lack of market activity. Such places often have sufficient space for development, but lack people wishing to invest. Within pressured small towns, however, growth needs to be carefully planned such that opportunity is realised and local amenity (natural amenity, heritage and culture) upon which success is usually built is not harmed.
- *Support* - There is a need to recognise that peripheral rural areas are unlikely to be on the radar of property developers and external entrepreneurs. Peripheral towns are likely to gain less district/county level political support than the larger towns within their area.
- *Access to capital* – Small and start-up businesses need “relationship” type banking experience in order to reduce information “opaqueness” in terms of their potential for successful growth. Good business ideas need to be encouraged and finance made available.

### **Policy recommendations**

This report does not suggest radical change in policy, but rather a more careful adoption of policy which is sensitive to the diversity of issues arising locally.

#### *Peripheral rural towns should not be neglected within policy*

Given their size in terms of their population and local economy, there is a tendency for peripheral rural towns to be neglected within local authority politics. Yet they can sometimes play a crucial role within business development and growth. Their SMEs can be leading firms within their particular market niche and are likely to be crucial to maintaining the local economy and contributing to national goals.

#### *Help places help themselves*

Policy needs to focus on helping places help themselves, where place-based revival requires sustained support at the local level which is sensitive to local opportunity and circumstances.

- *Importance of local involvement and leadership* - Policies need to recognise the importance of local activity in uncovering and realising local opportunity. Local leadership can come in many forms and from many sources, and where it emerges it needs to be supported.
- *Local consensus provides a friendly business environment* – Places working towards a clear and unified vision are more likely to realise the potential for local business innovation. The importance of developing a local consensus should be addressed locally, but encouraged externally.
- *Encourage businesses to engage more locally* – Encouragement for local networking, business breakfasts and mentoring from non-competitive firms may enable places to build on local business knowledge. This may help ensure that opportunities for business growth are appreciated and acted upon.

### *Business support needs to be sensitive to local circumstances*

Government support needs to be sensitive to the diverse local initiatives/activities emerging rather than leading and controlling.

- *Need to make the most of local businesses* – It is unlikely that attempts to attract big business will be successful within peripheral rural towns. There is more potential in helping local businesses grow. It is important to better understand local businesses, recognise the potential and the constraints on their growth and encourage them to realise their potential.
- *Intensive and sensitive business support* - The most successful business support efforts is intensive and sensitive to the needs of the individual firm and/or the local business context within which the firm resides. As business growth can come from all sizes and ages of firms and in all sectors, there is a need to better understand local potential when attempting to “pick winners”.
- *Planning for business growth* – When planning for business growth the principle “allocate land and they will come” is inadequate. Facilitation may be needed to help bring together local businesses and property agents, for example.
- *Encourage regional banking* – There is a need for applications for loans to be based on “soft” information. This would better enable SMEs with genuine potential for growth to access funding. One route to this is through regional banking.

### *More generic issues*

Further to the two themes of “helping places help themselves” and “support needing to be sensitive to local circumstances” outlined above, there are some more generic issues which are also of relevance here.

- *Infrastructure matters* – This is an issue which usually requires external support. In the absence of adequate infrastructure (usually road, but also public transport, digital communication, key services and utilities) significant opportunities for growth can be missed. Where potential for business growth can be adequately demonstrated, such as landlocked development sites, government support needs to be forthcoming.
- *Long term solutions are required in terms of broadband accessibility* – There is a tendency for rural areas to suffer from a technical deficit in digital connectivity. A workable solution is required so that reasonably up-to-date technology is maintained within rural towns.
- *Apprenticeships* – The apprenticeship model seems to work well within rural peripheral towns, raising local youth aspirations and encouraging employee loyalty. Small firms need encouragement beyond current policy, however, to take on apprentices.
- *Local business support needs to continue beyond Brexit* – As much of the business support available is from European Union funding, Brexit provides an opportunity to re-evaluate what forms of business support need to be provided.

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# Chapter 1

## Introduction

### Context and questions

The origins of many small towns relate to their roles in supporting agricultural needs, serving as a ‘marketing outlet for agricultural surplus of the adjoining countryside, selling in exchange a limited variety of goods and services’ (Clark, 1995: 7). The origins of more recent small towns often result from other factors, such as hubs for transport linkages, proximity to natural resources, manufacturing and tourism. Whatever the reason for the growth of activity in peripheral rural locations, after structural change, such as decline in agricultural employment, exhaustion of natural resources and deindustrialisation, their regeneration has often been slow. Challenged by ‘out-migration of skilled labour, aging population, high unemployment levels, limited technological resources and limited employment opportunities or industry cross-fertilisation’ (Bennett et al., 2015: 2392), is there much hope for business growth in peripheral rural locations? Decades on from their decline, small rural settlements often remain economically challenged in terms of their revival. Their remote nature means that such areas are peripheral to major urban areas and agglomerations of activity. Does this inevitably mean that peripheral rural towns can only provide low value activities serving the local market, as foreseen by Christaller’s central place theory? Or is there more potential within peripheral rural areas?

### What are peripheral rural towns?

The terminology “peripheral rural towns” is developed from the academic literature rather than a government definition. They are defined here as small towns distant from large urban areas, as opposed to accessible rural areas which tend to perform better economically (DEFRA, 2014a). UK government definitions are not helpful here. In terms of the urban-rural classification, towns less than 10,000 residents are “rural” and those 10,000 and over are “urban city and town”. Whilst this arbitrary 10,000 population cut off is not unique to the UK, it is not useful in helping to understand the nature of these settlements. The Market Town Initiative in the early part of this century was more pragmatically focused on towns varying in population between 3,000 and 20,000. In Germany the small town designation (Kleinstadt) is similarly for towns between 5,000 and 20,000 in population. Markey et al. (2008) describes how small towns in British Columbia can range from 5,000 to 20,000 people. The towns considered within this report are between 2,000 and 12,000 in population. Whilst it might have been favourable to be able to provide UK population figures of settlements which are “peripheral rural towns”, this is not possible given current UK government classifications. These towns offer places to live, work, access a range of services and enjoy leisure and may be important centres of rural activity. Each town is unique reflecting amongst other things their local history, geography, assets upon which they can draw, policy and political contexts, and local capacity/entrepreneurial initiative. In a similar way to the academic debate concerning the merits of researching the scale of rural, these small towns have meaning as representations of space, whose definition and importance (economic, social, cultural and political) varies through time and space (Halfacree, 1993). So, whilst ‘peripheral rural town’ is a ready shorthand which is used throughout this report, it needs to be remembered that it is a term which is underpinned by a range of functional and perceptual meanings. It is widely advised to steer clear of precise definition (Bell and Jayne, 2009; Powe and Hart, 2017).

## **Small towns and peripheral rural areas**

Despite the importance of this topic, there has been little consideration of the potential for the revival of peripheral rural towns. What realistic aspirations could be achieved? What opportunities could be created? Focusing on individual places, local actors have to make choices about how to develop strategies for revival. The opportunities will vary considerably between specific places and depend on a range of specific factors that would be difficult to assess or judge generically. Yet, there is a distinct lack of understanding of the potential within peripheral rural towns. Whilst there has been much research into the potential for growth in rural areas, there has been a lack of focus on place. Many studies have considered “rural” or sub-sectors of “rural” such as “peripheral rural” as generic categories whose economic prospects are examined with little consideration of place (Patterson and Anderson, 2003; Lee and Cowling, 2014). Other studies have looked at specific sectors, areas of potential or challenges (Bosworth, 2010; Kalantaridis and Bika, 2006; Saleminck et al., 2016). Whilst this research is insightful into many of the possibilities and constraints within peripheral rural areas, outcomes for specific places have been largely neglected. Yet from a policy perspective the focus often needs to be on individual places, whose regeneration has been seen as ineffective. What aspirations should such places have? What opportunities do they face? As suggested by Healey (2009: 447) academic research needs to provide inspiration for ‘enlarging the imagination which strategy makers bring to their struggle to grasp what is going on and what is at stake in a particular situation’ and a particular time. This report helps to enlarge our imaginations within the context of business growth within peripheral rural towns.

## **Aims of this study**

This research aims to:

- investigate whether businesses can thrive in peripheral rural towns. If so, what conditions are needed for businesses to thrive in these locations?

Given the rural focus of this research, it will concentrate on peripheral rural areas rather than accessible rural areas. In the case of the latter, the potential for business growth is seen to be higher. This report brings together a breadth of material in an interdisciplinary context in a way that draws upon a range of perspectives and focuses on what we feel are the most important emerging policy themes. This research will explore what are realistic aspirations in terms of what can be achieved and in what timescale within the specific places considered.

Two themes will be explored:

- *Understanding small town change* – In exploring the potential for business growth in peripheral rural towns it is important to understand small town change. Indeed, there is a need to gain an appreciation of the impacts of structural change on small towns and how they have managed to revive their local economies. Important within this is gaining an appreciation of the role of business growth within peripheral rural town revival.
- *Attitudes of entrepreneurs/business managers* – At a firm level, it is important to explore the factors influencing where firms set up/locate their businesses and the degree to which peripheral rural towns can accommodate their needs.

## **Building our Industrial Strategy**

This research is consistent with the ideas developed within the government green paper “Building our Industrial Strategy”, which attempts to ensure ‘more people in all corners of the country share in the benefits of its success’ (HM Government, 2017: 3). Within the green

paper it is also suggested there is a drive ‘growth across the whole country’, where there is a need to ‘ensure that every places meets its potential by work to close the gap between our best performing companies, industries, places and people and those which are less productive’ (HM Government, 2017: 5-6). In considering peripheral rural towns this report attempts to better understand the ‘right conditions for new and growing enterprise to thrive’ (HM Government, 2017: 6). Whilst the green paper sees the localisation of government in terms of city deals, growth deals and mayoral devolution deals, this research looks at the realities at the level of individual places and individual firms within. It is agreed that a ‘strong and accountable place-based governance is required – with a clear business voice’ (HM Government, 2017: 21). Whilst the contribution of this research focuses primarily on the “driving growth across the whole country” pillar within the industrial strategy, it also considers on other pillars “developing skills”, “supporting businesses to start and grow” and “creating the right institutions to bring together sectors and places”.

### **Approach taken**

Rather than looking for national economic trends across arbitrary sectors/classifications, this research will focus instead on experiences within specific places and build from this detailed knowledge to reach its conclusions. As such, the focus is more understanding the economic performance of specific peripheral places and why. Through understanding such outcomes, more insight can be gained into the potential within peripheral rural areas as a broad category rather than a precisely defined categorisation.

### **Methods**

The research will undertake a contextual study and a case study of the Millom/Ulverston area.

#### **i) Contextual study**

The purpose of this study is to explore current understanding on each of the seven key themes of research.

- Draw from previous research and practice by academics/practitioners/leaders/policy makers/think tanks in small town regeneration and levers of change.
- Undertake interviews with individuals who have brought an entrepreneurial/business approach to working across public/private sectors in rural towns and/or have contributed significantly to the rural economy.
- Look for further examples of good practice, whether urban or rural. Relevant interviews will be undertaken with the individuals involved where possible.

#### **ii) Case study of South West Cumbria encompassing Millom and Ulverston**

- Undertake a desk study to collect and analyse relevant statistics on the towns and the surrounding area, review material on prior efforts to develop the business sector in the Millom/Ulverston area, gain an understanding of the policy context within which the area sits and explore funding opportunities and emerging economic trends which might be relevant to the area.
- Gain an understanding of local opinion through interviews with key actors in Millom/Ulverston.
- Undertake interviews with other local/Cumbrian/regional experts

### **Structure of the remainder of the report**

Chapters 2 and 3 will consider the relevant academic literature and national policy context respectively. These chapters provide the background within which to situate the empirical material. Chapter 4 then outlines the methodology taken within this report. Chapter 5 brings together the key findings from the contextual study, where a focus on individual places is considered. These provide useful mini-case studies from West Yorkshire, Argyll and Bute, Powys and Northumberland. This provides a broad background for the in-depth case studies in Chapter 6. Here the focus is on South West Cumbria and the lessons that can be drawn from this area. Chapter 7 then pulls all the information together to focus on policy rather than specific places. As an extensive executive summary is provided, a conclusion would inevitably contain very similar material. As such, no conclusion is provided.

# **Chapter 2:**

## **Potential for business growth in peripheral rural areas**

### **Introduction**

The research upon which this report is based considers key questions related to businesses within peripheral rural areas. Can businesses thrive in peripheral rural areas in the UK? If so, under what conditions can such businesses thrive and what potential is there for encouraging them to operate in such locations. This chapter aims to review the academic literature on this subject and build a framework of understanding upon which the rest of this research will be built. When dealing with rural areas there are issues of periphery, but also issues in terms of the types of businesses. Within the UK firms located in rural peripheral areas tend to be smaller, more likely to be home-based and business formation is significantly affected by in-migration (Taylor, 2008; Newbery and Bosworth, 2010; Mason et al., 2011; Bosworth, 2010).

The chapter begins by considering the fundamental question of what factors influence business location. This is followed by a section which considers the potential for business growth in peripheral rural areas. In attempting to address the aims of this research, as outlined in the Introduction Chapter (Chapter 1), strategies for business growth and how to create a business friendly environment are also considered.

### **What factors influence the location of businesses?**

The location of firms has been the subject of much research and involves a range of different perspectives and disciplines (McCann, 2001; 2009). A key factor is the degree to which firms need to locate within a business agglomeration in order to thrive. Agglomeration benefits emerge due to economies of scale of investment in a spatial area, where the resultant concentration of activity is linked to positive externalities of colocation, minimisation of transaction costs through inter-firm trading links and strong social-networks (Gordon and McCann, 2000). The key advantages of such business concentration are seen to relate to the convenience of physical proximity, local availability of skilled employees, proximity to a sizeable local market, quality infrastructure, specialist business services, access to commercial information and specialist services/infrastructure and skills (Malmberg and Maskell, 2002; McCann, 2001). Whilst such forces for clustering exist, there are conceptual and empirical challenges in demonstrating their worth. Indeed, it 'seems impossible to support or reject clusters definitively with empirical evidence, as there are so many ambiguities, identifiable problems, exceptions and extraneous factors' (Martin and Sunley, 2003: 23).

Despite the challenges in assessing agglomeration benefits, peripheral rural locations may lack the potential for their realisation. This raises the question of what it means to be peripheral to such urban activity, where Anderson (2000) suggests that the idea of periphery itself is a social construction. Such a social construction may be more nuanced than simply distant/remote backwaters or subordinate areas to the core, central or primary zones of activity. Indeed, it is some of the traditional, underdeveloped and differential characteristics of peripheral areas that are seen as attractive to potential visitors and residents (Anderson, 2000; Bosworth and Willett, 2011). Whilst it may be necessary to define peripheral rural locations in relation to more urban and densely populated areas, the relationship may not be

subordinate, where there may be potential for more than the provision of low value activities serving only the local market, as foreseen by Christaller's central place theory.

Building on the conceptual models developed by Weber (1909) and Moses (1958), location choices were initially theorised under assumptions of perfect information. Through gradual evolution, firms are thought to migrate to locations which best suit their production functions. Consistent with bid-rent theories, peripheral rural areas are seen to provide lower wage and land prices. This may be attractive for footloose businesses able to trade away from the urban core. The product life cycle theory developed initially by Vernon (1966), suggests the pursuit of such cost reductions may depend on the stage of product development. Where innovation is required, theory suggests urban agglomerations are more productive due to their potential information, networking and skill advantages (McCann, 2001). There may also be issues relating to the need to have strong local markets in the early stages of product development. Indeed, perhaps lower cost locations are only sought once the production process has been standardised. For products and services that are complex and require constant flexibility within production, the theory suggests there is little prospect of moving outside large agglomerations.

Whilst there may be cost advantages within peripheral areas, firms operate under imperfect information, competition and inflexibility. Indeed, McCann (2001) suggests the realities of bounded rationality, the perhaps inevitable pursuit of conflicting goals rather than profit maximisation in larger firms, and the sizable costs of relocation may explain inflexibility in the market. Firms may be reluctant to locate in peripheral areas in which the returns are less certain. Despite spatial differences in terms of production and supply, in the context of improved transport and communications, Leigh and Blakley (2013: 85) suggest 'quality of community life, cultural and natural amenities, and reasonable cost of living, can now assume a greater weight in the firm's location decisions based on the preferences of the owners or the workers required by the firm'. As such, the residential quality of an area has become increasingly important in business location.

### **Potential for business growth in peripheral rural areas**

Despite the challenges assessing agglomeration described above, peripheral rural locations may lack the competitive advantage that large urban areas provide and this can seriously challenge their economic potential (Barkley and Henry, 1997). This research asks the question if businesses can thrive in peripheral rural areas? As suggested by Leigh and Blakley (2013: 84) 'different firms require different mixes of ... factors to be competitive'. Once in-situ, firms adopt strategies to counterbalance any deficiencies in their chosen location (Vaessen and Keeble, 1995). Building on this, Lee and Cowling (2014) suggest firms are affected by both sorting and adaptive effects. The sorting process ensures that firms which survive will 'locate in areas which suit their business models' (Lee and Cowling, 2014: 27). Some firms will need to locate within large urban areas and/or in close proximity to a large agglomeration or related/complementary firms (Boschma, 2015). For other firms, peripheral rural areas may represent feasible locations which would not restrict their ability to remain competitive. Once a business location has been chosen, firms then need to adapt to ensure they 'adopt strategies which compensate for the relative disadvantages of their locations' (Lee and Cowling, 2014: 27). Firms that do not sort and adapt are unlikely to survive.

In attempting to understand if businesses can thrive in rural areas, location theory suggests such places are constrained by their peripheral nature. However, improvements in transport and communication have reduced this constraint on business location. Whilst, social

networks, for example, can be critical to business success, they increasingly do not require physical proximity. Clusters of rural activity may also be possible within certain business sectors (Barkley and Henry, 1997). However, even if firms could thrive within peripheral rural areas, would they choose to locate away from larger urban areas? If there are likely to be few advantages, why would firms locate in peripheral areas? Surely, if there are no advantages peripheral places are unlikely to be on the radar of footloose businesses. Central place theories suggest only low order services are provided further down the settlement hierarchy. Are there exceptions to this prediction? If businesses are to be attracted to peripheral rural areas they have to be able to be competitive in those locations, but they also need to have a commercial or personal advantage for the owner. Otherwise such areas are likely to be neglected in favour of less risky and more conventional more urban locations.

### *Cheaper rural wages and availability of development land*

Whilst locating in peripheral rural areas may lead to higher transaction costs in input and output markets, there might be fewer constraints on land, cheaper land available, particularly within post-industrial towns, and wages may be lower (Patterson and Anderson, 2003). Indeed, these motivations were considered to be important in understanding the shift towards rural industrialisation in the late 1970s and early 1980s. Consistent with the ideas of Fothergill and Gudgin (1982) and Tyler et al. (1988), Healey and Ilbery (1985: 9) saw this shift to be due to ‘production costs, constrained locations and capital restructuring’. As such, unlike trends in counter-urbanization, this was seen to be a business-led phenomenon rather than being linked to in-migration. According to the product life cycle theory, locations where land and wage costs are lower are likely to be associated with branch plants. However, this trend has now shifted abroad as there are ‘many other places across the globe that provide cheap labor to produce goods that can be inexpensively shipped to markets due to logistics advances’ (Leigh and Blakley, 2013: 93). In Northern England, for example, the perceived rural advantage of ‘access to abundant land’ is likely to have less importance as development land is also often available within inner city areas (Lee and Cowling, 2014: 27). Growth in peripheral rural areas tends to be related more to environmental and lifestyle characteristics than to production costs.

### *Personal reasons (lifestyle, family, grew up there)*

Whilst the initial urban-rural shift may have been a business-led phenomenon, by the early 1990s this had shifted towards personal/lifestyle motivations and counter-urbanization pressures (Keeble and Tyler, 1995). Indeed, there is now a growing body of research which links counter-urbanization trends to small business growth, with proximity to the founders’ home being the most important reason for business location (Dahl and Soenson, 2009; Bosworth, 2010; Mitchell and Madden, 2014). As suggested by Lee and Cowling (2014: 28), ‘location decisions of entrepreneurs may be based only partly on competitive strategy, but will also depend on their preferences for housing and quality of life’. In-migrants setting up businesses in peripheral rural areas have the potential to significantly improve the local economy. Whilst Bosworth (2010) found in-migrants who simultaneously set up their business to be the most dynamic in terms of growth, in-migrants who set-up their businesses later (even as an afterthought) were at least as dynamic as local business owners. Indeed, the two stage process of moving and then setting up a business was quite common. Given that in-migrants may have ‘higher skills levels, have extensive networks, and [are] relatively affluent’, there is great potential for enhancing the ‘stocks of human, social and financial capital’ within the wider rural area (Bosworth and Willett, 2011: 210). Yet Bosworth and Willett (2011: 204) demonstrate that the extent to which in-migrant firms provide benefits for the local area will depend on the attitudes of the entrepreneurs involved and the degree to

which pre-existing local communities are ‘close-knit and impenetrable in nature’. Some rural entrepreneurs that are not locally embedded were found to be ‘still operating in the same external markets and choosing the location based largely on individualistic quality of life factors’ (Bosworth and Willett, 2011: 209). Whilst in-migration may provide much potential, accessibility and proximity to large urban centres is still likely to be very important within business location choices for many businesses (Courtney et al., 2004). Indeed, the challenges of running a business from a peripheral rural area may not be evident until after the business move (Anderson et al., 2016).

### *Other more minor issues*

Further to the issues above, there may be a series of more minor issues which may encourage specific firms to locate in peripheral rural areas. Given the potential lifestyle benefits for peripheral rural residence, this may lead to advantages in the local market in terms of the prosperity of local residents. Scott (2010) demonstrates such a link for the creative rural region in and around the Lake District in Cumbria. Similarly, Anderson (2000: 101) focuses on how the difference or “otherness” of the periphery has become a potential advantage’ for some firms. Such place-based advantages are likely to relate to the ‘experiential, not material’ nature of rural locations (Anderson, 2000: 99). This suggests a reinterpretation of the meaning of the “peripheral” social construction into something positive rather than subordinate. In terms of the creative economy, Bell and Jayne (2010: 212) explored the ‘interfaces between rural location and creative practice’. Whilst a countryside location may be beneficial, this was found to be minimal compared to other motivations for locating in rural areas. Whilst working in rural places may inspire, Anderson et al. (2016: 15) found rural locations a poor place for creativity, where the use and ‘application of creativity, is not performed alone but with others and is thus a socialised activity’. Such networking activity was found to be significantly constrained in their rural location. Whilst there may also be benefits of rural association as part of marketing strategies (Keeble and Tyler, 1995; North and Smallbone, 1996; Powe, 2006), this may only relate to very specific firms.

### **Strategies to help businesses thrive in peripheral rural areas**

Building on Barkley’s (2001) categorisation of strategies for employment generation in small towns, six approaches are outlined below that may help businesses thrive in peripheral rural areas. Strategies have tended to either focus on business growth directly (demand side) or relate to making peripheral rural areas more competitive (supply side). Enhancing the demand side is usually situated within economic base theory. According to this theory, economic revival requires the local production of goods and services to be exported outside the peripheral region. Base goods and services exported outside the area are considered as driving the local economy, upon which the market for secondary non-base goods and services depends (Barkley, 2001; McCann, 2001). The emphasis on the need to “export” outside the region has often led to a focus on attracting external firms to locate within the area (Strategy 1 - industrial attraction). However, there is a growing realisation that building up the economic base can also be through business retention and expansion of pre-existing firms (Strategy 2) and/or enhancing the entrepreneurial culture and small business start-ups (Strategy 3). Yet, rural areas are often situated in attractive amenity environments and, as noted above, are perceived to offer potential in terms of tourism, which would also bring external income into the area (Strategy 4 – Enhancing the visitor attraction role). In terms of supply side measures, efforts could focus on improving the competitiveness of peripheral rural areas either through making these tackling remoteness through infrastructure improvements (Strategy 5) or by improving the quality of the local workforce (Strategy 6). Whilst a balance of these strategies is the most appropriate approach, it is important to



understand how effective they are likely to be in helping to create business growth in peripheral rural areas.

### *Industrial Attraction*

Industrial attraction can be seen to form part of a policy which ‘discriminates between localities for the purpose of promoting growth in those areas that are most in need of additional employment’ (Perry, 2010: 51). Such discriminatory policy aims to divert firms from what might be their first choice location, towards, in this case, peripheral rural areas. To discriminate one area over another requires a strong and sustained political will to prioritise that location. As suggested by Perry (2010: 54), it is hoped that incoming firms could act as a ‘catalyst for change by offering new markets for local suppliers, introducing new business methods, diversifying the local economy and sending a positive signal to other would be investors’. Providing an anchor for other local activity, such firms may be a means of providing ‘better paid jobs’ in some of the ‘UK’s poorest paid regions’ (Bosworth and Willett, 2011: 207). As such, industrial attraction is a direct route to improving the economic base for peripheral rural areas.

Implicit within such industrial attraction policies is the underlying premise that businesses can be competitive within the location to which they are attracted. Only if this is the case can such policy be effective long-term. The reasons for the lack of certain businesses in peripheral rural areas may be due to perceived risks of their remote location and perhaps also information failures, as the private sector may not be aware of the potential for businesses to thrive in these areas. Through industrial attraction policies it might be possible to enhance external perceptions of place competitiveness. Yet the idea of place competitiveness is vague and a precise definition remains elusive (Simmie et al., 2006). Much of the criticism concerning ideas of place competitiveness has come from the short-term nature of the approach, narrowness as a concept (not embracing equity, social and environmental issues) and its “placeless” application to diverse and complex scenarios (Bristow, 2010; Markey et al., 2012; Boland, 2014). For example, focusing mostly on cost and price may be seen as “taking the low road”, compared to a broader policy perspective which builds on local capacity and broader ideas of place competition (Daniels, 1989; Malecki, 2004; Markey et al., 2012). Whilst place competition is perhaps inevitable, it can be wasteful with ‘each [place] seeking to attract the interest of developers, investors and occupiers’ rather than working together to alleviate common challenges (Healey, 1995: 225; Markusen, 1996; Markey et al. 2012). Ideas of competitive collaboration or collaborative advantage are now being more commonly expressed within the academic literature (Stimson and Stough, 2009; Powe et al., 2015).

A key question that arises is how to become more attractive to external investment? As with the definition of competitiveness, there are many interpretations of how places could become more competitive. Given international competition in terms of price and cost, there is a need to broaden the focus to doing/providing something unique which attracts external attention. Indeed, Perry (2010: 55) notes a general awareness that ‘investors are not motivated solely by cost minimization or freedom from regulation’. Something much more is usually required, where there is a need for place characteristics to match the business model of the firms attracted. For example, Daniel (1989) reports the importance of proximity to defence contractors. This is an example of what Markusen (1996) refers to as a state-anchored cluster, where political location decisions can lead to significant growth within a region. Similarly, “hub-and-spoke” relationships can develop from key anchor firms within an area. Less attractive are what Markusen (1996) called “satellite platforms”, where, consistent with the

life cycle theory described above, branch plants, perhaps attracted by subsidy, are set up locally but with few local linkages, where the lack of local embeddedness means the plant can be easily shut down and moved elsewhere (Markusen, 1996; Simmie and Martin, 2010). Whilst direct financial incentives may be important in attracting business, there are strong restrictions on “state aid” in the EU and the situation following Brexit is uncertain at the time of writing (Sinnaeve, 2007). As described below, enterprise zones are an approach through which industrial attraction incentives might be provided. Such sites may offer improved infrastructure, business support, business rate reductions and prepared sites and premises to attract external businesses.

Despite the potential, industrial attraction is often seen as an inferior approach to that of the more endogenous approaches of business retention/expansion and enhancing the entrepreneurial culture. This is in part due to a feeling that industrial attraction has provided disappointing returns on investment (Daniels, 1989; Markusen, 2007; Simmie and Martin, 2010). In summarising the relevant literature, Perry (2010: 59) suggests benefits are most likely to accrue to the local area if businesses stay for more than five years (closure rates peak at around five years after establishment), have a ‘diverse product customer base’, the ‘knowledge intensity of the production process’ is high, local management is dynamic in its efforts to ‘retain parent company support’ and the plant represents an important part of the parent company. More generally, there are concerns that attracted firms will not be subject to the ‘normal public and political scrutiny of their environmental impacts’ and the perceived lack of local embeddedness will limit the benefits to the local economy (Perry, 2010: 55; Bosworth and Willett, 2011). There is also the danger that the business approach of external firms will have relatively little local coordination with territorial and local strategies. Indeed, Brown et al. (2000: 160) suggest ‘large scale economic development at the local level is more likely to be the result of actions by players in the global market than of efforts at the grass roots level’. As suggested by de Frahan et al. (2000: 181), there are dangers that key choices in economic development will be “mainly made by large enterprises, rather than resulting from a regional consensus’. Such coordination may be needed if territorial areas are going to reach their long term potential and achieve the distinctiveness which is often important to small town revival. Questions also remain about the resilience of industrial attraction. The findings of Simmie and Martin (2010) suggest that through endogenous and organic growth, the local economy can become resilient to economic change. Simmie and Martin (2010: 40) report experience of medium-sized branch plants in Swansea where foreign direct investment provided a short term solution to a long term problem leading to the continuation of a ‘lock-in to a culture of industrial subsidies dependency and an expectation of lifetime employment in traditional industries’. Following technological change, instead of investing in the branch plants in Swansea to update the production processes, they were simply closed and production moved elsewhere.

If resilience comes from endogenous growth, perhaps this should be the focus of policy? Perry (2010: 69) suggests ‘lagging economies face some endemic disadvantages which explain why the economic structure has not evolved and why policies designed to “bribe” industry to move to these locations are unlikely to bring sustainable results’. Rather than focusing on industrial attraction, perhaps there is a need to encourage enterprise formation and growth from within the pre-existing business population.

### *Business retention and expansion*

If the primary economic objective is building up the economic base, endogenous development is likely to be crucial. This can be achieved through ‘valorising local resources

and local characteristics’ and encouraging employment which matches local skills (Bosworth, 2010: 977). Indeed, if, as suggested by Perry (2010: 57), ‘regional economic disparities stem from many individual small scale coordination and market failures’, then ‘local insight is likely to result in more effective policy intervention than relying on a central government agency’. New and established local businesses are most likely to be able and willing to embed their business within a peripheral rural location. This suggests a strategy of business retention and expansion. Whilst competing within a global economy is a challenge, Bristow (2010: 160) suggests that ‘talk of a flat, borderless world where geography no longer matters’ is overly simplistic. Indeed, most businesses are set up close to home and, once established, most firms remain in that location (Dahl and Soenson, 2009). However, there are limitations on such a strategy, particularly in terms of the limited growth which occurs within SMEs (Barkley, 2001).

A lack of growth in small firms is a generic problem. Based on an extensive literature review, Storey (1994: 158) found ‘rapidly growing firms to constitute a tiny proportion of the small firm population’. Indeed, this is a view consistently found across a number of studies (OECD, 2014; Mason et al., 2015; Brown and Mawson, 2016). Whilst this perhaps implies the need for policy to focus on ‘seek[ing] out new enterprises with high growth potential rather than on trying to increase the total sum of new enterprises’, Perry (2010: 71-72) suggests a tendency to ‘underestimate the challenge of being able to identify the characteristics of the better performing start up firms’. Whilst there have been many studies which have searched for empirical regularities which would help identify high growth firms, in reviewing the evidence Brown and Mawson (2016: 819) suggest ‘rapid growth has the potential to occur in all firms, irrespective of their age, sector and size’. As suggested by Perry (2010: 78), ‘small business growth is dependent on the alignment of multiple attributes, some of which are intractable to policy influence, such as family and employment history of business owners’.

Whilst the lack of growth in small firms is a generic challenge, this would appear to be particularly the case in peripheral rural areas. For example, given the promise emerging from the creative economy in large cities, similar outcomes were expected in rural areas. Whilst the creative economy in rural areas remains an important sector, creative businesses have demonstrated an ‘ability to sustain rather than grow’ (Bennett et al., 2015: 2402). The approach taken by the firms surveyed by Bell and Jayne (2010), for example, was seen as being more bohemian than profit motive driven. Bennett et al. (2015: 2399) suggests creative business owners seek the ‘quality of life obtainable within rural periphery regions where it is possible to survive on a lower level of income’. Whilst maintaining important local employment, the lack of growth in the rural creative sector suggests an inability for this industry to deliver the desired policy outcomes of economic revival and growth within peripheral rural areas. However, such issues do not only relate to the creative industry, but are also more generally consistent with the lifestyle motivation for locating in peripheral rural areas. Indeed, Bosworth and Willett (2011: 210) suggest ‘in-migrants seeking an escape from modernity are unlikely to be catalysts for the turnaround of the [rural] county’s economic fortunes’. Similarly, Anderson (2000: 99) reports the business owner perspective of the need for a ‘comfortable lifestyle’. Given these challenges, there is a need to focus on entrepreneurial orientation within rural policy; the ‘motivations and aspirations of the business owner’ towards risk taking aimed at growth (Galloway and Mochrie, 2006: 175; Bosworth and Willett, 2011: 210).

As most employment growth comes from a small number of firms, successful policies for business growth need to be able to pick and support these “winners”. Barkley and Henry

(1997: 319) suggest a prerequisite to such targeting is ‘industry-specific information on production trends, labor requirements, locations of product markets and input and service suppliers, and historical location patterns’. It is further argued that it is ‘unlikely that local governments possess the knowledge necessary’ to promote areas, sectors or clusters for expansion (Barkley and Henry, 1997: 319). Similar challenges are faced when trying to encourage small business start-ups. Picking “winners” is and is likely to remain the key challenge within policy to support business expansion.

### *Enhancing the entrepreneurial culture*

Smallbone et al. (2003: 835) highlights the importance of moving away from a ‘dependency culture’, where focusing on improving endogenous forces for change provides an alternative to ‘relying on big business and the state to provide work and an income’. Indeed, North and Smallbone (2006: 54) note that changing the local culture is ‘going to be most difficult where there is no tradition of becoming self-employed or setting up businesses’. Using a post-industrial West Cumbria case study, they report how the ‘incidence of entrepreneurship in the population is very low, especially amongst men, largely as a result of the historic dependence of the population upon working for large industrial employers’ (North and Smallbone, 2006: 54). Within peripheral rural areas that are unlikely to attract external firms, supporting an entrepreneurial culture and small business start-ups complements strategies for business retention and growth. Yet, Barkley (2001) suggests small independent firms have a low survival rate and the jobs created are often low in quality. All large firms start off as small businesses, but picking “winners” in terms of start-up businesses might be even more challenging than picking firms likely to grow from the pre-existing stock of firms. Efforts to develop a local enterprise culture usually focuses on the availability of capital, development of incubation hubs, enterprise coaching and helping start-up firms improve their market information (Barkley, 2001).

### *Enhancing the visitor attraction role*

Often situated in attractive rural environments, the most common story of small town regeneration in the academic literature is one of amenity-led revival (Barnes and Hayter, 1994; Smith, 1998; Seaton, 1999; Paradis, 2000; Gill, 2002; Tonts and Greive, 2002; Westerhausen and Macbeth, 2003; Halseth, 2005; Jackson and Illsley, 2006; Macleod, 2009; Green, 2010; Powe and Hart, 2017). However, the degree to which this strategy is consistent with the economic base theory is questionable. As suggested by Turok (1992: 375), ‘retail and leisure sectors provide a weak base for sustained growth because they are concerned with distribution and consumption rather than with the production of income and wealth’. Base goods and services exported outside the area are considered as driving the local economy, upon which the market for secondary non-base goods and services depends (McCann, 2001; Courtney *et al.*, 2008). Yet, Courtney et al. (2008: 258) suggests there is a ‘clear case for fostering not only “basic” sectors which generate external income, but also “non-basic” activities which source locally, helping to prevent leakages and thus increasing the size of local multipliers’. For example, Courtney and Errington (2000) found the service sector, consumer service and non-agricultural firms to be more strongly integrated into the local economy than manufacturing, producer service and agricultural firms. In terms of manufacturing in general, Courtney et al., 2008: 366) suggests ‘manufacturing firms are more often connected to the wider economy; their purchases come frequently from regional input markets, they often sell their outputs in the regional or international economy, and their workforce is often recruited at the regional level’. This was seen to question the potential of the manufacturing sector in stimulating the wider rural economy. Consumer services have been consistently found to have strong local linkages (Courtney and Errington, 2000;

Courtney et al., 2008). A balanced approach to economic growth is required, where in peripheral rural areas there may be a need to ‘provide a resilient and flexible foundation for all forms of development’ (Markey et al., 2012: 273).

### *Tackling remoteness*

Being located in the “periphery” rather than the “core” is likely to mean the absence of agglomeration economies. This may lead to a tendency for rural firms to be less productive. This may result from a lack of networking, where rural firms may have limited opportunities for interaction with other local enterprises. As suggested by Kalantaridis and Bika (2006: 1562), ‘the availability of resources, tangible (in the sense of factors of production) and intangible (in terms of the existing knowledge infrastructure), as well as a critical mass of local animators (organisers) in rural areas is often lower than that reported in urban agglomerations’.

If businesses are going to thrive within peripheral rural areas, they are going to need to be adequately networked. For many firms located within peripheral rural areas, links to urban areas can still be strong and are essential to business success (Kalantaridis and Bika, 2006; Bosworth, 2010). This was demonstrated by Harvey et al. (2012) as temporal agglomeration can be experienced through attending national and international trade fairs. Whilst issues of transport prevail, an area of much concern is digital connectivity and usage, where this provides a route to external networking. Whilst digital communication has the potential to compensate for the peripheral location of business, in terms of enabling businesses to ‘communicate with peers and clients, market one’s services and stay abreast of sector-relevant developments’, peripheral rural areas are in danger of falling behind larger urban areas (Townsend et al. 2015: 173; Anderson et al., 2016; Salemink et al., 2016). There may be what Blanks Hindman (2000) refers to as a “rural penalty”, where the almost inevitable lower connectivity leads to reduced competitiveness. The high costs of deploying the infrastructure are likely to continue to deter private sector delivery. This may suggest the importance of workspace within small towns or rural business hubs, where there may be hope of collective up-to-date provision. Salemink et al. (2016) suggest the importance of communal efforts within the delivery of digital technology, where a lower quality of service is to be expected within small rural settlements. As part of an urban-rural digital divide, larger urban centres and/or areas of business agglomeration are likely to continue to benefit from superior and more regularly updated communication technology (Townsend et al., 2013).

### *Improve the quality of the local workforce*

Leigh and Blakley (2013: 94) suggest that ‘the quality of an area’s human resource base is a major inducement to all industries’. Whilst a lack of alternative employment opportunities may help to keep wages down and encourage employee loyalty, a common challenge in peripheral rural areas is filling posts requiring specialist skills and knowledge (Keeble and Tyler, 1995; Barkley and Henry, 1997; Smallbone et al, 2003; Anderson et al, 2005; de Hoyos and Green, 2011, Lee and Cowling, 2014). This may be due to comparatively lower salaries for skilled/professional employment in peripheral rural areas, but also difficulties retaining young members of staff and/or due to the lack of opportunities for specialisation and career advancement. Potential employees may feel that they will become trapped into a location where there is no alternative employment.

Peripheral rural areas are characterised as having a comparatively low percentage of hard-to-fill vacancies (Green and Owen, 2003). For non-skilled staff, limited access to public

transport in rural areas can be a constraint on recruitment. Indeed, Lindsay et al. (2003) suggest rural job seekers often tended to be inflexible in terms of the distance they are willing to travel. However, de Hoyos and Green (2011) report the important role of migrant labour in filling low skilled posts in rural areas, where this was particularly the case within manufacturing, agriculture, and tourism-related sectors. In terms of labour retention, a low staff turnover is commonly reported in rural areas, where rural location affects retention in the opposite way to recruitment (de Hoyos and Green, 2011). Working in a peripheral rural area may stifle the career prospects of ambitious employees and, once settled in a rural location, employees may be restricted by the lack of alternative opportunities and they may become more loyal. de Hoyos and Green (2011: 178) also report that a ‘friendly and pleasant work environment’ is also a factor in the low turnover of staff in some rural businesses. Whilst there may be advantages to rural locations, such as a lack of congestion for example, these benefits are most likely to be appreciated within accessible rural locations which perhaps provide a better compromise between proximity and desirable aesthetic location than peripheral rural areas (Keeble and Tyler, 1995; Kalantaridis and Bika, 2006; Powe and Bek, 2012).

Efforts to alleviate the challenges in the local labour market are likely to focus on linkages with local schools and the development of apprenticeships. However, other issues relating to the residential desirability of rural areas are likely to be important, such as the quality of life, the availability of leisure and culture, and the opportunities for alternative employment.

### **Creating a business friendly environment**

In attempting to deliver on the six strategies above there is a need for appropriate and capable local governance, supportive regulative environment and policies which aid business growth. A key cross-cutting theme is the need to create a business environment which helps firms to thrive. The business environment within particular peripheral rural areas may be an enabler or a constraint on business growth.

#### *Support from local governance*

Decades of research into government-initiated regeneration programmes is not optimistic about the chances of success. There is a recurrent theme within such research that the process developed within government-initiated programmes often fails to adequately match the process to the challenge (Smith, 1998; Jones and Little, 2000; Edwards et al., 2000; Osborne et al., 2004; Caffyn, 2004; Morris, 2012; Morris, 2011; Powe *et al.*, 2015; Powe and Hart, 2017). Similar trends have been observed internationally (Herbert-Cheshire and Higgins, 2004; Markusen, 2007; Markey et al., 2012) and within regeneration efforts within UK urban areas (Lawless et al., 2010; 2011). In terms of sectorial rather than place-based support, the findings are also less than favourable. Indeed, rural creative industries’ policy has been insensitive to the specific needs of businesses within this diverse industry (Bell and Jayne, 2010; Harvey et al., 2012; Bennett et al., 2015). In terms of the knowledge economy, Bosworth and Willett (2011: 206) report how ‘industries are encouraged to relocate with little clear understanding of how they “fit” within the existing socioeconomic base in terms of skills required from the workforce and local markets served’. Indeed, Markusen (1996: 309) suggested the importance of assessing the ‘existing district structures accurately and design a strategy around them, rather than committing to a fashionable strategy’.

Rather than developing local governance specific to government-initiated programmes, there is a need for more place orientated and sustained efforts. Indeed, the absence of adequate place-oriented governance could act as a significant constraint on local business growth.

Clearly such local governance needs to be externally embedded such that “‘lock-in” and introspectiveness’ is avoided (Bosworth and Willett, 2011: 210). Powe and Hart (2017) illustrate the importance of this local capacity in managing change, where there is a need for continuity within the place-based efforts, but also for place-orientated governance to evolve through time as needs change. When firms are locally embedded this may not only provide benefits for the individual firm but, if adequately welcoming to new firms, also strengthen the local area as an attractive place for business. At the settlement level it is difficult to focus purely on business development and a holistic approach is required which involves a whole range of actors. Such partnerships however often differ in character, being sometimes more social or business orientated, but still holistic and taking a broader focus than economic growth alone. An open and welcoming attitude within such groups to business involvement can lead to mutual benefits. Yet, it has sometimes been difficult to get business owners/managers to be involved in such town or village groups (Countryside Agency, 2004a; Phillips and Swaffin-Smith, 2004).

Short-term big fix solutions, such as government-initiated programmes, are usually unsuccessful and very expensive (Powe et al., 2015). Whilst external financial support is crucial at key stages within place revival, these need to form part of longer term a place-based strategy. As will be demonstrated within Chapter 5, evidence is growing of the importance of local leadership within rural area regeneration, where not-for-profit community enterprises, for example, have much potential to cost-effectively sustain the process of regeneration (in terms of public expenditure), enhance local economic activity, strengthen local governance and improve local networking (Bailey, 2012; Healey, 2015; Powe and Hart, 2017). A key aspect of such support is that community enterprises are underpinned by successful and long running social enterprise activity. These enterprises are often based on the re-use of otherwise redundant buildings which may have been purchased and refurbished through public finance.

Whilst place-based efforts are essential there would seem to be merit in also operating at the territorial scale of intervention. At the wider territorial level, there may be potential to take a more focused economic approach. Whilst attracting external business can be crucial to policies of economic revival and growth, Brown et al. (2000: 161) suggest there is a need to keep at least ‘some modicum of control over – [a place’s] own sense, identity, and definition of community’. Not all growth is seen as good or having desirable outcomes for the majority of residents (Westerhausen and Macbeth, 2003; Courtney et al., 2008). In the absence of co-ordinated territorial growth, opportunities are likely to be missed for agglomeration and complementarity across the area (Scott, 2010). Economic growth will work best when ‘economic opportunities “fit” the human resources and utilize or maximize the existing natural and institutional resource base’ (Leigh and Blakley, 2013: 95). If a critical mass of positive events can be achieved within a territory, then attitudes can change such that it is no longer considered to be peripheral in a derogatory sense.

### *Government regulation/intervention*

Whilst issues relating to planning, employment, health and safety, the environment, and finance may be influential on growth in a particular area, the relevant policy/regulation/legislation is often determined at a national level rather than in the specific rural area considered. In attempting to create a business friendly environment there is the issue of whether problems within peripheral rural areas are helped or hindered by this government regulation/intervention. Is there a need for less government activity? If so, what changes would need to be made? What are the potential long term consequences of less

regulation/intervention for the peripheral rural areas affected? Is the balance currently inappropriate?

In terms of the perception of business owners, regulation is seen as a burden/barrier/obstacle to performance which may be as important as other factors, such as the state of the wider economy and the strength of the competition (Kitching, 2006; Lee and Cowling, 2014). Given the high proportion of small businesses in rural areas, there is a concern that as 'small businesses are unable to spread these costs across large-scale operations; they lack the internal resources (time, money, specialist expertise) to handle regulations and, because of their lower asset base, are less resilient to regulatory shocks' (Kitching, 2006: 806). However, rather than a linear relationship between the comparative regulatory burden and size, Kitching (2006) suggests that the observed relationship is more nuanced. For example, thresholds under which regulations do not apply may mean that very small firms have a comparatively low burden on some issues. Such thresholds may discourage small firm growth. Interestingly, Edwards et al. (2004) found that it was regulatory change rather than regulation itself which caused the most concern for business owners.

Whilst most research has focused on the negative aspects of regulation, Kitching (2006) and Kitching et al. (2015) emphasise that regulation does not only act as a burden/barrier/obstacle to business activity, it can also enable and motivate better business practices and help firms compete at a uniform level. As Kitching (2006: 800) suggests, 'the primary purpose of regulation, from the perspective of the government, is to maintain and enhance conditions that enable an advanced market economy to function'. Regulation would seem to be essential, but there is still a need to question what regulation is beneficial, if it can be implemented in a more business friendly way and how unnecessary change in the regulatory framework can be avoided.

One of the regulations, which has been the subject of much policy interest, is planning. For example, Taylor (2008) suggested planning practices were restricting the significant potential for growth in rural areas. Curry and Owen (2009: 576) describe how the "no development" ethic in rural areas' has persevered since the Second World War, such that protecting agricultural and, more recently, the countryside has taken priority. Planning policies have prioritised "urban" locations in order to reduce the need to travel, maximise the densities of development and prioritise brownfield sites. As suggested by Taylor (2008: 8) 'an inflexible range of sustainability criteria has condemned many villages to a downward cycle of decline'. Rural development was also seen to be housing-led rather than following economic development needs (Curry and Owen, 2009). Whilst changes have been made within planning policy, there has yet to be a detailed evaluation of whether the long-term challenges to rural economic growth outlined by Taylor (2008) and Curry and Owen (2009) have been addressed.

Economic development was seen by Taylor (2008) and Curry and Owen (2009) to be central to improving the sustainability of rural settlements, where there is a need to make business space decisions based on a better understanding of qualitative place-based needs rather than county/district averages (Taylor, 2008). Employment space (in particular small business space) usually has a lower value than can be generated through other land uses such as housing, and a key role of planning is to protect such land from alternative higher value uses. In terms of protecting the countryside, questions remain concerning: Which countryside areas do we need to retain? What are the likely opportunity costs of building on green field sites? And are there any limits to the size/type of business development which should be allowed?



Given the link between in-migration and business start-ups, housing may still play an important part in the revival of peripheral rural areas, especially if population growth also enhances the local market for rural businesses. As noted by Scott (2011), strict planning policies in rural areas can be crucial to maintain a visitor/amenity orientated local economy, where planning protects the very assets upon which rural success is often based. Indeed, there are numerous international examples of the importance of planning in maintaining the rural economy (Mitchell, 1998; Paradis, 2000; Mitchell and de Waal, 2009; Tonts and Greive, 2002). Within the context of a national planning framework, questions emerge in terms of what can be done in peripheral rural areas to make planning more responsive to local need.

### *Business support*

Taking a resource-based view of business activity, it is the physical, human and organisational resources of the firm upon which competitive advantage is based. Such an approach developed by Barney (1991) assumes that there is heterogeneity and immobility in firm activities, such that resources can lead to a sustained competitive advantage. Whilst success may be based upon a social complexity within firm activities which is difficult to replicate elsewhere, the efficiency and effectiveness of management within firms is seen to be influential on the success of business activity. Given the emphasis within many countries on government support to improve SME performance, there would appear to be a general belief that management resources matter and there is a case for supporting businesses with the aim of enhancing their efficiency and effectiveness (OECD, 2014). However, Brown and Mawson (2016) criticise this policy which is seen as being over selective. Implicit within this approach is the concept of a business lifecycle within which firms accumulate resources and where their acquisition is thought to lead to success. So the emphasis has tended to be on younger and smaller firms who have fewer resources, seeing this as the reason for their lack of growth. There has also tended to be the assumption that high growth firms occur in high tech companies. Whilst there is much debate as to whether the age of a firm makes a significant difference (Mason et al., 2015), high growth occurs within all firm sizes, ages and sectors. As noted above, picking “winners” is perhaps the key challenge within business support. Businesses require the ‘dynamic capabilities’ to recognise and seize the opportunities whenever and however they emerge (Brown and Mawson, 2016: 820). Brown and Mawson (2013) suggest high growth firms often face “trigger points”, where timely appropriate action can lead to the desired growth. Identifying firms at such “trigger points” and providing case specific support is challenging and expensive. Barkley and Henry (1997: 322) suggest support is most effective when offered to ‘existing, well-established agglomerations in dynamic, rapidly growing industries’, rather than peripheral rural areas.

Focusing on endogenous development, business support usually attempts to support start-ups and help pre-existing businesses grow. Whilst the efficacy of business support has sometimes been questioned, the most successful efforts tend to be intensive and sensitive to the needs of the individual firm and/or the local business context within which the firm resides. Indeed, Mole et al. (2011: 90) suggests that the ‘advisor has to gain inside knowledge from the firm to be able to diagnose solutions effectively’. This may be achieved through ‘a diagnostic process and repeated interaction with firms’ (Mole et al., 2011: 87). Alternate non-intensive processes were found to be less successful (Mole et al., 2009; Mole et al., 2011). Similarly, private sector organised networking approaches depend instead on mentoring and peer group networks (Van Cauwenberge et al., 2013), which have the freedom to design their own agenda and focus. Such an approach was seen to enhance knowledge intensive spillovers and exchanges of experience amongst non-competitive firms, where firms prefer peer support to that from public sector employees (Fischer and Reuber, 2003). Such support can be through

publically funded rural business hubs, where business assistance is provided in situ (Harvey et al., 2012). By encouraging interaction between firms through passive (business breakfasts and business mentoring) and non-passive approaches (shared kitchens and staff rooms; hot desk spaces) such hubs can enhance local networking (Cowie et al., 2013). Harvey et al. (2012) found emotional support from other businesses to be particularly important, as well as the interaction between the local and external connections within trade fairs, where the employees from a rural creative cluster travelled together.

Whilst support is provided to rural businesses there has been a tendency towards “city-first” approaches within business support, where rural is simply an ‘appendage hanging on to the coattails of the great modern metropolis’ (Harrison and Heley, 2015: 1130). Whilst policy approaches have sometimes been more spatially inclusive, Harrison and Heley (2015: 1129) suggest larger urban areas are still regarded as the key nodes by policy makers and space is ‘carved up along explicitly territorial lines’, rather than following economically functional sub-regional areas which reflect the contribution that rural areas can provide to economic growth. Indeed, there has been a tendency in the past for policy to be designed more for urban areas, within which it may be easier to achieve service delivery targets and outputs (PIU, 1999).

Despite the potential that firm and/or area sensitive support provides, its success is by no means guaranteed. Indeed, for support to be case specific, core funding needs to be flexible so that local actors have agency in choosing what is required. Yet, there may be a lack of political will to permit such flexibility and case sensitive funding is more expensive. Selection by attempting to pick “winners” is required in order to control the costs of intensive support, usually based on the perceived potential for growth, which, as described above, is often based on a poor understanding of which types of firms grow most. There are many issues however for which selection is necessary. For example, capital can be an important constraint on business start-up, growth and can have a major impact on the survival rates of SMEs (Sariakis et al., 2008; Han et al., 2012; Lee and Cowling, 2014). Yet, lending money to businesses must be based on selection in terms of firms which are likely to succeed, grow and be able to pay back the loan. A locally orientated approach, perhaps around “relationship banking”, is recommended (Kalantaridis and Bika, 2006; Leigh and Blakely, 2013). Yet, a focus on potential may also have spatial implications, where the firms with the greatest perceived potential are likely to be located in the most affluent and dynamic areas.

In terms of “hard” business support, perhaps the availability of suitable workspace is the most important, where there is usually a mismatch between the desire for ‘long term “blue chip” tenants’ by commercial developers and the preference for flexible and short-term contracts by small businesses (Taylor, 2008: 134). This has led to an undersupply of premises for small businesses. Whilst the building of workspaces remains an active policy, there has tended to be a shift away from business property-led regeneration, towards the softer approaches described above, which focus more on helping businesses enhance their physical, human and organisational resources (Barney, 1991; Turok, 1992). Yet, through public support and tenant selection, it may be possible to develop small agglomerations within rural hubs which encourage complementary businesses to locate and provide a particular focus, such as a craft-orientated visitor destination or knowledge intensive industries. Whilst the experience of such hubs can be positive, they are unlikely to be adequately specialist in peripheral rural areas. This creates challenges in terms of providing a culture and facilities that are consistent for all, even within a creative economy cluster (Harvey et al., 2012). There may also be a failure to

recognise the potential in terms of networking and complementary activity amongst the tenants, where non-market networking is difficult to develop through policy.

Planning policies are also likely to have an important role in the availability of business premises. As planning in England is based on a national regulatory framework, questions arise in terms of what can be done locally so that planning better reflects the local needs within peripheral rural areas. Taylor (2008) emphasises the need to develop policies that are situated within specific places and flexible to their local needs. For example, given the nature of rural firms, Taylor (2008) emphasises the importance of home extensions in terms of business expansion. Positive statements within local plans and supportive decisions may be beneficial to growth in sectors within which “production” is compatible with residential areas. More generally, however, there needs to be a positive stance to rural business growth, which is also sensitive to the distinctive character upon which many rural economies are based. However, predictions of what workspace is required have tended to lack a qualitative understanding of what is needed. Indeed, ODPM (2004: 28) suggest ‘past take-up rates have been found to be the most popular method ... [which] does not adequately consider quality issues and is based on past supply constraints’. ODPM (2004: 40) found local authorities to be ‘maintaining outdated, unrealistic lists of sites, effectively freezing sites from other uses’ where they were ‘simply rolled forward between plans’. Current government policy attempts to address this concern.

Whilst local plans have become more sensitive to local needs, perhaps something more is required. Perhaps there is potential within neighbourhood plans? As noted above, statutory plans work best when co-ordinating development pressures rather than operating in places where there is limited market activity. However, whilst there may be little development pressure for business space, areas with potential for such development may be threatened by housing development. Should this be the case, there may be a role for neighbourhood planning in understanding the needs at the very local level and perhaps encouraging mixed-use developments, for example, where live/work units are supported. Indeed, Parker et al. (2015) note how the perceived need to take control at a very local level is part of the motivation for neighbourhood plans. Similarly, Sturzaker and Shaw (2015) demonstrate the potential for neighbourhood plans to take a more pro-development stance at the very local level rather than authority-wide local plans. Yet, there is a realisation that a neighbourhood plan ‘shifts the cost burden of governance towards the local community’, where the ‘most able, educated and articulate’ are most likely to benefit at the ‘expense of those who are less capable of making their voice heard’ (Curry, 2012: 99).

An alternative approach, involving enterprise zones, has recently returned to the policy arena. Learning from previous experiences of enterprise zones, DoE (1995) suggests that planning can potentially constrain business activity by increasing development costs, delaying the process of development, adding to uncertainty, and preventing development that does not conform to the local authority’s plan. Consistent with the principle of local needs, rural development sites that are not important for local distinctiveness and character could be designated as enterprise zones. More broadly, such areas could simultaneously become the focus of other forms of business support (high speed broadband, relationship banking, social networking etc.). Reflecting on the first round of enterprise zones in the 1980s and early 1990s, DoE (1995) found the relaxation of planning to be favoured by business, particularly in terms of reduced uncertainty in gaining permission and, despite concerns, did not appear to have negative consequences on building quality or lead to inappropriate uses of the sites. The first round of enterprise zones was expensive in terms of the cost per job created, where a

high proportion of jobs were relocated rather than created, with pre-existing enterprises moving to take advantage of financial concessions within the enterprise zone. As the practice case study of the Hereford Enterprise Zone in Chapter 5 suggests, consistent with the findings of Barkley and Henry (1997), this business-led approach can bring together and develop business clusters, but only if such local potential already exists. The enterprise zone approach would appear to be more about business retention and expansion rather than industrial attraction.

In terms of the spatial effects of previous enterprise zones, much of the employment was taken up locally and blighted areas were regenerated. Indeed, significant benefits were evident within and around the zones (particularly in terms of employment within a ten-mile radius of the sites, which was the threshold for movement arbitrarily chosen within DoE (1995)). Yet, regionally the effect on employment generation was not significant. Whilst it was hoped that the enterprise zone policy ‘would unleash free market dynamism in otherwise depressed local economies’ (Perry, 2010: 73), this would not appear to be the case. Drawing also on experience in the US, Squires and Hall (2013: 86) suggest that the ‘tax and planning deregulation intrinsic to the Enterprise Zone model, while important, proved to be an insufficient prerequisite for successful regeneration’. It was also suggested that ‘stimulating private sector interest in areas of market failure was, far from the rhetoric of free enterprise, contingent on massive public sector financial and development support’ (Squires and Hall, 2013: 85). As is argued throughout this report, the strength of local governance was seen to be a key factor within the success of the scheme in the US. Whilst the performance of previous enterprise zones has been disappointing, there is still a need to try to minimise artificial barriers to the mobility of capital, firms and workers, address low-functioning government bureaucracy and ensure there is a favourable business climate within underperforming areas (Leigh and Blakley, 2013).

### *Access to capital*

Whilst entrepreneurial drive and ability to network may be key elements in developing a firms’ competitive position, other issues may also affect a firm’s capacity to grow. The availability of capital is often an important constraint on business start-up and growth, and can have a major impact on the survival rates of SMEs (Sariakis et al., 2008; Han et al., 2012; Lee and Cowling, 2014). Small firms and, particularly start-up businesses, are challenged in terms of gaining finance within periods of prosperity but, following financial shocks, they really struggle to access loans (Berger and Udell, 2002). As noted above, rural areas tend to have a disproportionate percentage of SMEs and are particularly vulnerable to periods of constrained finance. Small businesses also lack access to, and demonstrate reluctance towards, seeking out credit financing (Atherton, 2012). The evidence suggests a range of funding sources are used within small businesses, including internal funding, equity financing, and, particularly in the case of very small firms, informal methods (for example, loans from friends and family and credit card debt) (Atherton, 2012). Yet, a lack of access to external debt has meant many small firms are undercapitalised and ‘as a result vulnerable to pressures such as lack of investment funding for staff, equipment and business development as well as a greater risk of cash flow problems’ (Atherton, 2012: 42). As such, debt financing from banks is crucial to the success and growth of small businesses (Berger and Udell, 2002).

In trying to understand why some small businesses struggle to gain access to debt finance there is a need to consider the information flows involved and the effort required for a bank to make a reasoned decision. As noted by Akerlof (1970: 500), due to asymmetries in knowledge the ‘difficulty of distinguishing good quality from bad is inherent in the business

world'. This can be seen to apply to business finance, where there is likely to be asymmetric information between the funder and the start-up business. As suggested by Cassar (2004: 264), 'given their limited operating history, start-ups are arguably the most informationally opaque firms in the economy'. This "opaqueness" suggests start-up businesses represent a higher level of risk and, in order to appreciate the risks better, there is a need for a more time consuming and costly assessment of the viability of their ideas for growth. The transaction costs are higher for the funder, but the firm owner may also lack the financial literacy to adequately construct a convincing business plan. There may need to be a special approach for SMEs.

Berger and Udell (2002: F38) see transaction-based lending to rely on "hard" information produced at the time of loan origination' and the use of 'objective criteria' within decision making. Instead of transaction-based lending, Han et al. (2012) suggest the importance of "relationship banking" in SME survival. "Relationship banking" is associated with the 'collection of "soft" information over time through relationships with the firm, the owner, and the local community' and a judgement based on this local knowledge (Berger and Udell, 2002: F38). The locally embedded loan officer is seen to be the 'main repository of the soft relationship information that is difficult to share with other individuals in the bank' (Berger and Udell, 2002: F48). This theory developed by Berger and Udell (2002) is then used to explain the empirical regularity that larger banks tend to provide less debt financing to small businesses. Extending the empirical analysis, Berger et al. (2005) confirmed these findings and suggested that small banks tend to be physically closer to their customers. In terms of policy, small banks are seen to have a comparative advantage in terms of providing loans to small businesses. In the absence of small banks there will be an under provision of loans to small businesses. Bank closures within peripheral rural areas are further hindering the provision of "relationship banking" (Smallbone et al, 2003), where Kalantaridis and Bika (2006) illustrate the importance of local sources of information regarding finance. National organisations set up to subsidise small business loans provided by large banks, are neglecting the problem of insufficient small banks. Decisions need to be made based on the likelihood of repayment. In order to judge this properly "soft" as well as "hard" information is required. It is only through small banks or through 'credible decentralization' within large banks that a higher proportion of viable small businesses will gain access to debt finance (Berger et al., 2005: 266). The small or decentralized bank option needs to be available to small businesses, where locally embedded loan officers are used.

As Werner (2013) notes, the UK has a centralised banking structure. The larger the bank, the less interested they are in providing funding for information "opaque" small businesses. This contrasts with Germany where 'banking is dominated by almost 2000 small, locally headquartered banks distributed all across the country, and whose activity is geographically restricted, often by law, to their home "turf"' (Werner, 2013: 2793). These regional banks (Sparkasse savings banks and Volksbank or Raiffeisenbank cooperative banks) are reported by Werner (2013) to account for 70% of bank deposits compared to 13% in the UK. The geographical restriction encourages banks to look for local business, such as SMEs. These banks did not suffer following the financial crash in 2008 and, building on 'sounder loan profiles' increased their loans post-crash when other German banks were having to restrict credit in a similar way to those in the UK. In summarising the argument, Werner (2013: 2795) stated:

'a decentralised banking structure consisting of many small, independent banks that restrict their activity to their immediate geographic location and lend primarily to SMEs is likely to prove superior to a centralised banking system dominated by a few large banks

that have no geographic restrictions on their activities and lend mainly to financial speculators’.

Whilst there has been a lack of detailed research into the linkages between regional banking and SME performance in Germany, Hakenes et al (2009) suggest that constraining banking activities to their local area prevents the drain of funding opportunities to the more prosperous areas which are more attractive for investment. Clarke (2012) provides the example of the Airdrie Savings Bank, which is one of the few regional banks operating in the UK and it also increased its lending during the financial crisis.

## **Conclusions**

Can businesses thrive in peripheral rural areas in the UK? If so, under what conditions can such businesses thrive and what potential is there for encouraging them to operate in such locations. This chapter has considered the academic literature on this subject. This review provides a framework of understanding upon which the rest of this research is built.

Whilst it may be necessary to define peripheral rural locations in relation to more urban and densely populated areas, the relationship may not be subordinate, where there may be potential for more than the provision of low value activities serving only the local market, as foreseen by central place theory. As such, the idea of peripheral rural areas is more nuanced than simply distant/remote backwaters or subordinate areas to the core, central or primary zones of activity. Whilst many types of firms could locate and still be competitive in peripheral areas, the question remains whether this is likely. Given that firms usually operate in the situation of imperfect information, competition and inflexibility, there is a possibility that some firms simply do not move to peripheral areas because such an activity would be too risky. Whilst labour costs and land might be cheaper, faced with uncertainties, a safer option would be to locate within dynamic urban areas where there is potential to reap the benefits of agglomeration.

Personal reasons (lifestyle, family, grew up there) provide the key strength of peripheral rural areas in terms of business attraction, where setting up a business is usually seen to be a local event. The traditional, underdeveloped and differential characteristics of peripheral rural areas are seen as attractive to potential visitors and residents, with much of the new business formation coming from in-migration to these areas. Whilst distance from urban centres may provide challenges to business, owners, managers and employees may consider them to be nice places to live. Yet, this lifestyle motivation for location may not tally with dynamic growth orientated business desired by policy makers. Whilst business can be sustained in rural areas, the evidence suggests that entrepreneurial drive for growth, on average, may be less than other areas. Whilst there are some business motivations for locating in peripheral rural areas, these are firm specific and likely to reflect only a small proportion of firms.

Whilst peripheral rural areas are unlikely to challenge dynamic urban areas in terms of productivity and growth, there is still much potential for business development. They remain attractive residential locations for certain entrepreneurs, they often have culture, tradition and natural amenity characteristics which may attract visitors and these are assets which have potential for their economic performance to improve. Industrial attraction is likely to be in terms of attracting entrepreneurs rather than big business, where indigenous growth is perhaps the greatest driving force for change. Local circumstances will vary and some rural areas, for example, do have particular industrial specialisms – such as illustrated in the Ulverston case study in Chapter 6. In such circumstances there is a need to explore what circumstances lead to this growth and what are the limits on what can be achieved.

Priorities for business growth have been considered, where there is a need to develop holistic strategies at the place-based level and support this through a broader territorial approach to business support. The main focus is likely to be on SMEs, where business support should be focused on a combination of efforts to help improve the management of such firms. Many forms of business support have been considered, where a key finding is the importance of allowing flexibility in its design to reflect the specific needs of a local area. Delivery however does not need be through government organisations and, indeed, third party delivery may be favourable. Rural areas contain a high proportion of SMEs and policy needs to recognise this. In particular, there is a need to consider funding. Access to debt capital by SMEs could be improved if there were more regional banks. This would improve commercial banking decisions so that, through “soft” information, SMEs with genuine potential for growth would be better able to access funding. This approach would be more effective than any national schemes to subsidise large banks providing loans to SMEs.

There is a key role for the private and community enterprise sectors to get involved in business support, where self-help within the area may be a key element within provision. Whilst constraints on growth may be similar between areas (poor transport infrastructure, lack of entrepreneurial drive, slow broadband speeds, lack of skilled labour, lack of similar firms with which to network, planning policies that are insensitive to local needs, lack of suitable premises for small businesses), the local form is likely to vary considerably between areas and the potential routes to enhancing business activity are also likely to depend on a range of factors. Prescriptive top-down approaches are not recommended. Instead, long term locally developed approaches are likely to be more effective if supported rather than controlled by external linkages. Whilst better matching the process to the challenge, there may be a lack of political will to permit such local flexibility and commit to long term processes of change.

# Chapter 3:

## Policy review

### Introduction

This chapter provides a detailed review of current policy for peripheral rural towns. The first section gives an overview of support for peripheral towns, tracing policies briefly from the late 1990s to the present before outlining the policy context at the time of writing in 2017. Recent policy context is then introduced, followed by a brief outline of recent government initiatives. Specific consideration is then given to three themes: enterprise zones; small business finance; and training. The focus of this chapter is on policy relating to small towns in England, whilst acknowledging that the devolved administrations in Scotland, Wales and Northern Ireland have responsibility for developing policy for their respective areas. This chapter will examine policy relating to the economic wellbeing of small towns at a national, regional and local level.

### Support for peripheral rural towns

#### *Small town support in the noughties*

Historically there has been a policy vacuum for small towns at a national or regional level in the UK. The exception to this in England was a shift in the early 2000s as a result of the rural white paper: *Our Countryside. The Future. A Fair Deal for Rural England* (DETR and MAFF, 2000). This followed identification of market towns as a priority in the Innovation and Policy Unit's 1999 report; *Rural Economies*, calling for the government to make a 'new commitment' to market towns (Cabinet Office, 1999; Caffyn, 2004). The rural white paper led to the launch of the Market Towns Initiative (MTI) in 2001 by the Countryside Agency and England's Regional Development Agencies (RDAs) (excluding London) to address the paper's recommendation to support growth in market towns in areas in need of regeneration as service centres for their hinterland and as attractive places to live, work and visit (DETR and MAFF, 2000). Across England, the MTI programme set out to invest £37m in 140 towns to deliver economic, social and environmental improvements identified in a locally produced action plan, informed by an MTI healthcheck undertaken for each town. The intention was that government funding would lever in match funding of £100m across England from a variety of sources and the process in each town was led by a local partnership (Caffyn, 2004). A number of projects were implemented through the MTI programme that delivered economic benefits in their towns, but the approach suffered from being short term and funding driven (Powe et al., 2015).

In the 2004 Rural Strategy (DEFRA, 2004), the RDAs were identified as DEFRA's key delivery body for socio-economic functions and so these functions and associated funding were transferred from the Countryside Agency to the RDAs. This included market towns, a responsibility that had previously been assumed by the Countryside Agency since 1999 and was the result of recommendations in the Haskins Rural Delivery Review (Haskins, 2003). Each RDA developed its own approach to small towns, which ranged from Yorkshire Forward's strategy-led Renaissance Market Towns (RMT) programme that invested over £30m to support development and delivery of long term masterplans (Yorkshire Forward, 2012) to the South East Development Agency's Small Rural Towns Fund that funded individual projects in small, rural towns.



At a national level in England, the Commission for Rural Communities (CRC) was established in 2005 with the statutory purpose to:

‘promote awareness of the social and economic needs of people who live and work in rural areas and help decision-makers across and beyond government to identify how those needs might best be addressed’ (CRC, 2013: 6).

The work of the CRC was to advise, advocate and be a watchdog for issues, policy and practice affecting rural communities, which included market and small towns.

The Rural White Paper (DETR and MAFF, 2000) also introduced rural proofing into government, as a means of assessing policy options to ensure fair solutions in rural areas. Firstly, the Countryside Agency and then the CRC had responsibility for advising government on their rural proofing activities, this was then handed to DEFRA’s Rural Communities Policy Unit (RCPU) in 2011 (DEFRA, 2015a). The RCPU has ceased to exist and its work now forms part of DEFRA’s Rural Policy Team. Opinion is divided as to whether it is more effective for this role to be undertaken within, or independent of government. Rural proofing has been regularly reviewed and the latest iteration in relation to economic development will be described in this chapter.

### *Current policy context*

#### Local Enterprise Partnerships (LEPs)

With the dismantling of regional structures of governance and business support during the 2010-15 coalition government, such as the closure of the Regional Development Agencies (RDAs), the government sought a new lower cost solution to support business growth in the English regions. The coalition government established Local Enterprise Partnerships (LEPs), to provide ‘vision and strategic leadership to drive sustainable private sector-led growth and job creation in their area’ (BIS, 2010: 1). They encouraged ‘partnership working in respect to transport, housing and planning as part of an integrated approach to growth and infrastructure delivery’ and this was seen to be a ‘major step forward in fostering a strong environment for business growth’ (BIS, 2010: 1).

LEPs are business/public sector partnerships for a defined economic area. There are 39 LEPs across England (BIS, 2015a) and they each identify the economic priorities for their areas. Between 2010-15 they received government funding in the form of Growing Places Funds to invest in priority infrastructure schemes in the area. Some LEPs have submitted applications for Regional Growth Fund (RGF) monies for grant/loan programmes for businesses in their areas. The LEPs have also provided support for private sector led applications for RGF and have acted as gatekeepers by selecting which Enterprise Zone proposals to support their area, as well as preparing City deal proposals to secure additional Government support and funding with the aims of: giving cities the powers and tools they need to drive local economic growth; unlocking projects or initiatives that will boost their economies; and strengthening the governance arrangements of each city.

In 2014 each LEP submitted a Strategic Economic Plan (SEP) for their area, setting out the key priorities for investment to grow their economies for the short to long term. The Government then agreed a Growth Deal of funding with each LEP based on their SEP, much of which will be invested in their priority projects on a revolving fund basis rather than a grant, i.e. funds will be made available to project leads in the form of a loan. The Growth Deals also included indicative European Structural and Investment Fund allocations (2014-20). Some SEPs, particularly those covering significant rural areas identified small/market

towns as a priority for investment, such as the ‘business led investments in market towns’ activity as part of the York, North Yorkshire and East Riding LEP SEP (North Yorkshire East Riding Enterprise Partnership, 2014: iv, 20). Some LEPs covering areas with more of a balance between urban and rural areas have also identified market towns as important priority settlements for investment as key employment and service centres, such as the D2N2 LEP (D2N2 LEP, 2014: 6,23,45,47). However, it remains to be seen whether there will be much new funding available for small towns, as some of the funding sources for these, as in the York, North Yorkshire and East Riding example, are from European programmes, such as ERDF and EAFRD. As described later in this chapter in the access to capital section, the ERDF funded LEADER programme explicitly excludes projects in towns from accessing funds, unless they can demonstrate benefits to the wider rural area.

### Devolution

The 2010-15 coalition government also introduced proposals for devolution in England, in part to address the West Lothian question to provide more powers to citizens in England over their affairs. This has led to local devolution, the first of which was a New Deal between the government and the Greater Manchester Combined Authority to give them powers over housing, planning, transport and policing, with additional powers to be introduced to support business growth, skills and to join up health and social care budgets (Cabinet Office, 2014). The Conservative government, elected in May 2015 has built on work of the previous coalition government to pursue the devolution agenda in England, with the Cities and Local Government Devolution Act being passed in January 2016 whereby local councils in England and Wales work in partnership across a wider area, such as a city region, or LEP area as a combined authority to have an elected mayor and to get additional ‘devolved’ powers for their area (Great Britain, 2016).

Views vary on how best to pursue economic development through devolution in non-metropolitan areas, such as the setting up of council led local development corporations to increase housing development. Plans for devolution deals across the UK are progressing, with some rural areas embracing devolution at an early stage, such as Cornwall becoming the first rural authority to sign a devolution deal (Cornwall Council, 2016). Whilst other rural authorities are not as eager to sign devolution deals, with council leaders in Cumbria voting against a Cumbria Deal in March 2016. However, it is too early to determine whether there will be a positive or negative impact of the devolution deals on small towns and their economic wellbeing.

The result of the 2016 UK Referendum result to leave the EU is likely to have a significant impact on peripheral rural towns in the UK. Whilst it is too early to say what this might be, it is likely that there will be some changes to how farm subsidies are distributed and how much these might be – currently in the region of £3bn per year. The impact on the economies of rural towns will depend upon whether these and other EU funds that are currently targeted at rural areas/businesses/communities will continue in some form and at what level.

### Rural thinking

After a short period of relative inactivity, the government refocussed efforts on town regeneration. In 2011 the government undertook a Rural Growth Review across England, as part of its wider Growth Review, concentrating on the Economy in Rural Areas, Growth Performance, Supporting Growth in Rural Areas and Equality Analysis (DEFRA, 2011). Key findings of the review were:

- Businesses in rural areas generate 22% of the employment and 19% of the GVA in England
- 2001-9 the population of rural parts of England grew by 10% more than urban areas.
- There are strong employment interdependencies within rural areas and between rural and urban areas.
- Business sectoral composition at an aggregate level is generally similar across rural and urban areas. However, there are differences at an aggregate level in sectoral employment between rural and urban areas, with higher percentage of employment in agriculture, manufacturing and construction and lower levels in education, wholesale and retail trade.
- There are differences in employment levels in size of business between rural and urban areas, with small and micro businesses accounting for over half of the employment in rural areas, but only around a quarter in urban areas.
- The rate of home working in rural areas is more than twice that in urban areas, increasing in more sparsely populated rural areas.
- In general productivity in rural areas is lower than in urban areas.
- As a result of geography, rural areas tend to be more distant from the benefits of agglomeration economies ('knowledge transfer, thick labour markets, and access to supplier and customer markets'), resulting in weaker knowledge transfer, sparsity of skills and labour and skills and difficulties accessing up and down stream markets.
- That agglomeration benefits can be achieved in rural areas with clustering of businesses in similar industries. These need not be physical clusters, but could be virtual clusters connected by communication technologies. However, for this to work there does have to be good, high speed broadband connectivity, which rural communities are disadvantaged in accessing compared to urban centres (DEFRA, 2011: 3).

The government has identified 4 overarching key rural priorities for action:

- Broadband and mobile coverage
- Housing and planning
- Education & skills
- Childcare (DEFRA, 2015b)

In 2015, the government launched its 10-point plan for boosting productivity in rural areas (DEFRA, 2015c). The aim was to improve productivity in rural areas by improving conditions for and removing barriers to enable them to thrive, as productivity (measured by GVA) in rural parts of England is lagging behind urban areas of England (excluding London) by 7% in 2013 (DEFRA, 2015c). There are 5 key themes and 10 points within the plan as follows:

**Rural areas fully connected to the wider economy**

1. Extensive, fast and reliable broadband services
2. High quality, widely available mobile communications
3. Modern transport connections

**A highly skilled workforce**

4. Access to high quality education and training
5. Expanded apprenticeships in rural areas

**Strong conditions for rural business growth**

6. Enterprise Zones in rural areas
7. Better regulation and improved planning for rural businesses

### **Easier to live and work in rural areas**

8. More housing
9. Increased availability of affordable childcare

### **Greater local control**

10. Devolution of power (DEFRA, 2015c)

Many of the actions under these headings were not new, being part of existing government policy, including the target of high speed broadband roll out to 95% of UK households and businesses by 2017, the Regional Air Connectivity Fund, launched in March 2015 (DfT, 2015a) to support the opening up of new routes for smaller airports, expanding free and tax free childcare provision and expanding the number of Enterprise Zones to include smaller towns and rural areas. However, there have been some new government initiatives described below.

The government's interest in economic development in small towns and rural areas in England looked to continue, with the launch in August 2015 of the government's 10-point plan for boosting productivity in rural areas, described above. This was informed by a number of pieces of research, of particular interest for this study was research into 'drivers of rural business growth, decline and stability' (DEFRA, 2014a). The key findings of this study were not dissimilar to the Rural Growth Review (DEFRA, 2011):

- Business sector composition is similar in rural and urban areas. Differences only become pronounced in more sparsely populated rural areas (see Business sector section later).
- Sector performance is also similar in rural and urban areas, which could suggest that geographical variation is not a determining factor. However, there is considerable variation at a local level, with rural areas within urban Local Authority Districts (LADs) having the strongest employment growth of all rural areas, suggesting that there are important links between rural and urban economic activity. This may be evidence of city regions providing better conditions for rural businesses in terms of access to both markets, skilled labour and suppliers and resources.
- Rural employment was more resilient than urban over the course of the last recession.
- There is a clear relationship between rural business performance and communication infrastructure, with some rural businesses being constrained by current broadband provision.

There were two policy implications identified through this research:

1. 'Policies that are more general in terms of supporting economic growth are more beneficial than specific growth policies focussed on rural areas or characteristics.
2. There is a need to focus more on the potential positive synergies between rural and urban areas. The evidence in this report indicates that rural areas that are closer to population centres and urban areas tend to perform better' (DEFRA, 2014a: 11, 70).

At the time of writing the most recent publication was the government green paper "Building our Industrial Strategy", which attempts to ensure 'more people in all corners of the country share in the benefits of its success' (HM Government, 2017: 3). Whilst mostly focused on more urban areas, there is much concern with the quality of the communication infrastructure within rural areas and policy which is designed to improve internet accessibility. More generally, HM Government (2017: 109) the report suggests 'rural businesses face particular challenges and barriers to close this gap, including a shortage of work premises, slow internet connections and a lack of knowledge transfer between business communities spread thinly over wide areas'.

## **Recent government initiatives**

### *Rural Proofing*

In January 2015, an independent report was produced for government on rural proofing implementation (DEFRA, 2015a). Produced in advance of the productivity plan, this enabled government to have regard to this when developing the plan. One of the issues highlighted in the report was the inequitable impact of the DCLG Business Rate Retention scheme in rural areas, due to the large number of smaller businesses in these locations. This led to an increase in the rural element of the LGA Funding Settlement of 63% (DEFRA, 2015a).

### *Planning*

The Rural Productivity Plan (DEFRA, 2015c: 1) committed the government to ‘review the planning and regulatory constraints facing rural businesses and measures that can be taken to address them, including how improved permitted development rights in rural areas can support new homes, jobs and innovation’. In early 2016, the government launched the Rural Planning Review to address this (DCLG and DEFRA, 2016). DCLG (2017) released a response of the comments made within the review. There was little mentioned which was of relevance to this report.

### *Rural Growth Network (RGN)*

One of the outcomes of the Rural Growth Review was the setting up five Rural Growth Network (RGN) pilots in 2012/13 in: Cumbria, Devon and Somerset, Durham and Northumberland, Coventry and Warwickshire and Swindon and Wiltshire (DEFRA, 2012). The intention was to use the RGNs to test different mechanisms for how LEPs and local councils can support sustainable rural economic growth. The RGNs are networks of rural enterprise hubs that aim to address some of the challenges facing rural businesses identified above, with £15m new government funding and support including: preferential access to new RDPE schemes and funding to support rural enterprises led by women (DEFRA, 2012). Between October 2012 and December 2014, the RGN pilots were reported to have assisted over 2,600 businesses, advised near 1,000 individuals interested in starting a business, created around 428 new ones and created or safeguarded over 780 jobs (DEFRA, 2015d). As suggested in the previous chapter, it may not be possible to say definitively whether this agglomeration, hub based approach is successful in rural areas. Chapter 7 outlines some of the successful elements of the RGN within Cumbria and Northumberland.

### *Coastal communities*

Recognising that coastal communities were facing particular challenges the Coastal Communities Fund was launched in 2012 to deliver training and employment opportunities and to stimulate economic growth. There have been four rounds of the fund so far, with the first three providing £125m to 218 organisations to deliver projects in coastal communities and that it was suggested this would create 12,000 jobs (Big Lottery, 2016). In addition, a programme of Coastal Communities Teams was launched in early 2015 for local partnerships to develop local economic plans for their areas, with £10,000 of seed funding each to support this (Big Lottery, 2016). So far 116-118 Coastal Community Teams have been supported (DCLG, 2015a; DCLG, 2015b), but it is questionable whether this will have any long term benefits for these communities, as this seed funding is very low in comparison to funding for such plans through previous programmes, such as MTI and RMT. The timescale for producing the economic plans is also very short, with the launch of the scheme in July 2015 with many local authorities not procuring work to develop the economic plans until autumn

2015 and all funds having to be spent and claimed by March 2016. Whilst some successful Coastal Communities Funded projects are in small towns, the fund was not specifically for small towns, with many larger towns, such as Bournemouth and Plymouth benefitting as well as smaller towns (DCLG, 2012a). Similarly, the Coastal Communities Team programme is not dedicated to small towns, as is funding plans in all sizes of coastal communities, from densely populated urban settlements such as Brighton and Hove to sparsely populated rural areas such as the North York Moors coast (DCLG, 2015a).

### *EU Funded programmes*

Rural Development Programme for England (RDPE)/ Growth Programme are European Union funded schemes, negotiated at a national level, but managed through programmes at a more local level, such as Local Action Groups (LAGs) for RDPE LEADER funding and LEPs for the Growth Programme across England. The Growth Programme forming part of the LEPs European and Structural Investment Fund (ESIF) with payments made by the Rural Payments Agency (DEFRA, 2015e). DEFRA has pre-allocated 5% of its Rural Development Funding 2014-20 to the Growth Programme to be focussed on the following activity in rural areas:

- Support for micro and small businesses
- Knowledge and skills
- Rural broadband and small-scale renewables
- Tourism (DEFRA, 2014b)

LEADER is a well-established bottom up, community led approach to rural development across the EU. The priorities for the 2014-20 programme, albeit that there have been delays to its start are: support for micro and small enterprises and farm diversification, increasing farm and forestry productivity, support for rural tourism, rural services and cultural and heritage activity. There is a much greater focus on job creation and rural economic growth in the 2014-20 LEADER programme than previously (DEFRA, 2014b: 25). There is a further opportunity for small rural firms in the form of the RDPE Growth Programme. Business development grants are available from European Agricultural Fund for Rural Development (EAFRD). The emphasis is on creating jobs and growth in the rural economy. The funding is designed to reflect regional priorities. Rural Development Programme for England (RDPE)/ Growth Programme are European Union funded schemes, negotiated at a national level, but managed through programmes at a more local level, such as Local Action Groups (LAGs) for RDPE LEADER funding and LEPs for the Growth Programme across England. The Growth Programme forming part of the LEPs European and Structural Investment Fund (ESIF) with payments made by the Rural Payments Agency (DEFRA, 2015e). DEFRA has pre-allocated 5% of its Rural Development Funding 2014-20 to the Growth Programme to be focussed on the following activity in rural areas:

- Support for micro and small businesses
- Knowledge and skills
- Rural broadband and small-scale renewables
- Tourism (DEFRA, 2014b)

This funding is currently on going with a recent call by DEFRA (2017) for business development grants for small rural firms. Clearly, there is concern that these funding sources will dry up following Brexit.

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## **Policy themes**

### ***Enterprise Zones***

Enterprise Zones were launched by the government in 2012 to support business to grow with the following benefits for businesses who chose to locate to an Enterprise Zone:

- 'Up to 100% business rate discount worth up to £275,000 per business over a 5-year period
- Simplified local authority planning, for example, through Local Development Orders that grant automatic planning permission for certain development (such as new industrial buildings or changing how existing buildings are used) within specified areas.
- Government support to ensure that superfast broadband is rolled out throughout the zone, and, if necessary, public funding.
- 100% enhanced capital allowances (tax relief) to businesses making large investments in plant and machinery on 8 Zones in Assisted Areas' (DCLG, 2012: 1).

Given the focus of the Conservative government on reducing public spending and the findings of the DEFRA report mentioned above, the government has chosen not to develop completely new policy or programmes for small, rural towns. General policies for economic growth were found to be more beneficial than policies focused on rural characteristics and areas (DEFRA, 2014a). Progress has been made on some of actions in the 10-point plan, such as expanding the number of new routes being opened from smaller airports (DfT, 2015b), however the benefits of some of these for rural areas, including peripheral small towns is questionable. For example, of the 18 new Enterprise Zones announced in the Autumn Statement, only a small number are in small towns or rural areas, the exceptions being: Dorset Green in Purbeck District, Newhaven in East Sussex, Didcot, South Oxfordshire and Carlisle in Cumbria, although Carlisle is a city with a population over 100,000 (DCLG, 2015b). In addition, the Aerohub at Newquay, Cornwall which received Enterprise Zone status in 2011/12 was included in the 2015 announcement to extend. All of these Enterprise Zones are building on existing industry and infrastructure and none are in more peripheral parts. It is very early in the development of these new more "rural" enterprise zones, so time will tell whether Enterprise Zone status does deliver the planned economic growth in these areas and whether they might be appropriate in more peripheral locations.

The government appears to have been selective as to which of its own research findings it is addressing, the most obvious omission being that there are clear differences in sectoral contribution, employment and business size and the sparsity of the population in an area (DEFRA, 2014a; 2011). This suggests that the two policy implications of the DEFRA 2014 study appear to contradict each other; that more general policy for economic growth in rural areas would be more beneficial than policy focussed on rural areas or characteristic and that rural areas closer to urban centres tend to perform better economically. Whilst recognising the challenges in developing policy only for parts of rural England, it is important that peripheral rural areas are not neglected within policy.

### *Business finance*

Historically access to capital finance for businesses in the UK has been through traditional finance organisations, such as banks and building societies, or through specialist business finance organisations, such as venture capitalists, with public funding for specific business sectors/locations being made available periodically as challenges and opportunities in the areas are identified. During the economic downturn that started in 2008, precipitated by failures in the banking industry, it has been more difficult for businesses, particularly small and medium sized businesses (SMEs) to access finance from these traditional sources, so other means of providing access to finance for businesses has had to be found.

As explained in Chapter 2, large banks lack the “soft” information necessary to properly judge the potential within otherwise information “opaque” small businesses. There would appear to be a lack of regional/small/decentralized banks which operate policies of “relational” banking, where a single bank develops an understanding of the business over time and adjusts its support accordingly. Since the recession many measures have been introduced to help address this challenge, however there is concern that these measures outlined below do not directly address this challenge.

As part of its attempt to improve the economy through growing the private sector, the last coalition government set out its plans for supporting business in its policy paper, 2010 to 2015 government policy: business enterprise (BIS, 2015b). This had a number of elements to increase availability of finance for businesses, including the following policies.

Stensrud (2017) reports how in the UK context this gap has been filled to some degree by responsible finance providers (RFPs) which are social enterprises. RFPs have helped in particular very small businesses, start-ups and firms with a high risk rating. Mainstream banks are unlikely to provide finance for such firms. Stensrud (2017) suggest the less risky business funding has been provided by more traditional banks. The lack of financial support for information “opaque” firms with viable growth prospects is seen as a market failure, and much financial support has been forthcoming from the national government through a series of schemes. A series of examples are provided below:

- The Funding for Lending scheme was set up in July 2012 by the Bank of England, with support from the UK Government to allow banks and building societies to loan funds from the Bank of England at lower than market rates for four years. This enables them to provide increased access to finance for business by reducing interest rates and increasing access to credit (BIS, 2015b). The scheme has been extended, with a focus on lending to small and medium sized during this extension.
- The UK Government set up the British Business Bank in 2015. Whilst not directly providing finance to smaller business, through working with over 80 private sector partners, it enables access to more finance through a wider range of products. Its objectives are:
  - ‘increase the supply of finance available to smaller businesses where markets don’t work well’;
  - ‘create a more diverse and vibrant finance market for smaller businesses, with a greater choice of options and providers’;
  - ‘build confidence in the market by increasing smaller businesses’ understanding of the options available to them’; and
  - ‘achieve this whilst managing taxpayer resources efficiently and within a robust risk management framework’ (British Business Bank, 2015: 1).



- Another strand of the Government's approach to supporting businesses over the last 5 years has been to use tax incentives to increase capital for investment in business. One of these is the Seed Enterprise Investment Scheme (SEIS) and covers 'tax breaks to investors into small start-up businesses. For taking a risk, they can effectively buy shares half-price. It means higher potential returns, vital capital for businesses and a growing UK economy. SEIS, aims to encourage investment in small and early stage companies by reducing the risk to investors of investing in these types of companies. The Government introduced the SEIS as a way to promote new enterprise and boost economic growth in the UK' (SEIS, 2015: 1).
- In addition, the UK Government has set up a number of other schemes to improve and increase access to capital for businesses. The UK Government set up the Business Finance Partnership (BFP) to invest £1.2bn public funding in SMEs from sources other than banks and it at least equally matched with private sector funding, with the finance being made available to the SMEs on commercial terms. It has two strands: (1) The scheme invests in fund managers who loan to medium sized business with turnovers up to £500m. (2) Is for small businesses with turnovers of up to £75m (BIS, 2015b).
- In 2012 the Government set up the start-up Loans scheme to encourage 18-30 year olds to start a business by providing them with advice and start-up finance of around £32,500 each. The scheme has £82.5m Government funding and is managed by the Start-up Loan Company which is wholly owned by the Government (BIS, 2015b).
- Business Angels Co-Investment Fund was established using £50m from the Regional Growth Fund (RGF) to invest in Business Angel syndicates that invest in SMEs in qualifying areas of the country.
- The Enterprise Capital Funds programme pre-dates the 2010-15 policy, as was established in 2006, but an additional £200m was made available during the 2010-15 period. It is a public/private programme to provide venture capital investment in early stage, innovative SME businesses which have the potential for high growth.

Esterson (2014: 1) criticises national approaches to solve the lack of SME funding as having the 'same remoteness that afflicts the big banks ... the same lack of understanding of the local area'. The Cumberland Building Society, Hampshire Savings Bank and Airdeire Savings Bank, provide illustrations of a banking service that only operates within its region. This argument would appear to be consistent with the academic literature. Thornton (2014) notes the much lower rejection rates for SME funding within Germany, which takes a much more regional approach to banking. Thornton (2014) also calls for a more regional approach to banking to help SMEs. Weldon (2013: 1) suggests that a move towards regional banking:

"isn't a quick fix solution and it isn't a panacea to demand problems. Instead it is a sensible supply side policy that, done well will support bank lending to SMEs in the various regions of the UK for years to come"

So far, policy has not responded to this call. Stensrud (2017) argues that RFPs are heavily subsidised by government funding and, as this funding is gradually withdrawn, the sustainability of RFPs are likely to come into question. Attempts to maintain the viability of RFPs without government subsidy reduces their 'ability to lend to the very kinds of small businesses that are currently finding it difficult to access the finance they need to grow' (Stensrud, 2017: 20). A longer terms solution such as regional banking which addresses the challenge of "opaqueness" is required. Whilst the Localism Act (2011) was enabling for such banks, Clarke (2011: 57) recommends the follow is also required:

- 'The Government should remove the barriers to entry in banking'.
- 'The Government needs to create a new legal structure governing local banks'.

- ‘The Government should help local authorities and private individuals to set up local banks.’
- ‘The Government needs to encourage cooperation between local banks and other financial institutions such as credit unions and community development finance institutions (CDFIs).’

A thorough treatment of this issue is beyond this report and those interested are referred to the work of Clarke (2011).

### *Apprenticeships*

Training has been an issue for small rural businesses since at least the 1960s. The focus during the last government 2010-15 was to restructure and consolidate support and training for businesses in England, in part due to public sector budget cuts. This included the closure of the Regional Development Agencies and the withdrawal of Business Link services and the creation of Business Growth Hubs (BGH) and the Rural Growth Network (RGN) pilots.

The previous coalition Government has presided over the creation of 2.2m apprenticeship scheme since 2010 and the 2015 Conservative Government set itself a target of creating 3m apprenticeships by 2020 (The Apprenticeship Guide, 2015). This was seen as key to reducing the number of unemployed young people. The Apprenticeship Levy was introduced in 2017 which means that UK businesses with a salary bill over £3m will need pay toward apprenticeship schemes, where they can use their levy payments apprentices within their own firm. Slightly more generous funding is being introduced for small firms, but also a higher administrative load as the responsibility for managing the programme is being shifted to the firms for ‘funding, designing, buying and delivering apprenticeships’, rather than the training agencies (Pullen and Clifton, 2016: 3).

In the context of rural areas and, more specifically peripheral rural towns, there is a preponderance of small firms. The academic evidence clearly suggests that small firms are less likely to be involved in apprenticeships (Bishop, 2015). Where training does occur within small firms it tends to be informal/experiential on the job training, rather than the formal training the apprenticeships usually provide. Whilst this is national concern, the preponderance of SMEs in rural areas means brings this issue into focus in terms of challenges of enhancing the competitiveness of firms within peripheral rural towns. Bishop (2017: 71-72) suggests that ‘in the absence of the structure and capacity to engage in the same levels of formal training as those found among larger firms, small firms tend to rely more on informal processes to develop skills’. Whilst Bishop (2015: 76) reports that small firms in ‘Germany are around five times more likely to employ apprentices than their counterparts in the UK’, policy transfer into the free market context in the UK was seen to be challenging. Whilst publicity campaigns, such as “Get in go far”, are attempting to encourage small businesses of the merits of apprenticeships, Bishop (2015) suggests only through a more fundamental review of policy are take up rates in small businesses likely to increase. The situation in the UK is that ‘employers – particularly smaller employers with fewer resources – have relatively little incentive to train beyond their immediate need’ (Bishop, 2015: 76). Pullen and Clifton (2016) have raised a series of concerns regarding the change in apprenticeship policy introduced in 2017. Perhaps the key concern in the context of peripheral rural towns is that Pullen and Clifton (2016: 16) suggests there are ‘unlikely to be many incentives for [small] employers to engage in the programme’. Even for the sectors where there is a collective sense of occupation formation (such as engineering, for example), the opportunities within a small firm for career progression can be limited and the incentives for small businesses low.

## **Conclusions**

There is limited economic policy focus specifically on small towns at an England level. Recent research on economic growth in rural England shows that towns in closer proximity to urban areas perform better economically than those in more peripheral areas. There have been some attempts at policy to close the gap in economic performance between urban and rural areas, where the focus has been on increasing rural productivity and on developing approaches to secure the agglomeration benefits for these areas that are seen in urban areas. Even where there is policy specifically for developing the economy in sparse rural areas, some of this, such as the LEADER programmes excludes businesses in towns in the relevant areas from applying for funds that will only deliver benefits in the towns. This raises the question as to whether these policy approaches are the right ones for towns in more peripheral rural areas. Business finance and apprenticeships have been singled out for particular attention due to their relevance to small businesses which predominate within rural peripheral areas. Serious concerns are raised concerning the future in terms of these issues. The policy issues raised within this chapter will be examined further within the practice case studies and a detailed case study of South West Cumbria in the following chapters

# **Chapter 4**

## **Methodology**

### **Introduction**

This report investigates if businesses can thrive in small rural towns in the UK. If so, what conditions are needed for businesses to thrive in these locations? Given the rural focus of this research, it considers peripheral rather than accessible rural areas. In the case of accessible rural areas, the potential for business growth is seen to be higher (see Chapter 3). Building on the academic literature in Chapter 2 and the national policy review in Chapter 3, this chapter outlines the primary and secondary research undertaken. Following an initial discussion of the overall approach, the research is then split into two sections: contextual study; and detailed case study.

### **Overall approach**

Rather than looking for national economic trends across arbitrary sectors/classifications, this research focuses instead on experiences within specific places and builds from this detailed knowledge to its conclusions. As such, the focus is more on identifying which peripheral places perform better than others and why. Through understanding such outcomes more insight can be made into the potential within peripheral rural areas as a broad generic category rather than a precisely defined categorisation.

40 semi-structured interviews were undertaken within this research. Where possible interviews were recorded and transcribed. The topics covered within the interviews were varied and were focused on obtaining relevant information rather than consistency across interviews. Analysis was based on the key research questions outlined in the introduction to this report. Given the sensitivities involved in this project, we are unable to give further details on those interviewed. All quotes from these interviews are anonymous.

### **Contextual study**

The purpose of this study is to explore current understanding on each of the key themes of research.

- Identify practice case study examples and undertake secondary analysis within these places.
- Undertake semi-structured interviews and attend relevant events, relating to the practice case study examples considered. Opinion has been gathered from individuals at different levels of the public sector, property agents, consultants, community enterprise directors and the managers/owners of private sector businesses.

The research has been undertaken through a combination of building on our previous published research, desk based secondary research and primary research through interviews of key stakeholders. The findings from this research are provided in Chapter 5, where these are focused round key practice case studies from Herefordshire, West Yorkshire, Argyll and Bute, Powys and Northumberland. These cases have been chosen carefully in order to illustrate key issues emerging, interesting trajectories within their local economies, types of policy approach taken and their efficacy. These examples provide interesting comparators for the Cumbrian in-depth research. Other interviews have been undertaken in Bolsover District and the Republic of Ireland. We have undertaken 18 interviews (property consultants/developers, economic development officers, those giving business

advice/support, business owners/managers and consultants) and attended a conference for small rural businesses.

## **Case study of South West Cumbria encompassing Millom and Ulverston**

### *Choice of case study*

South West Cumbria represents a peripheral rural area within which business-led growth has occurred (through advanced manufacturing) and is likely to continue in the future. This enables the potential for business-led, rather than the more typical amenity-led regeneration to be explored. Whilst the whole area has a long history of mining, chemical works and steel production, more recent drivers for business growth have come from BAE Systems based within the town of Barrow-in-Furness (approximately 57,000 residents) and the large nuclear complex of Sellafield. Situated within this context is the town of Millom in the Borough of Copeland (population just under 6,000). Millom boomed in the mid-ninetieth century when huge iron ore deposits were discovered nearby. Whilst having a population of approximately 10,000 in the 1960s, since the closure of the mines and ironworks in 1968 the town has experienced significant population decline and has only managed to stabilize rather than regenerate back to the levels of economic activity previously experienced. As a commuter town for low income workers and experiencing high levels of deprivation, this remote town provides an interesting case in this context. The case of Millom helps understanding why some places are only able to stabilize following decline and illustrates a place where business-led revival has failed to materialise. The outcomes and prospects for a second case study of Ulverston in District of South Lakeland are very different. Whilst only 17 miles from Millom, Ulverston provides an illustration of a town which has benefited from and contributed to the business-led growth in the area. Ulverston (approximately 11,500 population) has significant advanced manufacturing, a vibrant town centre and cultural attractions, is considered as a desirable residential location and has a strong local governance. Sharing a similar mining history to Millom and also located in an attractive area of the country, Ulverston has become a very different place.

In terms of the research methodology, different questions are asked of these two towns. In Ulverston it is important to understand why the success has occurred within the town and the lessons provided in terms of factors likely to lead to favourable outcomes. In contrast it is important to understanding the reasons for the lack of economic growth in Millom. But the future possible outcomes for Millom are also interesting. With expansion of advanced manufacturing expected to the east of Millom within Ulverston and nearby Barrow in Furness (submarine manufacture), and growth also expected to the west of Millom (nuclear fuels), a key question is: what is the future for Millom? Having failed to attract significant industry to Millom as a place, what potential is there for Millom to benefit from future expansion within the surrounding area? What future for Millom within this wider context of business growth?

### *Research undertaken*

The research within the case studies is based on desk study which has analysed relevant statistics on the towns and the surrounding area, prior efforts to develop the business sector in the Millom/Ulverston area, an understanding of the policy context within which the area sits. This is supplemented by interviews with key actors in Millom/Ulverston (local councillors, business groups, managers/owners of local businesses, and business advisors). Interviews were also undertaken within a range of other local/Cumbrian/regional experts. 22 people were interviewed about the South West Cumbria area. As most people knew both towns well, Millom and Ulverston were discussed within all the interviews. Following up comments from

the interviewees, an extensive review of newspaper articles was used to further understand the key events within the recent history of the towns and the key factors driving this change.

### **How does the methodology answer the research objectives?**

As noted in the introduction to this report the research objectives are divided into two themes:

- Understanding the potential and roles of business growth within peripheral rural town revival;
- Policy responses to help realise the potential.

In terms of understanding the potential roles of business growth, the various practice case studies and the two in-depth case studies help us better understand the impacts of structural change within small towns and the degree to which a revival can be achieved. Particularly in terms of the case study of Ulverston, an appreciation is gained on the potential role of business growth within small town regeneration. However, practice case studies are also helpful in understanding this. In terms of entrepreneur/business manager attitudes, Chapter 2 provides detailed evidence of the sort of attitudes to be expected in peripheral rural areas. Within the case studies of Millom and Ulverston the focus was instead on the key firms within these locations and understanding their needs, history and motivations and the likely growth prospects within the towns. It was difficult to find information on people who had moved away and the potential for getting them to return.

In terms of policy responses to help realise the potential, two key themes were outlined in Chapter 2: strategies for business growth; and creating a business friendly environment. In terms of the former the main aim of policy is to help create a business environment which helps firms to thrive. The relative importance of regulation and public support in the activities of businesses and the outcomes for towns in general were considered within the in-depth case study interviews.

In terms of strategies for business growth, a strong message coming through relates to the importance of endogenous development within peripheral rural areas. This came through in both the practice and in-depth case studies. The extent to which there is a need for a spatial focus to policy was considered in the context of Millom, where the potential for the town to benefit from regional growth was a key issues considered within the in-depth case studies. The choice of in-depth case studies reflects the need to consider the potential for business-led growth, but these issues were also considered within some practice case studies. However, the prospects for business-led revival within Millom would appear to be limited.

# **Chapter 5**

## **Practice case studies**

### **Introduction**

In this chapter a number of practice case studies are examined of different approaches to regeneration in small and peripheral rural towns. The research has been undertaken through a combination of desk based secondary research and primary research through interviews of key stakeholders. The practice case studies are divided into two main sections: alternative futures; and alternative policy responses. The main contextual research for this chapter was undertaken in the Northumberland, West Yorkshire, Herefordshire, Argyll and Bute in Scotland and Powys in Wales. This provides a broad background for the in-depth case studies in the next chapter.

### **Alternative futures**

Peripheral rural towns are multi-functional places, which, as with other urban places, are likely to have multiple emerging trajectories presenting an array of conflicts, synergies and outcomes at the town level in a 'throwntogetherness' of place (Massey, 2005: 156; Healey, 2004). Building on the work of Martin and Sunley (2011), three alternative paths were observed by Powe and Hart (2017) in small towns. The first of the three was reorganisation without decline, where, faced with changing circumstances within a global economy, towns manage to avoid decline. This is the ideal situation where the local economy constantly evolves into new economic roles without going into recession and decline. Whilst this represents an ideal situation, the focus of this report is on the more troubled areas within peripheral rural areas which have experienced economic decline.

In attempting to understand how places can revive their economic fortunes it is important to first better understand why small rural towns exist and why some have suffered decline. In exploring why small towns exist, their origins often relate to their roles in supporting agricultural needs, serving as a 'marketing outlet for agricultural surplus of adjoining countryside, selling in exchange a limited variety of goods and services' (Clark, 1995: 7). The origins of more recent towns often result from other factors, for example, proximity to natural resources, natural amenity and/or serendipity perhaps linked to a local entrepreneur who develops a local specialism (Daniels et al. 2007; Powe and Hart, 2017). Whilst economic reasons can explain their existence and growth, their contemporary relevance and *raison d'être* is often challenged, perhaps due to a decline in agricultural employment, exhaustion of natural resources and/or a decline in coastal towns as holiday destinations. Despite their peripheral location and the challenges that these locations provide, historically these places have still grown to become towns. However, following the loss or the diminished importance of their *raison d'être*, it is not inevitable that these remote places will naturally offer alternative opportunities and potential for revival. Whilst the death of towns is rare (Tonts, 2000), following decline regeneration to a new growth trajectory is not inevitable. Some towns, for example reorient themselves to become a 'bedroom community' for low income groups (Davies, 1998: 177), but this is more stabilization than growth. The examples from the Upper Calder Valley and Argyll and Bute areas below suggest that whilst regeneration following decline is desired, stabilization following decline is also common.

The story most commonly described within the academic literature is one of regeneration following decline. Regeneration is clearly a desirable outcome and it is important to understand why and how places have managed to regenerate following decline. Internationally, examples of regeneration following decline are dominated by amenity-led revival (Barnes and Hayter, 1994; Smith, 1998; Seaton, 1999; Paradis, 2000; Gill, 2002; Tonts and Greive, 2002; Westerhausen and Macbeth, 2003; Halseth, 2005; Jackson and Illsley, 2006; Macleod, 2009; Green, 2010; Powe and Hart, 2017). Whilst such towns sometimes diversify beyond the amenity-led roles as desirable places to live and visit, the literature on the creative economy discussed in Chapter 2, for example, illustrates how low growth in the rural creative economy has been commonly observed, where this sector tends to underperform in comparison to experiences in larger urban areas. To the authors' knowledge there is an absence of studies in the academic literature of business-led revival, where being an attractive business environment has been the main catalyst within place regeneration. The in-depth case study material in Chapter 6 attempts to fill this gap.

### *Hebden Bridge, West Yorkshire*

Hebden Bridge is a town which experienced the death of its textile industry (fustian/corduroy) and this was followed by economic revival following reorganisation. Textile production provided both the *raison d'être* and the main employer for the whole Upper Calder Valley (see discussion below on the Upper Calder Valley), within which Hebden Bridge sits, for over a hundred years (Smith, 1998). Yet by the late 1950s cotton-producing countries were starting to develop their own textile industries and there was a general overcapacity of cotton production in England (Spencer, 1999). What followed was a period of decline in this industry. The main decline occurred during the 1960s and 1970s, such that the textile industry had almost disappeared by the early 1980s (Spencer, 1999; Smith, 1998). There was a simultaneous decline in engineering, which had also formed an important small cluster within the town, having originally evolved to service the textile industry (Jennings, 1992). Challenged by the steep-sided terrain of the valley (see Photo 5.1), proposals for redevelopment based on high-rise development failed to meet government cost guidelines and there was much local frustration (Smith, 1999). The topography of the town also failed to meet the requirements of other industry and there seemed little hope of a revival in the fortunes of the town. Was a second growth possible in this challenging rural environment with the blight/stigma associated with industrial decline?





**Photo 5.1: Hebden Bridge's rural location with steep sided valleys**

Calder Civic Trust (CCT) saw attracting commuters as central to revival and this formed part of a wider agenda to make Hebden Bridge and its hinterland an attractive place to live and visit. Having a railway station with access to a number of nearby cities/large urban areas (less than 30 minutes by train from central Manchester and just over 10 minutes from Halifax) and reasonable road access suggested opportunities to attract commuters to live in the town. Whilst rural, this is not a remote town. The CCT were in favour of 'rehabilitation and improvement of the property' (Smith 1998: 95). Helped by clean air acts in the 1950s and 60s, the rural area was becoming more desirable to live and visit, with previously abandoned properties in a nearby villages and hamlets being renewed by self-renovating (DIY) in-migrants. Selective conservation of heritage within Hebden Bridge was seen to add to this offer. In the late 1960s, and into the first half of the 1970s, the objectives of CCV found resonance nationally with emerging policies on conservation, tree planting, community involvement and rehabilitation. Hebden Bridge gained a reputation as a place amenable to those seeking an alternative lifestyle, so that by the early 1980s the population decline that had been ongoing since the early 1960s had stabilized.

Whilst a creative economy was emerging in Hebden Bridge, and the population was stabilizing due to self-renovators, a second wave of gentrification occurred as an estate agent, builder, three architects and a locally respected mill owner re-commodified Hebden Bridge's past and desirable rural location to attract commuters from the nearby cities and people from further afield seeking retirement (Smith, 1998). As house prices surged, other property agents entered the market. This process was further supported by strict planning policies on housing growth, building design and conservation and positive national coverage of the town within the media. Changes in the local shops also reflected the increasingly affluent in-migrants, but there was also a marginalisation and displacement of some local residents (Smith, 1998). This

process of gentrification has continued to the present day and Hebden Bridge remains an important commuting town (Barker, 2012).

The local economy has also changed. Consistent with the measures of the CCT in the late 1960s and early 1970s, Hebden Bridge and its hinterland became labelled ‘The Pennine Centre’ which helped to attract sizeable visitor numbers. In the later 1970s, this process was further supported by in-migrants setting up craft and art-related businesses in the town to fund their self-renovation work on cheaply available town properties. Hebden Bridge is an important tourist location, offering an unusually strong independent retail sector and the products from its local creative economy, as well as nearby attractive woodland countryside and heritage villages/hamlets (New Economics Foundation, 2005). As an attractive location for people to live, this encourages small businesses to be established near to the owners’ homes. Indeed, a business centre opening in 2012, as part of a town hall revamp, had all its units full within a short period of opening (Photo 5.2). Yet, as described below, the revival within Hebden Bridge was not replicated in the nearby town of Todmorden. Whilst there has been much positive publicity generated by the Incredible Edible Todmorden idea, this bottom-up/non-political scheme is one of the few positive outcomes arising. Where Powe et al. (2015) reports a lack of local collaboration within the town.



**Photo 5.2: New business space in Hebden Bridge**

### *Amble, Northumberland*

Amble is a coastal town with a harbour and a history in terms of seafood and boat building/repair. Both these activities are still active and help maintain the character of the town. The town’s growth came in the 19<sup>th</sup> Century with a railway link to the harbour and

harbour improvement, which enabled Amble to become a centre for coal transport. Since the closure of two nearby pits in the late 1960s, the town has been struggling to regenerate itself and find a new purpose. As with the case example of Wooler described below, by the 1990s Amble was a neglected place within which there was a lack of investment from either the public or the private sector. Something was needed to be done to change its fortunes. Much blame was placed on the ineffective town council at the time, which, operating within strict guidelines, was unable to access funding to make a difference. The Amble Development Trust (ADT) was established in 1994 in order to obtain external funding and try to strengthen local capacity to regenerate the town. One interviewee suggested that ADT was ‘meant to have a life expectancy of 6 years – by then all the regeneration was going to be complete – the development trust would disappear, everything was going to be hunky dory and we were never going to need regeneration again’. If true, this was clearly naive and over 20 years later ADT is still in operation and playing an important role within the continued regeneration of Amble.

The charitable nature of ADT meant it could be flexible in its approach to planning for small town change, particularly in accessing external funding. Since 1994, ADT has been involved in a series of projects that have slowly improved the town centre and harbour. Simultaneously, private investment in the town was boosted by a large upmarket caravan park and its amenities, which are also open to local residents. Visitor numbers have increased and the reputation of the town has been transformed from an undesirable run-down former coal town to an increasingly attractive place to visit. Amble has become an important venue for water sports and it is also gaining a reputation for its quality restaurants. Whilst, for some time, its harbour has failed to realise its potential as an important tourist attraction, under the leadership of ADT, in 2015, a public-funded ‘harbour village’ development opened along with complementary private-sector harbour-side housing that overlooks an attractive marina which was previously hidden behind railings (See Photos 5.3 and 5.4). These developments have transformed a major part of the harbour area and provided an anchor destination for visitors. Whilst still facing many challenges, there has been much progress in realising Amble’s potential as a place to visit. However, Amble is not, and is not likely to be, a ‘honey pot’ attraction, and, as such, a visitor-orientated economy would appear to be insufficient to adequately revise its economic fortunes. As a centre of local employment, there is still much to be achieved within the town. This example illustrates that whilst there are potentialities within amenity-led regeneration, business-led regeneration is more difficult within a small town context. Indeed, the future of the town’s industrial estate is currently under review with a mixture of housing, a hotel and retail seen as potential alternative uses for some of the excess capacity on the estate. These developments are to occur on the site of a former large food processing factory, which suffered when the company rationalised. Whilst food processing had provided a potential new function, the town is becoming post-industrial.





**Photo 5.3: Harbour Village development in Amble**



**Photo 5.4: Private sector development which followed the Harbour Village regeneration**

### *Helensburgh and Campbeltown*

Taking part in the CHORD Programme, described below, are two towns with very different economic prospects and futures. The towns of Helensburgh and Campbeltown are located in the County of Argyll and Bute which is north-west of Glasgow. The County is the second largest administration area of any Scottish council and contains some very remote rural areas by UK standards. Helensburgh is located only 45 minutes from central Glasgow, whereas it would take over three hours to drive from Campbeltown to Glasgow, the nearest large urban area.

Benefiting from its close proximity to Glasgow, Helensburgh is a former Victorian holiday resort on the wider lower reaches of the Firth of Clyde. Providing a desirable seaside commuter location for people working in Glasgow, Helensburgh has never experienced the challenges of industrial decline familiar to other small towns. Designed in a formal grid layout the town was designed to echo Edinburgh new town. Hill House, Charles Rennie Mackintosh's iconic domestic building, provides a major tourist attraction for the town. The town also benefits from its waterfront and the views across the Firth of Clyde. Close proximity to Loch Lomond and Trossachs National Park means the town is situated in an amenity area for visitors and residents. The town is also located close to the Clyde Naval Base, which although a major employer was seen by BEFS (2013a) to be more self-contained than benefiting the town. Whilst BEFS (2013a) reports numerous threats facing the town, opportunities are such that this provides an example of a town with distinct possibility of reorganisation without decline, according to Powe and Hart's (2017) alternative future categories. BEFS (2013a) sees the town as challenged by the costs of maintaining its historic environment, where a series of heritage buildings are highlighted as needing support. BEFS (2013a) suggests improvements are also needed in terms of the offer of the waterfront, the town centre is struggling and the town also contains patches of deprivation. However, there are numerous projects planned and being delivered, where the town's heritage and amenity is such that there are opportunities to avoid decline. There are also major local employers not often experienced in towns of this size and pressure for housing development and growth which if managed well could benefit the town centre. BEFS (2013a: 1) does also suggest, however, that a 'future scenario of genteel decline could be sketched' for the town.

The prospects for the remote town of Campbeltown are not as favourable as Helensburgh. In their 2012 Rural Scotland in Focus Report, the Scottish Agricultural College (Now Scottish Rural College) ranked 90 Scottish small towns using a Vulnerability Index based on a range of indicators. Campbeltown was the joint most vulnerable town with Dunoon, which is also part of the CHORD programme described below. Campbeltown had seen its population drop 12% between 2001-8, mostly in the young and working age parts of the community and a further 25% fall in population is forecast by 2025 (Ekos Ltd., 2010). The town has suffered from changes to industries that were once the lifeblood of the town, such as shipbuilding and fishing. The local ship yard closed in the 1980s, the military withdrew from the local RAF station in the 1990s and closures in the local Jaeger clothing factory led to a further loss of 300 jobs (BEFS, 2013b). The economic impacts of these can be disproportionately detrimental in such a remote community in which the housing market is depressed and town centre properties in a poor state of repair. BEFS (2013b: 1) suggests 'it adds up to a bleak picture, a town teetering towards a downward spiral of disinvestment, decaying buildings, unemployment and outmigration from a place that is just too far away from Scotland's centres of opportunity'. However, there are some schemes that could help transform the local economy, including developing the area for production of renewable energy technologies, such as constructing wind towers on the old airfield. There are also ambitious plans

developing for the rest of the airbase which was subject to a buyout by a community company (BEFS, 2013b). There is also an internationally recognised golf course and a cinema which is steeped in history. According Powe and Hart's (2017) alternative future categories, however, Campbeltown is still in decline, but perhaps hoping that stabilization will follow soon. Of interest in terms of policy responses, as with Amble, in the absence of public and private sector investment, it is the community enterprise and voluntary help that has played an important part in many of the positive efforts that are occurring in the town, particularly in terms of heritage buildings and community buy-out of industrial land. As with Amble, Campbeltown is also becoming a post-industrial town.

### **Place-based policy responses**

In attempting to encourage regeneration following decline, various place-based policy approaches have been attempted. This section will look at three such approaches.

Firstly, there is the externally-initiated regeneration initiative. In their critique of such approaches Powe et al. (2015) suggests a failure of such approaches to match the process to the challenge. Indeed, Powe et al. (2015: 196) suggests 'government-initiated programmes tend to reflect the political realities of transitory and generic support for rapid delivery, whereas the practical realities of regeneration require a sustained, collaborative, spatially-sensitive process of change'. The Upper Calder Valley practice case study is provided within which attempts were made to better match the process to the challenge. This is complemented by a more recent initiative which is within its early stages and being applied to a peripheral rural town. Whilst within austerity this government-initiated approach has become less frequent, it is still a policy option and the case example of the CHORD programme illustrates some possible sources of funding for such initiatives.

Secondly business-led approaches to growth are considered. The first practice case study concerns concentrated development within specific business parks. Enterprise zones are considered within this discussion and their relevance to small rural towns provides the main focus of the discussion. This is followed by the Powys Local Growth Zones, which are very different to enterprise zones, where the policy in Powys was also designed by local businesses. Business-led Powys Local Growth Zones, however, represents another example of an externally-initiated regeneration initiative.

Thirdly, community enterprises are considered, which can provide a long term strategic planning function for "communities of interest" such as small towns. Two examples are given, where in the case of Wooler a business hub has provided important formal and informal networking for rural businesses which may help them grown in the future, and Lynemouth in which two successful manufacturing businesses have been developed within a village where there is little local demand for their product. Community enterprises provide a means of potentially better matching the process to the challenges faced.

### *Externally-initiated regeneration initiatives*

In terms of government-initiated regeneration schemes, the Market Towns Initiative (MTI) (running between 2002 and 2005) was the first national scheme to focus on small towns. In their review of the literature reviewing the MTI, Powe and Hart (2017: 130) highlight a series of challenges within its implementation and suggest that 'whilst many worthwhile projects resulted from the MTI, it failed to adequately match the process to the long-term and case-specific challenge of planning for small town change'. The following illustration from the Upper Calder Valley was a scheme which attempted to address some of these concerns.

### Upper Calder Valley, West Yorkshire (Northern England)

The history and fortunes of the small town of Hebden Bridge in Northern England was discussed above. Hebden Bridge is one of a series of small towns situated within the Upper Calder Valley (UCV) which are naturally linked together by its stark physical geography and by road, rail, canal and river networks which run along the valley bottom. The UCV is about 20km long, with the other largest settlements being Sowerby Bridge, Mytholmroyd, and Todmorden. These towns share a common history of development through growth of the textile industry in the nineteenth century, but this went into decline in the second half of the twentieth century, leaving a legacy of blight, socio-economic challenges and population decline. The story of Hebden Bridge's revival through gentrification, tourism, creative industries and its unusually strong independent retail is described above. However, the revival within Hebden Bridge was not replicated as successfully across the UCV. Indeed, these other towns provide further examples of towns for which decline has been followed by stabilization. The towns vary in character with Todmorden and Sowerby Bridge being perhaps the most deprived. Whilst Mytholmroyd, is located next to Hebden Bridge, only provides limited retail services it is important in terms of employment.

Between 2002 and 2012 the UCV was to benefit from the Renaissance Market Town Programme delivered across the region by the regional development agency Yorkshire Forward. In the UCV, the programme attempted to develop a long-term regeneration process for its small towns, where regeneration within the area had previously been slow and ineffective. A key element of this externally prescribed process was cross-town collaboration around a UCV-wide strategy. Powe et al. (2015) reports how it was hoped this prescription would challenge previous negative local practices (i.e. local competition for funding, rather than the more desirable collaboration) and feelings of remoteness from their local authority.

The UCV renaissance process began with the externally prescribed vision of cross-valley collaboration. Powe et al. (2015: 189) reports how this was the 'most directive, and perhaps controversial, act of the programme', where 'for most of the interviewees, this selection process was one of mystery and speculation'. Indeed, driven by 'short-term expediency' rather than the 'long-term practical realities of ensuring flexibility or sensitivity to local preferences', it was suggested this 'prescription speeded up programme design and reflected political objectives, but, the lack of ownership by the communities over its creation, or awareness of local history/culture within its definition, added to the challenges of delivering a long-term collaborative process' (Powe et al., 2015: 189).

Despite the natural physical linkages and the close proximity of the towns, Powe et al. (2015: 191) suggests there was a 'competitive' rather than a 'collaborative' environment prior to the UCV Renaissance Programme. It is suggested within the post-political literature that such external prescription can circumvent, rather than tackle, the underlying political challenges to collaboration (Haughton et al, 2013). Powe et al. (2015) report how there was little local ownership or community consultation within the definition of the valley wide group, or awareness of history and culture in the area. In comparison, there was an ambitious external prescription of collaboration which was tied to an implied ability to obtain external finance. Yet, in contrast, academic research suggests that genuine local "buy-in" and collaboration is best developed through "small wins" in terms of modest/low risk schemes (Vangen and Huxham, 2003). Powe et al. (2015: 192) suggested that whilst some people were convinced by the merits of UCV wide collaboration, others were 'playing along' to gain external funding, did not 'appreciate the merits of cross-town collaboration' or even thought that



attempts at collaboration became a ‘focus for rivalry’. Whilst people were passionate about their own town, Powe et al. (2015) reports how it was difficult to capture this passion at a valley wide level – particularly in the periphery towns of Todmorden and Sowerby Bridge. Indeed, within the town of Todmorden itself, Powe et al. (2015) reports much disagreement and a lack of consensus. In order to attempt to tackle these internal challenges within Todmorden, following the cessation of the Renaissance Programme, the wider district authority set up a Todmorden Development Board which only included elected members of Todmorden Town Council and the authority. Justification for this movement towards a more directive representative democracy approach was to suggest that there have been ‘a number of groups with an interest in Todmorden town centre set up over the last ten or so years ... [which] has led to a fragmented and disjointed approach, with no single, shared vision for the future of Todmorden and no overall governance process to drive this forward’ (CC, 2013: 1).

Powe et al. (2015) suggested there was much to commend about this Programme, where YF provided the initial momentum for regeneration, facilitated considerable engagement, reduced the remoteness to the district authority, brought new ideas to the regeneration process, and removing blockages which would have been difficult to deal with locally. Yet the study also demonstrated the challenges involved in naïve external prescription which hopes to circumvent local history/culture. However, there remains potential in the cross-valley cooperation vision, but Powe et al. (2015) reports how it was not until 2010 that the first valley-wide project emerged which relates to the canal which runs through all the towns. This non-controversial scheme developed within the local communities led to coordinated efforts round this “linear park” (the canal) to improve accessibility, signposting and interpretation. Another post-Renaissance Programme scheme has been the Upper Calder Valley Plain Speaker which is a charitable trust funded on-line news website. As suggested by Powe et al. (2015: 193), “small wins” such as these could slowly improve cross-valley collaboration, and perhaps prove more effective than external prescription’.

### CHORD Programme

The CHORD programme is a town centre regeneration scheme. This case is of interest because of the innovative means of funding within a time of recession, by a relatively small district council in terms of population. This scheme was initiated externally to the towns by the council of Argyll and Bute rather than a national or regional programme. As the programme focuses on large complex capital projects, external leadership would seem to be the only viable way of undertaking this work. The council had identified that the 5 waterfront towns of Campbeltown, Helensburgh, Rothesay, Oban and Dunoon, most of which are in very remote locations, were suffering as a result of lack of investment over a period of time, which had led to depopulation and declining economies (See above for a description of Campbeltown and Helensburgh<sup>1</sup>). The aim of the programme was to regenerate the 5 towns, to improve the appearance/public realm, to encourage investments by others in the towns, to improve the economies of the towns, to halt and reverse the depopulation in the towns. Projects include public space schemes in all five waterfront towns and a Townscape Heritage Initiative in Campbeltown (Argyll and Bute Council, 2015).

In terms of decision making, as the Council is providing a significant amount of funding, the Council Executive Board has been involved in all decisions. Other ward members have been updated on progress regularly. Ward members in the 5 towns received a weekly bullet point update to communicate with their communities. The CHORD programme has been allocated

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<sup>1</sup> Somewhere in the region of £6.5m has been spent in both Campbeltown and Helensburgh.



£32m of Council funding, some of this is from reserves, but the majority is from Prudential borrowing, whereby councils can borrow funds to invest in capital schemes, as long as they can afford the repayments from projected future council revenue streams. The council is looking to repay what they have borrowed over a 20-year period. The main driver of CHORD is to try and arrest and reverse the depopulation in some of the coastal towns and one of the important reasons for allocating council funding to this programme of capital works was to be able to provide match funding to attract external grants for the projects.

In addition to this the council is also piloting Tax Incremental Financing to provide resources for other related projects:

‘Tax Incremental Financing (TIF) is a means of funding public sector investment infrastructure judged to be necessary to unlock regeneration in an area, and which may otherwise be unaffordable to local authorities. The overarching goal of TIF is to support and guide the increasingly limited public finances available for assisting regeneration and helping to lever in additional private sector capital’ (Scottish Government, 2016: 1)

How it works:

‘TIF uses future additional revenue gains from taxes to finance the borrowing required to fund public infrastructure improvements that will in turn create those gains. When a public project such as a new road system is constructed within a specific area, increases in the value of the land as well as new property and business investment can occur. Resultant increased site value and investment generates increased tax revenues. These increased tax revenues (whether domestic or business property) are the ‘tax increment’. In Scotland, extra public revenues would come from Non Domestic Rates (NDR) raised.’ (Scottish Government, 2016: 1)

Given that the decisions to invest the £32m funds in CHORD were made before changes in recent years to local authority funding, i.e. cuts from central government, it is questionable whether if made now, the decision to invest the money, or as much money would have been made. Other funding sources for projects are: HLF, Historic Scotland, Conservation Area Regeneration Scheme (CARS) grants, HIE, and Coastal Communities Fund, but the vast majority of funds used were from the council, ERDF INTERREG IVA, LEADER.

### *Business-led growth*

It has been noted above that there is a dominance of amenity-led growth within small towns. The first practice case study illustrates how growth within the small town of Leominster has been business rather than amenity-led. The second practice case example is also focused on the growth of businesses, but relates more to business leadership within small town development. In Powys businesses leadership has led to a regeneration approach which is very much sensitive to local needs.

### **Business-led growth within Herefordshire**

The case of Leominster illustrates a business-led approach associated with the long term growth of an enterprise park. This is a story lasting over 20 years which is and continues to generate significant business-led growth. The initial catalyst for the regeneration efforts however started in Leominster town centre where over 40% of the shops were empty (See Photo 5.5). This led to the formation of Leominster Regeneration Company, which was later to become the Leominster Area Regeneration Company. Whilst the initial focus was on the town centre, efforts were also given to developing an enterprise park for the town. Farm land was available for development, but was effectively land locked due to poor road linkages.

Infrastructure was key as £15m was secured to open up a new bridge which enabled the industrial park to grow. As an interviewee said “without that bridge it wouldn’t have happened”. At the time of writing the Leominster Enterprise Park is nearly full. Although the town centre is also doing much better now, it has both contracted and concentrated into a smaller area. There are now more people living in the town centre and this is partly due to an increase in the number of flats above shops, where these spaces were previously vacant. As experienced in Cambeltown above, without a buoyant local economy, ideas of repopulating towns centres such as Leominster is not possible. There are plans now for significant housing growth in Leominster, with appropriate services for growth already in place. Leominster has benefited from business-led growth.



**Photo 5.5: Leominster town centre**

Drawing from some of the key principles around the growth of the Leominster Enterprise Park, an enterprise zone was set up in the nearby city of Hereford which has a population of just under 60,000 compared to Leominster’s just under 12,000 (See Chapters 2 and 3 for an introduction to enterprise zones). In order to fill Leominster Enterprise Park efforts were focused on encouraging local businesses to expand and develop purpose built new premises. This process was seen as essential as it would open up other business opportunities within the vacated premises. The businesses often funded their purpose built premises using their pension funds, where it was essential that they were able to buy the properties freehold for the assets to be viable in this form. This ongoing project has taken over 20 years to deliver.

The Hereford enterprise zone was also developed through an endogenous approach to firm recruitment. However, the focus was more themed where the zone is focused around defence and security firms. Recognising this local specialism was seen as influential in gaining government support for the zone and has helped develop this emergent cluster within the area. Indeed, for the firms to finance their new business properties they need to have three years trading figures, something which some new firms were not able to provide. The businesses selected for the zone were seen to have potential for growth over five years and

take on apprentices. Recent efforts are being focused on developing links to local universities to aid staff development and research in defence and security. Other key sectors are advanced manufacturing, food and drink processing and sustainable technologies. Businesses able to meet the criteria and able to raise the funding for the new business premises can benefit from a rate rebate, a simplified and speeded up planning process through a local development order, access to a speedy broadband service and a supportive network of organisations and agencies. In a similar way to Leominster, road infrastructure has and continues to be crucial within the success of the business park. Access to funding for infrastructure has been challenging and the process underpinned by volunteer support and a minimal provision of professional paid employment. Without further improvements in road infrastructure, the zone may be limited in terms of further growth.

Reflecting on the Herefordshire experience described above key themes emerge. Firstly, it is important that the right form of local governance is in place. The setting up and filling an enterprise park is a long term project and there is a need for the implementation process to match the challenge. The governance of the business parks was driven by a core group of local passionate people who reported to other higher boards. Knowledge and energy needs to be drawn from both the public and private sectors. Whilst the public sector can be supportive in terms of legislation and access to grants and loans, entrepreneurial drive, commercial knowledge of the property industry and negotiating skills are also often needed from the private sector. It was noted by an interviewee that private sector involvement often needs to be nurtured as they may be unfamiliar with the bureaucracy and the long timescales involved. But it must be recognised that there are limits to the extent to which such projects can depend on voluntary private sector support – “no expenses, no money and you can only do that for a certain period of time”. Serendipity also plays an important part in success in terms of having the right voluntary skills on offer within a particular place, where the skills and capacity available locally can influence the direction and the efficacy of local efforts.

A second issue relates to the focus on realising the potential within local businesses. Whilst some local politicians were wishing to attract large companies from outside, the questions remained if they would come, what local benefits this would bring and the incentives required to get them to locate in a peripheral rural location. The endogenous approach taken within Herefordshire was very different. It involved discussions with local companies, where companies need to get in a ‘frame of mind that they are capable of buying – they can expand with a purpose built building – they can look to the future’. Clearly these are business decisions, but there is a need to educate the businesses of the possibilities for growth. Consistent with the findings in the next chapter, local firms are adapted to their location and have their key workforce already. They know their business can function in a peripheral rural area. As explained by one interviewee:

“The key is to look for local talent in business and look to help them. Encourage them to turn around and say look we can expand. Show them how to do it. Sometimes they are so busy focusing on working – paying the bank or whatever it is. They don’t look at the wider picture”.

So there is an emphasis on local businesses and encouraging their expansion rather than attracting external firms who are already established elsewhere. The experience in Herefordshire demonstrates what is possible if the potential within local businesses can be realised. But will such potential be always available?

“It is recognising it. It is getting to the people that are there who have never thought about building a brand new building. In fact, it is not economically viable from a speculators point of view it is only that they are doing it as their own business over a twenty-year

period. That the tax incentives allow them to do it. That is key and you have got to talk them into it. They see the plans, the land, the sign, the car parking outside and they can expand and take new people on. They are chuffed to bits. There has not been one who has gone bankrupt. They have all turned round and the employees love it because they have got better working conditions”.

So would this approach be appropriate elsewhere? A recurring theme within this report relates to the size and status of the settlements considered. Whilst much success has been achieved in Herefordshire, it is clearly not easy to generate themed clusters of businesses, links to universities and to gain the national level competitive funding for an enterprise zone. This perhaps can only be achieved within the largest towns at best. As suggested by an interviewee - “it would have to be Hereford” and the benefits would spread out to the rest of the county. It was also suggested that for a successful business park of the magnitude of the one in Leominster there is also a minimum size in order to get the momentum required, take advantage of sufficient local business potential and provide the necessary core population to supply the employees. Small places “don’t have the capacity”. It was suggested that you ‘need to have a minimum of 10,000 population of a town to get momentum for change’ and have an adequate workforce to support business expansion. Whilst 10,000 is an arbitrary number, Leominster was large enough at just under 12,000. This is a larger town than Amble described above where the business park has not been as successful. A key lesson however is the need for local firms to be advised on what is possible in terms of growth, where in Herefordshire the focus was very much on endogenous growth. Making the most of local talent.

### Powys Local Growth Zone

Whilst the enterprise park approach was found to be appropriate in Leominster and the enterprise zone approach seen as appropriate in the much larger town of Hereford, the spatially concentrated emphasis on a specific industrial area represents one from a range of alternative policies. Indeed, the idea of an enterprise zone within the Powys County Council area of Wales was rejected. The County Council felt that enterprise zones were not appropriate for rural areas, as they tend to be site specific, whereas economic development in rural areas is much more dispersed and less site specific. When local businesses were asked to suggest the support they required, high speed broadband was the only policy in common with enterprise zones. A more appropriate model was seen to be required with a ‘focus on smaller business and specific issues relating to the retail sector’ (Welsh Government, 2012: 2). ‘Economic concentration of resource and intervention’ was the focus instead, with a growth corridor within which there were a series of Local Growth Zones (LGZ) developed around small towns (Powys T&F, 2012: 4). Within these zones policy was business-led and the policy was designed by local businesses groups.

Labelled as a “pilot”, this would appear to be another externally-initiated short term project (see above for a brief description of the English Market Town Initiative (MTI)). In terms of funding, the Welsh Government has been the main funder for the programme. As many projects are being taken forward as part of wider government funded schemes, (e.g. Superfast Broadband), it is not possible to determine all of the government funding/resource that are helping to deliver LGZ projects/priorities. The Welsh Government shared ball park figures for specific investments by the Welsh Government in Llandrindod Wells and Severn Valley Siriolli LGZs. This is not in the public domain, but is in the region of the funding for individual English MTI programmes. It is interesting to note that the ideas put forward by Powys Council in 2012 of what support could be provided for a LGZ approach have generally not been taken forward. Instead, the ideas taken forward are those developed by

local businesses in each LGZ. As suggested by ESPON (2014: 51), the approach is to ‘flexibly provide a range of support/incentives tailored to local situations with local business playing a leading role in development’. “Town champions” in each LGZ have been employed by the Welsh Government to help implement the scheme, but once their short contracts finish (two years in Llandrindod Wells for example) sources of funding are required to maintain these posts. For the national government this is a short term pilot project, where there was seen to be little prospect of a Business Improvement District bringing in sufficient finance, for example, to continue the funding, due to the limited size and numbers of local businesses. Lessons from the English MTI suggest the short term nature of the staff involved can be a key problem with this approach, where the ‘dissipation of skills and experience vested in the project officers could be one of the major losses associated with the wind-up of the whole MTI programme’ (CA, 2004: 60). Project officers are an asset that is simply too expensive to be maintained long term at a small-town level and yet partnerships can often become heavily dependent upon their knowledge, contacts and skills. Whilst there has obviously been progress on the agreed objectives within the LGZ, these types of projects have previously been identified and delivered in other small towns in the UK.

The local business-led approach differentiates the Powys LGZs from other similar rural initiatives based round small towns. The approach was developed through a group of seven individuals drawn from the local and regional business community in the county (one of whom was also a member of Powys County Council). This group (Task and Finish Group) was given the task of considering the concept of LGZs and make recommendations as to how they could be taken forward and to co-ordinate local consultation and stakeholder representation on LGZs in three initial towns. A key finding from this research was that each of the three towns considered are different and policy needs to respond to the distinctive local needs and opportunities emerging in these towns. As a result of this recommendation the LGZ approach developed is very flexible to local circumstances, where local business groups determine to a large extent what is undertaken. Indeed, the business group in each LGZ must agree on the work to be undertaken. From discussions with interviewees it was not entirely clear how the members of the business groups had been selected, but it is likely it was through self-selection. The business groups would appear to have selected their own priorities for the project, this was preceded by an action plan commissioned by the business groups, paid for by the Welsh government and undertaken by external consultants. Very different policy approaches have been taken in each of the LGZ and there has been little collaboration between the LGZs.

Whilst there are clearly some interesting aspects of this pilot, ESPON (2014) raised concerns related to the governance of the project. Whilst the idea would seem to have promise of flexibly providing a ‘range of support/incentives tailored to local situations with local business playing a leading role in development’ (ESPON, 2014: 30), it was also noted that the ‘concept and action plan appear to have largely been developed by a small group of local business people with the local authority (and Town Council and local community) kept at arms-length’ (ESPON, 2014: 54). Given that external funding is inevitably short-term (Powe et al., 2015), there was concern that the activities of the local business groups are likely to lead to challenges locally in terms of transparency and accountability, where, in terms of continuity, long term ‘much will depend on how the LGZ engages with Powys Council, other relevant public sector service providers, the Town Council and the local community in the town more generally’ (ESPON, 2014: 54). These groups have tended not to be represented on the local business groups. Locally some people had questioned the legitimacy and the motivations of the some of the group members. The lack of integration locally has also led to

challenges for the “town champions” as they have felt isolated and have needed to develop their own support network, but this independence and freedom from local governance can also be beneficial in terms of being innovative and developing new ideas. However, as with the English MTI, this would appear to be an unsustainable scheme in the long term and does not match the process to the long term challenge of economic revival (Powe et al., 2015).

In response to the critical discussion above interviewees made the following comment in early 2017 which they wished to be included:

The Local Growth Zone model has been applied to both Powys and the Teifi Valley as a rural alternative to Enterprise Zones. The model considered alternative options which could help to support jobs and encourage economic growth and has provided an opportunity to trial various pilot projects which are sensitive to local economic circumstances and growth challenges. Task and Finish Groups, established from Private Sector representatives, in both Powys and the Teifi Valley areas, proposed a broad range of actions to the Welsh Government to drive economic development; many of which are being taken forward as part of wider programmes, such as Business Wales, transport and ICT infrastructure improvements. Other projects have included the Newtown bypass, additional train services on the Heart of Wales line, the Llandrindod Wells Economic Regeneration Plan and the Sirolli Effect Enterprise Facilitation project in and around Newtown. All projects have required partnership working between the public and private sector, including Local Authorities, in order to develop and succeed. Initially funded and supported by Welsh Government some of the pilot projects are now working, with key stakeholders, towards becoming self-sustainable. Best practice from the various pilot projects has been shared as appropriate through the appropriate channels and resources.

### *Community enterprise-led regeneration*

An alternative policy response to that considered above is through a community enterprise, where:

‘social enterprise is the label normally applied to not-for-profit organisations which operate commercially. Community organisations which acquire assets ... are a sub-set of social enterprises but have objectives which relate to a defined geographical area which is often also assumed to be a “community of place”’ (Bailey, 2012, p3).

Bailey (2012: 32) sees community enterprises as ‘a new model of neighbourhood regeneration ... which accentuates the people and their assets ... mobilising residents to manage their assets and to manage them in collaboration with statutory and non-statutory bodies’. Community enterprises represent a much broader organisation than the business groups in Powys, with their priorities to the community as a whole rather than just local businesses. Leominster Area Regeneration Company provides an example of such a community enterprise or more commonly referred to as a development trust. They differ from the community partnerships experienced in the Upper Calder Valley as they are underpinned by some form of enterprise which, if successful, provides long term revenue for the trust. In the case of Amble (Northumberland) discussed above, the activities are run by Amble Development Trust which we are describing as a community enterprise. The town of Amble is the “community of place” to which their activities are focused. Further examples of Wooler and Lynemouth in Northumberland are considered below, where their relevance to business growth provides the focus of the discussion. The Wooler case is also interesting as it formed part of the Rural Growth Network described in Chapter 3. For a detailed discussion of community enterprises in the context of small towns see Powe and Hart (2017).

## Wooler, Northumberland

Faced with a decline in their local economy in the early 1990s, the then Rural Community Council (Community Council of Northumberland (CCN)) wanted to better understand what was needed to help five small struggling towns in Northumberland (this was a separate and later process to that described in Amble above). A community development worker was employed in each of the towns to ask the question ‘what does this community need in the future?’ As with the Powys LGZ, a different answer was given for each of the towns considered. However, a key finding of the CCN research was that there was a governance deficit as there was no local body in any of the towns to take the plans forward. In four of the towns a development trust was created and all four were still operating at the time of writing in 2016. Within Wooler, the Glendale Gateway Trust (GGT) was formed in 1996 and this has proved to be the most successful of the four trusts. Like Amble Development Trust described above, GGT takes on a range of identities which provide different opportunities for improving the town (community development organisation, a community land trust, a social enterprise and a registered social housing provider).

In comparison to most small towns in England, Wooler (just less than 2,000 population) is relatively rural, being one-hour’s drive from the nearest large urban area, and half an hour from a larger town. The town was found by the CCN appraisal to be suffering from a range of challenges (in particular a lack of affordable housing and a number of derelict buildings, some within its town centre) (CCN, 1996). Over twenty years of incremental change, the GGT has been successful in addressing these challenges in a manner appropriate to its local needs, where the efforts were focused on ‘trying to bring new life into buildings and rid the place of this sense of dereliction’. GGT now owns a series of buildings in the town centre (affordable housing, retail and business spaces, youth drop-in centre, a combined library, tourist information and community centre). They also own a youth hostel elsewhere in the town. These properties have been renovated largely through government grants, but also some private loans from local individuals. GGT’s assets are now generating revenue, to the extent that the trust no longer requires a support grant.

The Wooler example illustrates what can be achieved through community enterprise. What was needed in Wooler was to find solutions based on local knowledge of what was possible and aided by volunteers who had enough patience and willingness to take the personal financial risk to sustain their efforts through the inevitable long-term, incremental process of solving otherwise intractable problems. This is an approach which has matched the process to the long term challenge of regeneration. A key to the regeneration success was also the sustained professional help of the trust’s director, whose employment gradually became financially supported through a successful social enterprise. This differs markedly from the short term and unsustainable approach taken within schemes such as the English MTI and the Powys LGZ. Whilst the trust’s director and other staff can only give part of their time to activities outside their core business, the longevity of that support has been crucial in helping address the many challenges of the town’s remote location and size. The success of the trusts was seen to be key in terms of its acceptance to both local people/organisations and external agencies. Unlike with the business groups in Powys, should local individuals become dissatisfied with the activities of the GGT there is potential to get elected onto the board and change the policies of the GGT.

It was identified locally that there was a need for low risk space for business incubation within the town. GGT saw its role as one of encouraging home based businesses to step up to having their own office and to provide this office within a hub where they could network with



others. It was felt that there was a danger that businesses will fold or downscale because they grow too fast without an adequate support network. GGT have been successful in attracting nine businesses in a wide range of business spaces to work within the grounds of a single building. Supported by the Rural Growth Network, the hub contains fast broadband and formal and informal networking. Within the hub and beyond, support is available from a business advisor who provides free advice. New business pods were also built within the grounds of the hub (See Photo 5.6). Hot-desk facilities are perhaps the least successful service they have provided, where, consistent with the findings in Chapter 2, this was seen to be due to a lack of awareness of the need to network by small businesses. Also represented in the same building are the public and voluntary sectors and informal cross-sector networking and working was found to be particularly effective in terms of sharing advice and gaining business contracts. In Wooler, this business development has occurred as part of a wider coherent package for the whole town.



**Photo 5.6: Business pods which have been popular with local businesses**

### Lynemouth, Northumberland

Located in a rural but not remote location, the village of Lynemouth has also benefited from a development trust (DT). What is particularly interesting here is that in this ex-mining village they have managed to create manufacturing businesses in confectionery and clothing, where there was no prior knowledge of these sectors in the DT (See Photo 5.7). Powe and Hart (2017) report how a lack of specialist knowledge has not prevented them undertaking these activities. In the case of confectionery, the business was developed through imaginative thinking, good market research and the skills of former kitchen staff. In terms of clothing, it involved bringing together unemployed machinists with designers from the wider area. Based



on the knowledge that there was little hope of an enterprise that tried to sell something locally being successful within the former pit village (“what is the point of creating a business when your sales are based on an impoverished population?”), these businesses in Lynemouth have gained contracts with top London retailers, creating employment for local people and hopefully raised local aspirations through the demonstration of what can be done.



**Photo 5.7: Lynemouth village hub and location of two successful businesses**

One of the key challenges faced by the DT has been the need to make viable investment decisions, whilst operating where investment in this village has been judged by the private sector to be non-viable. This certainly provides a niche for the DTs, but also illustrates the challenging situation they face and the need for public funding to support such ventures. If the DT can work effectively, then there may be potential for these enterprises to be more viable because they are locally embedded. Across Northumberland, DTs have illustrated how local linkages have helped in gaining cheaper contractors, volunteer support and increased operational efficiency (Powe and Hart, 2017). In Lynemouth, as a charity, the DT was able to access grants during the key stages of business formation and growth. This charitable status has also helped the clothing business by attracting some senior experienced external support. This illustrates how DTs provide a localising process, but the need for external involvement should not be forgotten. The village has benefited from the generalist skills of the trust director in project management and financial administration. The DT had never run a manufacturing business before but they have built on their good appreciation of local skills and the potential that this provides.

## **Conclusions**

In this chapter a number of practice case studies have been examined which have illustrated the alternative futures which small towns face and the place-based policy responses which have attempted to revive the prospects of challenged towns. The research has been undertaken through a combination of desk-based secondary research and primary research through interviews of key stakeholders. The main contextual research for this chapter was

undertaken in the Northumberland, West Yorkshire, Herefordshire, Argyll and Bute in Scotland and Powys in Wales.

The three alternative future case studies have illustrated how places have changed over time and the key factors affecting this. The peripheral location of many small towns does affect what is possible in terms of revival, with transport and communication infrastructure being important factors influencing what is possible. Indeed, the evidence suggests that proximity to large urban areas matters in terms of the opportunities emerging in terms of attracting commuters, visitors and businesses.

The cases of Hebden Bridge and Amble illustrate what is possible in terms of economic revival, but also the long timescales of making a difference within these towns. Small towns affected by significant shocks only stabilise/recover very slowly and often over decades. Indeed, for the town of Todmorden, located close to Hebden Bridge, economically it can be seen as more stabilising following decline rather than revival. Whilst often neglected within the academic literature, stabilisation following decline is common. Questions remain in terms of the extent to which regeneration/revival is possible within remote small towns which have suffered decline. The example of Campbeltown illustrates how stabilization itself may be difficult when population decline sets in. The detailed case study of Millom in South West Cumbria in Chapter 6 provides an important further illustration of a town which has failed to achieve little more than stabilisation following decline. Economic revival or stabilisation takes time and continuous effort supporting this change. In the absence of private and public sector investment, the examples of Todmorden and Campbeltown suggest the most positive initial outcomes are likely to come from the local communities.

In terms of policy responses, the roles of external agencies, local businesses, community and community enterprises have been considered. Providing place-based policy responses to enhance revival processes have been found to be challenging, where there has been an over emphasis on short term unsustainable solutions to the long term and complex problems faced. In the case of the CHORD Programme however funding for such complex and capital intensive projects is only going to be possible through external financial support. More generally, however, community based approaches have been found to be the most successful, where community enterprises provide an approach to better match the process to the challenge, providing professional support long term and a conduit for volunteer support. Examples of Leominster Area Regeneration Company, Amble Development Trust, Glendale Gateway Trust and Lynemouth Development Trust have been shown to be particularly effective in alleviating the challenges experienced in remote and/or depressed towns. The experience described has illustrated the importance of making the most of local talent and support. Consistent with the literature described in Chapter 2, policy is best developed locally to reflect the case specific opportunities arising within individual towns and to take advantage of local capacity in terms of voluntary support and ideas. Such approaches seem to better match the approach to the challenge than externally initiated and guided initiatives.

# **Chapter 6:**

## **In-depth case study of Millom and Ulverston**

### **Introduction**

In the last chapter, a number of practice case studies were examined of different place-based approaches to regeneration in small and peripheral rural towns. This chapter builds on this work through in-depth case study analysis of two small towns in South West Cumbria (Millom and Ulverston) and how they are likely to be affected by future advanced manufacturing growth in the wider regional economy. The research is based on a combination of secondary desk-based research on the towns and data from a series of detailed semi-structured interviews related to these case studies.

Millom (population just under 6,000) in the Borough of Copeland boomed in the mid-nineteenth century when huge iron ore deposits were discovered nearby. Since the closure of the iron ore mine and ironworks in 1968 the town has experienced significant population decline and has only managed to stabilize as a smaller town rather than regenerate back to its original size (approximately 10,000) and the levels of economic activity previously experienced. Whilst only 17 miles from Millom, the second case study of Ulverston provides an illustration of a town that has benefited from, and significantly contributed to, the business-led growth in the area. Ulverston (approximately 11,500 population) has significant advanced manufacturing, a vibrant town centre and cultural attractions, is considered a desirable residential location and has strong local governance. Sharing a similar mining history to Millom and similarly located in an attractive area of the county, Ulverston has become a very different place.

This report asks whether businesses can thrive in peripheral rural areas in the UK? And if so, under what conditions can such businesses thrive and what potential is there for encouraging them to operate in such locations? The case of Ulverston clearly demonstrates that businesses can thrive in peripheral rural areas and the research focus in Ulverston has been to understand why the town has experienced such a revival. In contrast, it is important to understand the reasons for the lack of economic revival in Millom. Why is the business environment in Millom so different from Ulverston? With expansion of advanced manufacturing both east and west of Millom, there is also a need to appreciate what potential this provides for Millom. What potential futures are there for Millom within this wider context of business growth? This is a chapter about learning lessons from two settlements and how they have attempted to revive their fortunes. Chapter 7 will combine the evidence collected within the contextual surveys and the in-depth case studies to consider more specific policy questions.

The next section provides a brief introduction to the South West Cumbria policy context. The Millom story is then provided, focusing in particular on the attempts to find a renaissance for the town. The focus then turns to consider the town of Ulverston and its more recent economic history as it has become a centre for advanced manufacturing and a cultural centre for the area. The economic potential for Millom within the context of regional economic growth provides the focus of the last section prior to the conclusion.

### **South West Cumbria and the policy context within which it sits**

South West Cumbria represents a peripheral rural area within which business-led growth has occurred through advanced manufacturing and this is likely to continue in the future. Whilst

the whole area has a long history of mining, chemical works and steel production, more recent drivers for business growth have come from BAE Systems based within the town of Barrow-in-Furness (approximately 57,000 residents), the long term work in decommissioning at the large nuclear complex of Sellafield and a further nuclear power station is planned nearby (Moorside Project). Employment in these firms is situated in the political arena where they are underpinned by government grants and contracts. There will also be a major expansion of GlaxoSmithKline in Ulverston which will supplement other activity in the town through a state-of-the-art biopharmaceutical manufacturing facility. This provides an exciting context to explore the potential for business-led, rather than the more typical amenity-led, regeneration in peripheral rural towns.

In terms of government funding, the Cumbria Local Enterprise Partnership (LEP) has been awarded £26.8 million in 2014 from the Local Growth Fund over the period 2015-2021 and in January 2015 a further £20.9 million of funding will be awarded between 2016 and 2021 (Growth Deal 1&2). This represents the largest source of public funding for business growth in the area. A number of priority projects have been agreed for this funding. The most notable in this context is an improvement to a junction to increase capacity in South Ulverston to support the expansion of GlaxoSmithKline and housing development. Whilst there are no other projects planned that will directly benefit Ulverston or Millom, nearby Barrow-in-Furness is due to benefit from finance to help open up land for business growth, an enterprise zone and support for its Advanced Manufacturing Technology Centre at Furness College (Siemens in Ulverston is listed as one of the firms potentially benefiting from the centre). As will be demonstrated below, the economy of Ulverston and Barrow-in-Furness are interrelated.

Business advice comes through the Cumbria Chamber of Commerce and the relevant local authorities. A Cumbria wide business support hub has been set up and part funded by the European Regional Development Fund Programme. South Lakeland District Council, within whose area Ulverston sits, also has a small team of staff running Invest in South Lakeland which complements the business support hub and the Chamber. In Copeland Borough Council there is additional business support from Britain's Energy Coast, which focuses on businesses within the energy innovation sector. Britain's Energy Coast manages, for example, the Westlakes Science and Technology Park in the town of Whitehaven. This park has strong links with the University of Central Lancashire.

Neither Millom nor Ulverston are the main centres for their district. In both towns austerity had led to pressures for local services to be closed, where a process of community buyout was under consideration at the time of interviewing. The feelings of neglect were strongest in Millom where the district was seen to be Whitehaven centric. As one interviewee suggested that "comparatively you look at the money that has been spent people will feel aggrieved. Now there are reasons for that – it is not the main centre of population but people do still feel and will tell you quite strongly that it is not fair". In terms of the nuclear industry and the growth in activity in the region that has resulted, Millom residents have benefits from employment, but it is difficult to see benefits in terms of supply chain firms and training activities. An example often given was the £21.5 Energus centre opened in 2009 in Workington (the main centre within the Borough of Allerdale) as a conference facility and training centre aimed at the nuclear sector. With the stretch of the A595 both east and west of Millom being detrunked (no longer being the responsibility of the Department for Transport) and the A66 remaining trunked (including a section of the A595 running from Whitehaven to



Sellafield) the road links to Millom have a lower status than the road links to Workington and Whitehaven.

### **Millom - decline followed by Stabilization**

Although a market charter was granted in 1250, prior to the discovery of a ‘huge deposit of high-grade iron ore, called hematite’ in 1855 Millom was a collection of farms and small villages (CCC, 2015a: 1). Although iron had been smelted from local ore from the later seventeenth century, this process did not expand significantly until a huge deposit of iron ore was discovered in nearby Hodbarrow. Following this discovery in 1866, Millom grew to become a prosperous town with a population of over 10,000 by the early 1900s (Fancy, 1992; Visit Cumbria, 2015). Indeed, the town only received its name as Millom after the iron works were established (CCC, 2015a). According to CCC (2015a: 1) at one point in the late 1800s Millom was the ‘largest industrial site of its kind in the world’. The works began to decline from the 1920s onwards, with the mines and the ironworks both finally closing in 1968. The resource had been extracted and the 100 years of history associated within iron was over (See Photo 6.1).

Since the ironworks closed the town has been struggling and the population declined significantly to 5,980 in 2011 (CCC, 2015b). The town has only managed to stabilize rather than regenerate back to the levels of economic activity previously experienced. Its once busy harbour is now only used by pleasure boats. Whilst only 17 miles from Ulverston the road linkage is slow and narrow in places. With cheap housing, Millom has become a commuter town for low income workers and continues to experience high levels of deprivation. Given the focus in the academic press on towns that have revived following decline, the Millom case exemplifies why some places are only able to stabilize following decline and illustrates a place where business-led growth has failed to materialise.



**Photo 6.1: Monument to Millom's past**

### *Introducing Millom*

Combining Millom with the nearby village of Haverigg, there are somewhere in the region of 2,200 people employed in the town and a population of approximately 7,000 people. Millom is the principle settlement in the sparsely populated South Copeland, providing the main centre for shopping and services (education and health services). The town centre contains two small supermarkets and a range of independent shops. The town centre has shrunk considerably since its peak, and many shops have been converted to residences (See Photo 6.2). There is a busy train station for a small town, which is particularly popular with commuters working elsewhere. Indeed, CBC (2013a) reports how Millom station is the third busiest on the line.



**Photo 6.2: Millom town centre and former Co-op building which is disused**

In characterising Millom most interviewees would start by discussing its remote location, the poor road links to the towns and that it is “out on a limb”, in the sense that “nobody is passing through Millom”. You only go there if you want to visit the town itself. Three interviewees made a link between the lack of through traffic and trade in the town. A comparison was often made with Ulverston which has made the most of the significant through traffic to Barrow-in-Furness.

Table 6.1 provides a breakdown of the employment provided within the town, which is dominated by public administration, Education and Health, with the Haverigg prison, the schools (primary and secondary) and the cottage hospital being major employers within the local area. Just over 40% of the employment opportunities in Millom are in the public sector, compared to only 15% in Ulverston, which is closer to the national average of 17-18%. This in part illustrates that Millom is providing a public service centre for the sparsely populated South Copeland. However, in the context of austerity, this suggests a lack of resilience for the future of the town and the potential for decline rather than growth in employment in the future. Employment in accommodation and food activities, associated with tourism, is similar to the national average and lower than the county average. Neither Millom nor Ulverston are tourist towns in terms of their employment structure.



Millom is a commuter town with 60% of the residents in work employed outside the town (Ulverston 64%). However, Millom also attracts commuters, with 56% of the town's employees commuting into the town (64% Ulverston). The interviewees suggested that this varies markedly by the type of job considered. Those employees earning good incomes tended not to live in Millom. This is reflected in the house prices, where Millom is in the bottom 20% of the county (Mean house price £101,000 in 2014; Ulverston £167,760; Copeland £124,913; Cumbria £167,810; GB £228,280; Source: CACI Street Value). There are some attractive villages nearby Millom (including the very small town of Broughton-in-Furness) that attract much higher house prices and are popular with people on a higher income (for example, in Millom Without and Broughton wards mean house prices were £253,717 and £248,296 respectively in 2014). Millom itself would seem to provide a residential location for those on low incomes (See Photo 6.3). As one interviewee stated "people don't want to live in Millom because it seems a step down".



**Photo 6.3: Millom is a commuter town with comparatively low house prices**

On average, the income earned by Millom residents is in the bottom 20% for the county (mean of £26,983; Copeland £32,331; Ulverston £31,838; Cumbria £31,832; GB £36,266) (Source: CACI Paycheck 2014). The biggest private sector employers in the town are a fence maker (Tornado Wire) and an educational book publisher (CGP Books). There are a number of micro businesses, particularly trades people (plumbers, electricians, builders and landscape gardeners) and retail within the town centre. There are a few small to medium firms which include a brush maker (Slacks) and a firm producing metal closing rings (Drum Closures Ltd).

In contrast to the dependence on public sector employment within Millom, in Copeland as a whole there is a dependence on manufacturing, reflecting, in particular, the employment opportunities within Sellafield (See Table 6.1). This is recognised locally, where CBC (2013b; 2) states:

“The nuclear sector and its supply chain is the major employer within the area, employing over 60% of all employees in Copeland with 72% of employees on site being Copeland residents. Historically, the pay levels for those directly employed within the sector have been significantly higher than other jobs available within the local economy”.

Whilst this employment is very welcome and the potential of a new nuclear power station next to Sellafield provides a potential further source of employment (NewGen), there are concerns locally that there is a lack of a diversified economy. As one interviewee stated, “if Sellafield wasn’t around, West Cumbria would be a ghost town. There is just nothing else”. This would suggest the Borough of Copeland is what Markusen (1996) referred to as a “state-anchored district” where its future very much situated within the political realm. Copeland Borough Council has been looking at tourism as a means of diversifying the economy within South Copeland (CBC, 2016).



<b>Table 6.1: Employment by Standard Industrial Classification of Economic Activities (%)</b>	<div> <div>South</div> <div>Great</div> </div>						
	Millom	Copeland	Ulverston	Lakeland	Cumbria	England	Britain
Agriculture, forestry and fishing	0	0	0	0	0	1	1
Mining and quarrying	0	0	0	0	0	0	0
Manufacturing	8	38	28	10	17	8	8
Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0	0
Water supply; sewerage, waste management and remediation activities	0	1	1	1	1	1	1
Construction	3	6	3	5	5	4	5
Wholesale and retail trade; repair of motor vehicles and motorcycles	19	9	13	18	16	16	16
Transportation and storage	4	2	2	2	4	5	5
Accommodation and food service activities	8	7	7	20	12	7	7
Information and communication	1	1	1	2	1	4	4
Financial and insurance activities	1	0	1	1	1	4	4
Real estate activities	1	0	1	2	1	2	2
Professional, scientific and technical activities	3	7	5	5	5	9	8
Administrative and support service activities	1	6	9	4	5	9	9
Public administration and defence; compulsory social security	18	4	2	3	4	4	4
Education	19	5	9	9	8	9	9
Human health and social work activities	15	13	12	12	14	13	13
Arts, entertainment and recreation	2	2	1	4	3	2	2
Other service activities	1	1	3	3	2	2	2
Activities of households as employers	0	0	0	0	0	0	0
Activities of extraterritorial organisations and bodies	0	0	0	0	0	0	0

Source: Business Register and Employment Survey - National Statistics 2015 – Accessed viva NOMIS

In terms of deprivation within South and West Cumbria, this is concentrated in Barrow-in-Furness and pockets in and around Whitehaven. These areas are clearly identifiable through the Multiple Indices of Deprivation for 2015. There is a pocket of deprivation within Millom, particularly in terms of the living environment and health deprivation. As Millom is a small place, there is less deprivation overall than experienced in Whitehaven and Barrow-in-Furness but it is still significant for the individuals involved. The area is generally in the top 20% for unemployment in the county and the lowest 20% for wages and educational achievement. However, the area benefits from very low crime rates.

Various interviewees mentioned a low level of aspiration within Millom. This was seen to go back to the closing of the mines and the iron works. As one interviewee suggested:

“people want to hark back to those days to say that Millom was great when that [mines and iron works] was open but when that closed the town died and not only did the town die but they actually declared it was dead by marching through the town with a coffin – so you can imagine the psychological aspect of that ... that was two generations ago – but still that is what people have grown up with that sense of everything finished when the mines closed ... So there is a psychological factor to step over”.

More generally, there was perceived to be a lack of entrepreneurial drive within the town. This is despite efforts to encourage business start-ups.

Millom suffers from some cross-Copeland challenges. As CBC (2013b; 2) suggests:

“The jobs created at Sellafield enable many to realise their aspirations. Whilst this is positive for many families within Copeland, for others their experience of living here is different. Some residents experience unemployment, survive off low incomes, suffer financial exclusion (no bank account or access to appropriate credit), use food banks, live in houses which don’t meet modern standards and lack skills and experience which hinder their ability to take advantage of job opportunities.”

It would appear there are two economies: one associated with Sellafield, and the other separate from it. The latter is linked to low wages and poverty. Concerns were also raised that much of the employment at Sellafield involves people external to the area and/or through external contractors. It was argued that this reduced the benefits to the local economy.

### *Local businesses - coming and going but some staying*

Whilst the location of the former iron ore mines and the iron works have not been used for alternative business use (they are slowly becoming nature reserves, but large slag heaps remain), efforts have been made to develop three industrial sites within Millom and Haverigg. During the time since 1968 there have been a series of successful businesses, some coming and going, but others showing more sustained growth. Whilst it is unclear how many people were employed in the iron works (an old postcard suggests it was about 900 people), at their peak the mines employed over 1,000 people (NWEM, 2007a). No businesses have come close to providing this order of employment within the town.

Based on a report in 1969, it was suggested by NWEM (2010a) that following the closure of the mines and the iron works two major manufacturers remained: West Coast Tanneries at Haverigg; and Elbeo known locally as the “stocking factory”. These two firms were major employers and were taking on extra staff in the late 1960s.

Whilst the tannery was facing tough trading conditions at the end of the 1960s, there was at least some hope that this situation would improve (NWEM, 2010a). In 1969 NWEM (2010a) reports how an extension was made to the existing plant to introduce a new product. NWEM

(2010a: 1) quote from the unnamed 1969 report: ‘the prospects in the shoe and leather trade are good and the company is having much more confidence in the future than they have had for a long time’. Sadly, ten years later the tannery had closed. The tannery factory had been producing leather since just before the second world war and was supported by government subsidy to help the area in a period of recession (1930s) which was clearly soon to end (Times & Star, 2008). At its peak the Tannery employed 265 people, but was increasingly supported by public subsidy as the price of leather fell due to overseas competition (Times & Star, 2008; NWEM, 2008a). Whilst there is some small scale manufacturing on the site there was thought to be little potential for this to expand. The largest former tannery building has been demolished and the majority of the site is now operating as a garage and car showroom.

NWEM (2010a) reports how the Elbeo “stocking factory” was a “big hope” following the closure of the ironworks and the mines. In 1969, they built a new factory in Millom. The company took on 70 new employees in 1968 and presumably more after the completion of the new factory. Employment in this industry dated back to the 1950s. At its peak in 1970 the factory employed 440 workers, but by 1992 this had fallen to 200 people (NWEM, 2016a). The factory ceased production entirely in 1993. Again it was overseas competition which led to a reduction in UK manufactured hosiery, but NWEM (2016a) report that transport costs from this remote site had been a factor in the closing of the factory. Whilst NWEM (2016a) reports that there were plans to restore the site for housing development, since the mid-1990s it has been occupied by the educational book publisher CGP books which has been expanding in recent years.

The success of CGP has been reported in the local and national media (including a Wikipedia entry) and provides perhaps the largest private sector employer operating in Millom (Sawer and Lefort, 2009; Luck, 2009). Richard Parsons, the founder and owner of CGP, was born and brought up in a nearby town the size of a village (Broughton-in-Furness). After getting a degree in physics from Oxford University Richard Parsons returned to Broughton-in-Furness where he obtained a job teaching at Barrow-in-Furness. He then started doing private tutoring of school children, but could not find material that suited his needs. He thought he could do better. So he started writing his own material for his tutoring and that proved quite successful. In 1994 he decided to write a book and sell it. After he had had the books printed he sent them to various schools to test the market and received excellent feedback. The business grew out of this success and they now claim to be the most popular education publisher in the UK. The headquarters of CGP is located near Broughton-in-Furness, but the company’s biggest office and distribution centre is located in Millom. The printing of the books is undertaken by a separate company in Newcastle upon Tyne. CGP employ somewhere in the region of 70 people in the town (the firm employs approximately 200 people) and have been expanding in the last few years. The evidence suggests that the only reason that the office and distribution centre is located in Millom is the connection which Richard Parsons has with the area. This is an example of the importance of making the most of local talent and encouraging people to not only return to the area after university, but also to support local “winners” in terms of business growth. This also illustrates that businesses can thrive in Millom and that, with the aid of modern logistics companies, distribution is also possible from Millom. Whilst not employing as many people as Elbeo on this site, the employment created by CGP hopefully means its future is secured and the quality of the employment opportunities created is high. This employment has encouraged graduates to return to Cumbria after going to university.

A third industrial site was developed soon after the closure of the ironworks to help address the lack of employment prospects within the town (CBC, 2012). A further big early hope for the town was hovercraft manufacture. Prototypes were manufactured in the early 1970s on the new Devonshire Road industrial estate. Heavily reliant on charitable and public subsidy, by 1974 the company employed approximately 150 workers, but by 1975 had gone into receivership (NWEM, 2013). This illustrates the challenges of picking “winners”. Whilst a hovercraft passenger service across the Dudden Estuary between Millom and Barrow-in-Furness would have cut travel times significantly, this also never materialised.

Shoe manufacture also provided potential on the Devonshire Road industrial estate. The Millom shoe factory was an off-shoot of K-Shoes which had its headquarters in Kendal in the south east of the county. The factory in Millom was set up after WWII. K-shoes were taken over by Clarks and the Millom factory was the last remaining Clarks shoe plant in the UK, with all other shoes manufactured abroad (NWEM, 2006a; NWEM, 2006b). Doodles were manufactured at Millom and in 2005 the factory employed 37 people (BBC, 2005). After lying idle for a few years this unit has recently become a training hub financed partially through the Rural Growth Network funding. It is run by the Millom Network Centre (see below).

Along Devonshire road there are three long term successful businesses of note. There is a brush manufacturer (Slacks – operating since 1970) and a manufacturer of metal closing rings (Drum Closures Ltd – established in 1951). The largest firm on this road, which was also experiencing growth at the time of writing, is Tornado Wire. Attracted partly by public subsidy and the familiarity of the firm’s owner with a rural environment, this Scottish firm started production in Millom in the 1970s when the firm was in its infancy. Tornado Wire have adapted to the rural location as they have grown and seem committed to stay within the town long term. They are a leading fencing manufacturer in the UK and employ over 50 people in Millom. Whilst spread over three sites, all their manufacturing (fence weaving) is undertaken in Millom and, benefiting from modern logistics systems, their products are transported from the Millom site all over the UK and abroad. This firm has seen gradual growth in the last few years and would seem to have much potential for future expansion in Millom.

### *Stabilization and attempts at renaissance*

Millom only exists in this remote location due to chance; the presence of a major seam of iron ore. It is difficult to see how a town of over 10,000 would have otherwise come into existence in this location. Given that growth of the town has come about through serendipity and its *raison d’être* has gone, can other roles be found for this peripheral rural town? Should it be allowed to further decline? As can be seen from Table 6.1, people are no longer employed in mining and quarrying within Millom. With relatively poor transport connections compared to other towns in its wider area and the detrunking, rather than improvement, of the transport links to the town, renaissance and revival is a real challenge. There have been many efforts to help meet this challenge.

In 1996, the Millom and Haverigg Economic Development Group (MHEDG) was founded to promote and assist cultural and community development in Millom and Haverigg by working in partnership with local authorities and appropriate organisations and agencies. Sixteen years later the company was dissolved. They were a registered charity, limited by guarantee. An important person emerged to lead this group, Roland Woodward, a former head of the town’s secondary school. Within the lifetime of the group a key opportunity arose out of the Market

Town Initiative (MTI) in 2002 (see Chapter 3 for a more general discussion of this Initiative). However, activities did not begin properly until 2005 in Millom and the MTI was wound up in 2008, with the last year being funded through an alternative source (Local Authority Business Growth Initiative). The main output of the MTI was the construction and setting up of the Millom Network Centre on the grounds of the town's secondary school. This is run by another registered charity limited by guarantee, Millom Network Centre Ltd, to help "support the sustainable regeneration of the local area through the provision of lifelong learning opportunities and the development of a local enterprise culture" (See Photo 6.4). A regeneration manager was employed to run the MTI and a tourism officer to develop the town's potential. Millom Heritage Economic Regeneration Scheme, Millom Youth Partnership and Millom Business Forum were also run under the banner of the MTI.



**Photo 6.4: Millom Network Centre located within the grounds of the secondary school**

When the MTI funding ended, friction seems to have developed between the town council and MHEDG (NWEM, 2008b; NWEM, 2009a, NWEM, 2009b). Following the resignation of the regeneration manager in 2008 it was reported how:

‘the role had been surrounded by controversy since it was created to lead Millom into a new era of economic wealth three years ago ... Rows between Millom town councillors and the group have emerged over the way the group’s budget has been spent’ (NWEM, 2008b: 1).

Such frictions between town councils and the MTI groups were common and were partly due to the top-down requirement by the national Countryside Agency that the MTI be run by a group separate from the town council (Powe and Hart, 2017). More success is likely to be achieved where local communities work to a consensus towards common goals. NEWM (2009b: 1) provides a sense of the feelings at the time, where the director of MHEDG publically stated:

“I am really depressed with people who don’t want any kind of change whatsoever, they will end up in a museum. It’s backward. I have never known any support for any project that happens to be an improvement for the town. These people want to stop any progress. Let’s have some enthusiasm to get the town moving and not the dead hands we have sitting around.”

A town councillor however stated that:

“Would it not have been better from the word go if the public had been involved? We want to know what is going on, you have never involved us” NEWM (2009b: 1).

A key finding from the success of development trusts elsewhere is that ‘you have to deliver what the community want or the community don’t want you as an organisation’ (Powe and Hart, 2017: 165). If you are going to gain external funding you need to meet the requirements of the funding organisation, but you also need to take the community with you. It may take more time and compromise, but you need to bring everyone together in a consensus somehow if progress is going to be made.

As in the case of Amble, for example, (see Chapter 5), local acceptance of regeneration organisations can take time and in the case of MHEDG acceptance would not appear to have been achieved. In the absence of a group such as MHEDG, regeneration planning is left to the town council – which is very busy with other activities. There is a need to have plans and adequate local governance capacity should opportunity emerge (Powe et al., 2015). Reflecting on the lessons to be learnt from the MTI in Millom, Walker (2008) notes that the community in Ulverston were able to get more out of the MTI because they already had an officer in place at the start of the scheme in 2002. Whilst this would have been a challenge for a town the size of Millom, there needs to be adequate capacity should opportunities emerge. Furthermore, Walker (2008) reports how a report outlining opportunities for the regeneration and refurbishment of the Palladium in Millom only came at the end of the MTI – which was too late to attract funding from this initiative. The town needs to know their priority ideas for regeneration and have consensus on this. These project ideas need to be well developed and ready should external funding opportunities emerge. As suggested by Walker (2008), regeneration groups need to work more closely with the town council. Regeneration takes time and is incremental. As suggested by one interviewee; “what is happening is not transformational in itself but if it doesn’t happen you are never going to get a transformation”. Millom is still waiting for that transformation to occur; a critical mass of positive activity which will lead to revival. However, the many efforts that have been made have helped to stabilize the local economy within the town and alleviate issues of deprivation. The legitimacy of a regeneration group is usually judged by its outcomes (Powe and Hart, 2017). If there is local resistance to change this needs to be addressed, rather than avoided. As noted by another contextual interviewee, “views can be so entrenched - ‘we will always be a woollen town, mining town’. Incomers can help with a shift in mind set. It would appear that in Millom there is resistance to change, which was commented on by a number of interviewees.

Nearly everyone interviewed had an opinion on the nature of the communities in Millom. There would appear to be a close-knit community which is demonstrated, for example, through high turnouts to sporting and social events. This is combined with a sense of isolation due to the remoteness of the town, the road transport infrastructure and the perceived political remoteness from local government. The close-knit community and the feelings of isolation came together in a protest to rumours that the cottage hospital in Millom would close. Millom is challenged by recruitment difficulties for professional employment, and in 2014 the in-patient services had to be temporarily closed due to a lack of GP cover (BBC, 2014a). A protest march followed in the town of about 2,000 people due to rumours that the cottage hospital was closing (BBC, 2014b). This was a large protest for a small town, as people were mobilized partly through a Save Millom Community Hospital Facebook group (NWEM, 2014a). Millom cottage hospital has not closed and there are plans to build an extension to the existing facilities. As one interviewee stated the protest was the “result of probably about half a dozen people with a passion about Millom and about the community and they have said look we are fed up of being trampled on and we are going to do something about it”. These efforts have helped maintain Millom as a public service centre for South Copeland.

An interviewee suggested that the feeling of political neglect in the town comes from their lack of “leverage since the iron works closed down in 1968 and so they always feel as though they have been forgotten”. There is also a feeling that this neglect should not get any worse, where the communities of Millom “want to retain what they have got – it might not be much but it is theirs so they want to keep it”. To some extent the perception of isolation is thought to have led to a “do it yourselves” and “taking control of their own destiny” attitude. There is much local pride that their swimming pool was built by local people, where children from the local school helped to dig the foundations. Yet, this remarkable achievement was in the 1950s. As with many small towns there is a strong feeling locally that the town needs a new more modern swimming pool, but, whilst an expensive feasibility study was undertaken during the MTI, at the time of writing there is as yet no sign that it will be delivered (NWEM, 2011a). There might be potential, however, for a combined effort with the caravan park (see below). As demonstrated by the development trust examples in Chapter 5, this “can do” culture within small towns can lead to quite remarkable results. As one interviewee stated “we have to be in charge of our own destiny. Over time, people will pay more attention to us – but we have to fight for that attention”. It is important that this represents more than just a complaining culture which has been experienced elsewhere. A key theme within this report is the need to help local communities develop their own ideas of what they need and help them to help themselves.

In terms of business start-ups and growth, there is a need to turn this ability for community action into new ideas and employment creation. With a few notable exceptions, there was felt to be a lack of entrepreneurial spirit in Millom. As one interviewee suggested:

“there are a lot of people with great ideas and a great sense of wanting to do something for the town – not necessarily business wise but community wise. So on the one hand you might have a low level of entrepreneurial kind of activity in terms of business but actually in terms of community regeneration and in terms of activity to do with fighting their corner as a town and community there is a lot of activity about that”.

In terms of employment, there is a need to move away from the dependency culture of relying on external firms to develop new businesses. Whilst there is a lack of entrepreneurial skills “if somebody chose to put a factory here those people that were employed there would be very grateful. They would be loyal workers”. Trying to translate a clear passion for the town into an enterprise culture is a significant challenge. Answers to this question are not provided in the Millom Action Plan and there would appear to be little desire for a transformation in the town’s fortunes (MAPSG, 2012). Yet, focusing on issues of training and enterprise alone, rather than the wider more controversial issues explored by MHEDG, the Millom Network Centre would appear to be a good fit for the challenges experienced in the town. There seems to be a local acceptance of the Centre, which was never achieved by MHEDG.

The Millom Network Centre is an example of a project that was in development prior to the MTI and, as such, easier to realise within the short timescale of the programme (Walker, 2008). Business support has focused on enterprise coaching and improving local networking through business breakfasts and a womens’ SME network. The feedback obtained as part of this research was very supportive of these efforts. The centre has also enabled adult education to be provided closer to home. More recently (as noted above), supported by the flexible nature of the Rural Growth Network funding (see Chapter 3), Millom Network Centre Ltd has taken on a long term lease on a second property within Millom and, funded by the Department of Work and Pensions Flexible Support Partnership, has been running training to

help school leavers gain experience in a range of useful skills to enhance their employability. For some activities, the centre is dependent on public funding. For other activities, they are essentially acting as a social enterprise where there is a focus on their competitive delivery of the services. The centre also provides modern office space and conferencing facilities, which are well used.

In a similar way to the development trusts outlined in Chapter 5 within other towns, Millom Network Centre Ltd will continue to provide a long term source of support within the town. They are an independent company run by a paid employee who is answerable to a group of volunteer directors. Their actions need to be consistent with those permitted by the Charity Commission. They care about their community of interest and have expertise which could be useful for planning within the town. Millom Network Centre is regarded locally as something that the community wanted and was set up to help the town. Future efforts of this charitable concern are likely to relate to community transfer of key buildings within the town. The challenge will be finding a financially viable future for these buildings. In a climate of austerity, the onus will be on finding social enterprises that are self-financing. Social enterprises should not be ignored as forms of business start-ups.

### **Ulverston – realising the potential from advanced manufacturing**

The outcome and prospects for a second case study of Ulverston in the District of South Lakeland are very different. Although only 17 miles from Millom, Ulverston provides an illustration of a town that has benefited from, and contributed to, the business-led growth in the area. Ulverston (approximately 11,500 population) has significant advanced manufacturing, a vibrant town centre and cultural attractions, is considered a desirable residential location and exhibits strong local governance. Although sharing a similar ironwork history to Millom, Ulverston has become a very different place. Photo 6.5 shows Ulverston town centre.





**Photo 6.5: Ulverston Town Centre**

South West Cumbria represents a peripheral rural area within which business-led growth has occurred through advanced manufacturing and this is likely to continue in the future. The case of Ulverston illustrates a small town that has benefited from, contributed to and continues to contribute to regional growth. The research focus in Ulverston has been to understand why the town has experienced revival. Why has the business environment in Ulverston been so different from Millom? As one interviewee stated: “on a map they seem like a stone’s throw away – but in terms of accessibility and culture I think they couldn’t be farther apart”.

### *Introducing Ulverston*

Ulverston is more of an historic town than Millom, with a larger and more distinctive conservation area. Ulverston has had a Market Charter since 1300 and by the end of the 18th Century it was the cultural and economic centre for the Furness area (Shacklady, 2016). With the opening of the Canal in 1796 the town became a successful port. This led to the first boom period for the town (Shacklady, 2016). Whilst the town lost its role as a port and regional centre to Barrow-in-Furness with the coming of the railways, the opening up of the link to Lancaster and beyond in 1857 eventually led to iron furnaces being constructed in Ulverston, as well as chemical works, brickworks and a large tannery (Farrer and Brownhill, 1914; Shacklady, 2016). Although the iron ore refining continued until 1949 in Ulverston, the ironworks was wound down in the 1930s (Industrial History of Cumbria, 2012). The site was taken over by Glaxo in 1947 and started producing penicillin in 1948 (GSK, 2014). An advanced manufacturing cluster of LED lighting businesses also emerged in the post-war period. Reflecting on the history of Ulverston, Shacklady (2016: 192) suggests:

‘Ulverston’s industry has managed to continue reinventing itself. As iron-making, weaving, cotton spinning, ship-building and tanning have come and gone, pharmaceuticals and hi-tech industries, especially those engaged in LED lighting technology, have come in their place’.

Whilst Ulverston has experienced periods of depression, there would not appear to be any period of decline similar to that experienced in Millom. Whilst the fortunes of Ulverston have continued to depend on its manufacturing industries, it is also a market town, service and retail centre and has a regular livestock market. More recently, the town centre has become a leisure destination which is supported by a range of distinctive shops and a number of festivals. Like Millom, in terms of retail there is a sizable leakage of comparison and convenience trade.

Table 6.1 illustrates how manufacturing represents a significant proportion of employment within the town (28% compared to 8% in Millom, 10% in South Lakeland District and the English average of 8%). Whilst Millom and Ulverston are both secondary to the main district towns of Whitehaven and Kendal respectively, Millom is heavily dependent on the public sector, whereas Ulverston has national levels of employment in this sector. This can be partly explained due to the prison at Haverigg and Millom’s remoteness from other towns (it is the largest settlement within the sparsely populated South Copeland). Both towns have a community hospital. Not being the main town within South Lakeland there were feelings that there has been a gradual decline in the service role in Ulverston. This feeling was enhanced with the recent closure of the tax office in Ulverston, with the nearest office now in Lancaster (NWEN, 2016b).

Neither Millom nor Ulverston are tourist towns, with jobs in “accommodation and food service activities” only accounting for a national average of 8% and 7% respectively. In terms of commuters, 64% of the residents in work are employed outside Ulverston and 64% of the Ulverston employees commute into the town. As a place of residence, the house prices are much more expensive in Ulverston than experienced in Millom. Ulverston houses are much cheaper than the South Lakeland District average, but more expensive than the nearby district of Barrow-in-Furness (Ulverston £167,760 in 2014, Millom £101,000, South Lakeland district £242,046, Barrow-in-Furness district £114,263: Source: CACI Street Value). Whilst still higher than Millom and Barrow-in-Furness, there is much variation in the house prices in Ulverston, with Ulverston West, for example, having an average price of £244,592 (Source: CACI Street Value). In a similar way to Millom, Barrow-in-Furness provides a residential location for those on low incomes.

### *Centre for advanced manufacturing*

As shown in Table 6.1, Ulverston provides an unusually high proportion of manufacturing employment. Whilst these businesses are currently expanding, this was not always the case. For example, GlaxoSmithKline based in Ulverston experienced significant employment losses in 2002 (from around 1,000 employees to 650) and between 2008 and 2010 (from 570 to around 210 employees) (BBC, 2002; NWEM, 2010b). However, in a demonstration of commitment to the town, GlaxoSmithKline donated £1.2m over this period to Furness Enterprise to help create new jobs and businesses in the area (NWEM, 2007b; NWEM, 2010c). This commitment to Ulverston has continued and GlaxoSmithKline are now planning significant new investment in the town.

However, it is important to recognise that the economy of Ulverston is also highly dependent on the economy within the wider Furness area which is highly dependent on manufacturing

and, in the case of Barrow-in-Furness, one key “shipyard” business; BAE Systems plc (29% of employment provided in Barrow-in-Furness is manufacturing - Business Register and Employment Survey - National Statistics 2015). In the early 1990s, the Furness area as a whole experienced the loss of nearly 8,000 jobs at the shipyard, formally known as Vickers Shipbuilding and Engineering, Ltd (VSEL), and as the result of other unrelated manufacturing firms closing in the area (Hansard, 1992). There were a further 720 jobs lost at VSEL in 2004 (NWEM, 2004). This in part resulted from the historic dependence in the area on one large employer (employing approximately 50% of the people at that time in the Barrow travel to work area), which relies heavily on the UK government for defence-related orders (Hansard, 1992). As a result of these job losses a development agency, Furness Enterprise, was set up in 1991 and supported the regeneration of the Furness area as a whole until it was dissolved in 2016. As explained by the Chairman of Furness Enterprise in 2004, “people make people redundant in the hundreds and we have to claw them back in 10s and 20s and 30s. We have to replace them job by job” (NWEM, 2004, p1). Firms in Ulverston have benefited from grants and other support provided by Furness Enterprise.

The fortunes of the town are dependent on the prosperity of its manufacturing businesses, where the evidence suggests a mixture of Markusen’s (1996) “state-anchored districts” (BAE Systems), semi-autonomous branch plants (Siemen’s Tronic and TriTech) and the more desired Marshallian industrial districts dominated by SMEs within related industries (cluster of activity in LED lighting for example). The dependence on key firms within the area is recognised within the Core Strategy for South Lakeland District Council:

“The Furness Peninsula has become heavily reliant on major employers. BAE Systems, based in Barrow-in-Furness, and GlaxoSmithKline, which has a manufacturing operation at the eastern end of Ulverston, are significant examples” (SLDC, 2010, p40).

In the case of Copeland District Council, a similar dependence on Sellafield was recognised, where tourism was seen as a means of diversifying the local economy. In Ulverston, diversity has come from the expansion of other advanced manufacturing. This would appear to be the ideal, where there is what Boschma (2015) referred to as a ‘related variety’ within place. This is seen as being much more resilient than a dependence on a single firm or industry. In addition to the pharmaceutical activity of GlaxoSmithKline there is a small cluster of activity around electrical engineering (in particular LED lighting) and a further cluster around high-tech maritime and offshore engineering. As reported by SLDC (2010: 40); “the Ulverston area has a unique cluster of high added value, knowledge-intensive engineering jobs that need nurturing”. With Ulverston becoming a centre for advanced manufacturing, it is important to understand why this has occurred and why in Ulverston? The story of manufacturing growth in Ulverston further illustrates the importance of making the most of local talent for business enterprise.

The exact reason for Glaxo moving to Ulverston in 1948 is not known, but the firm has a history of being located in small towns (for example Barnard Castle in the North East of England), the site was available and the water in Ulverston is particularly clean and pure. As with Barnard Castle the firm has remained committed to the town. The business decision to locate their new biopharmaceutical manufacturing facility in Ulverston is also a little unclear, but the strength of the local governance within Ulverston and the support from Furness Enterprise certainly helped. It has been alleged there was a financial package from the government for the expansion, but that was specific to the UK rather than Ulverston. Whilst recruitment of highly skilled scientists is likely to be a challenge for GlaxoSmithKline in Ulverston, it was suggested that the presence of a pre-existing “loyal, willing to learn and skilled workforce” within the town was also a factor. The cultural attractions within



Ulverston may help with further recruitment. A key factor, however, was also likely to be the space available for the expansion.

Electrical engineering was originally located in Ulverston as a result of the Second World War. Freddie Oxley had to leave London due to the bombing and expanded his electrical components business from a humble beginning after the war. Oxley Developments Co Ltd now employs over 150 people across two sites in the area (Ulverston and Barrow-in-Furness) and increases employment partly by taking on apprentices for high skilled work (Westmorland Gazette, 2011a; 2013; NWEM, 2010d; 2015a). A further firm, Marl, was set up in 1972 by a former employee of Oxley. Also starting from humble beginnings in Ulverston, the LED firm Marl International Ltd is reported to employ over 80 people and to have benefited from Furness Enterprise funding (NWEM, 2010e). It was reported how “Ulverston is regarded as the silicon glen of the LED world because of 4 or 5 companies that have spun out of Oxleys and Marl”. These LED firms include, for example, Forge Europe which was established in 1993. There are also other small electrical engineering firms in Ulverston. Formed within Ulverston, there was a desire that the companies remained in this location. This is clearly supported by the cluster of expertise, where the benefits provided were seen to outweigh the problems of attracting and retaining staff. As demonstrated by the spin-off companies from Oxley and Marl, this cluster of electrical engineering expertise has the potential to evolve and adapt into further firms and new related areas of expertise. Indeed, the Rural Growth Network (see Chapter 3) was focused on developing this electrical engineering expertise (See Photo 6.6).



**Photo 6.6: The Marl Business Hub**

The story of the growth in LED manufacturing in Ulverston suggests that people tend to set up businesses close to home and may stay in that location once their businesses start to grow. There is further evidence of this behaviour in the growth of sub-sea equipment manufacture in Ulverston. There are two major firms specialising in sub-sea equipment in Ulverston: Tronic owned by Siemens; and Tritech International Ltd. Tronic was set up by a former employee of VSEL at Barrow-in-Furness in the 1970s. John Alcock spotted a gap in the market for a connection system for their subsea operations and set up the business, developed the system and sold the product to VSEL. In the late 1990s, the business was sold to the American electronics giant Expro, an oil and gas industry supplier based in Glasgow. After selling Tronic, John Alcock then went on to start two other local businesses and play an active role within community initiatives to revive the fortunes of Ulverston (NWEM, 2011b). In 2009, Expro undertook a major expansion to the Ulverston business in the form of a state-of-the-art new facility, which helped retain the business in Ulverston. In 2012, the business was then bought out by Siemens. Since Siemens took on the business it has expanded further. However, more recently, due to the fall in oil and gas prices they have laid staff off and the expansion plans are on hold. In 2004, the firm employed approximately 200 employees, which increased to 350 after Siemens acquisition and employment peaked at 420 in 2015 (Westmorland Gazette, 2011b; NWEM, 2015b; 2016c) (see Photo 6.7). In 2016, there were 43 apprentices in Ulverston (NWEM, 2016c). Tronic is the largest firm in Ulverston and one of the biggest in South Cumbria, but a small part of a large international business. Whilst not a natural site for an oil and gas related company, when asked why the company has not left Ulverston the managing director said: “the idea has occasionally been raised about moving closer to Aberdeen – but, as the company has grown, the specific skills have grown alongside it. This has been a location that has served us very well. It is also a very nice place to live” (Jackson, 2012: 17).



**Photo 6.7: Large Siemens site in Ulverston**

Trittech International Ltd is a further sub-sea firm located in Ulverston. Formed in 1991 in Aberdeenshire, they became a joint venture with an Ulverston based firm Swift 943 Ltd and the company expanded within these two sites (NWEM, 2011c). In 2012, Trittech was sold to US Moog Inc. becoming part of Moog Components Group Limited. Whilst the headquarters are in Aberdeen the business at Ulverston provides design and manufacturing for the company (NWEM, 2011d). TriTech have recently expanded into a new office and works in

Ulverston and employ 65 people in the town (NWEM, 2014b; Westmorland Gazette, 2014). Clearly, the presence of the sub-sea firm Swift 943 Ltd. in Ulverston was key to TriTech's growth within the town. The examples of sub-sea firms in Ulverston suggest locally embedded firms may stay put in a location even if their ownership is external.

In terms of the businesses interviewed in Ulverston it was seen to be a comparatively low cost location to run a business (lower salaries), low cost of living with short travel distance times for many staff, the town and surrounding area provides a good quality of life and the workforce was thought to be much more loyal than in more urban locations. Whilst the area has become too dependent on BAE Systems Ltd, there were many examples of spin-off advantages in terms of the apprentices who have gone on to benefit other firms within the area. These apprentices have developed "sophisticated design capabilities, electronic engineering and advanced welding techniques" (Hansard, 1992: 1). Ulverston has clearly benefited from being located close to Barrow-in-Furness. Instead of a one company area, there is potential for the desired "related variety" of firms to emerge which, whilst all being involved in advanced manufacturing, service different markets (Boschma, 2015). There is also potential for some companies to supply other businesses within the area. The challenges faced in Ulverston were seen to relate to retaining staff from larger firms and the political focus on the larger companies in the region. Broadband and transport infrastructure (road and rail) were seen to be constraints on the location, where it was difficult to get clients to visit the Ulverston offices/works. The helpful and welcoming nature of South Lakeland District Council was seen to be conducive to business growth within the area.

### *A leisure destination – "Ulverston Festival Town"*

In the mid-1990s Ulverston town centre was struggling, with 35 empty shops and many of these in key locations (NWEM, 2006c: 1). Whilst trade may also have been lost through the opening of an upmarket Booths supermarket outside the town centre, and increased retail competition from nearby Barrow-in-Furness, the town also suffered from the wider area depression following the significant job losses at VSEL and within other unrelated businesses. Further job losses at VSEL and GlaxoSmithKline within the noughties further restricted the trading possibilities within the town. Whilst there is an important link between the vitality of the wider area and the fortunes of Ulverston, town centre performance cannot be blamed on this alone. In the mid-1990s, the town centre was outdated in the sense that there were a number of "mid-scale" stores that were being withdrawn from smaller centres nationwide and boutique shops were also struggling. This significantly reduced the comparison shopping offer within the town. Following town centre promotion campaigns, schemes to improve the street environment and building refurbishments in the town centre, the number of empty units had reduced to 19 in 1997, but there was still a desire to improve this situation and to appeal to more local residents, rather than just tourists (SLDC, 1997). Visiting the town centre in 2016, this strategy would appear to have been a success with only four empty retail units being observed. Indeed, concerted effort over more than 25 years had led to a revival in the town's fortunes, where 'traders have put this feat down to Ulverston's "unique charm", busy events calendar and enthusiastic business community' (NWEM, 2015c: 1). As one interviewee stated:

"The shops have changed in Ulverston now – we have more hair dressers, nail bars and beauty salons ... We have a wonderful variety of gifts and artisan shops – but we still have the butcher and the baker ... So we still have that in the town. Restaurants, cafes and bars and pubs. And they all do ok. We have got quite a lot of ladies' dress shops but it is getting the footfall into town. Getting the footfall in and getting them to spend money."

The convenience offer in the town is somewhat restricted by the absence of a medium sized supermarket in the town centre. Whilst a controversial edge-of-centre location was granted planning permission in 2013 and had the potential to significantly claw back trade to the town, this was at a time when the major chains were withdrawing from expansion of this form of supermarket. The town does, however, have a Tesco “Express” and a Co-op in the town centre. There is a large scale leakage in convenience and comparison retail from the Ulverston area (SLDC, 2007; SDLC, 2010; NWEM, 2011e). In the absence of significant external retail investment within the town, an alternative approach to town centre regeneration was required focusing more on Ulverston as a leisure attraction. This reflects both the long term concerted effort within the town to support the town centre and a more buoyant local economy due to its success as a desirable residential location and a centre for advanced manufacturing. The success of the town centre has improved the image of the area as a successful and dynamic place and adds to its desirability as a place to live and set up business. With 133 shops, 20 stalls on the indoor market, 35 financial and professional services, 20 cafés/restaurants, 17 drinking establishments, five hot food takeaways and five hotels the town centre provides significant employment (Countryside Agency, 2004b; SLDC, 2008). In 2008, 215 units were providing employment within the town. In terms of numbers employed, the town centre is competing to be the largest employer in the town. Ulverston town centre has become a leisure destination for eating out, distinctive shopping, cultural activities and this has been enhanced through Ulverston rebranding as a “festival town”.

The town centre of Ulverston has benefited from long term officer support at the town level. In 1990, support was provided by an officer working on the Civic Trust’s Market Town Initiative within the town. Maliphant (2011: 1) reports how the Civic Trust’s interest in the town was partly due to there being only five post-war buildings in the town centre and his role was primarily ‘helping to put Ulverston on the map - brown tourism signs to major attractions such as the country's only Laurel and Hardy Museum, pedestrian signposting, town trails, and a new heritage centre in an old warehouse’. Following this work, Ulverston 2000+ partnership was formed in 1996 to ‘improve the street environment and to make better use of the town’s tourism potential through promotion and festivals’ (Countryside Agency, 2004b: 41). Ulverston 2000+ was a ‘consortium of district and parish councils, local businesses and others who were keen to improve the overall look and feel of the town’ (Evans and Shaw, 2004: 47). Whilst most of the efforts of Ulverston 2000+ have been on the town centre they have also been influential and helped to obtain funding to service a major new industrial site within the town and to develop and run a business support service, partly funded through the European Rural Development Fund (SLDC, 1998; Ulverston and Low Furness Partnership, 2002).

A town centre officer was employed part-time in 1997 to continue the efforts started by Ulverston 2000+ in 1996 (English Heritage, 2011). In 2002, a Market Town Initiative partnership (as part of the national MTI initiative) was formed in part to continue the work of Ulverston 2000+. With the town centre officer becoming the project officer for the MTI, things were already in place to enable a continuation of this work. This regeneration work continued beyond the national, then regional, MTI. SLDC (2010: 41) suggested that the MTI within Ulverston had ‘been a success and has transformed the town centre in particular’.

Whilst voluntary help has been crucial within the regeneration of the town centre, if community efforts are to be sustained they often require some professional assistance, guidance and motivation. Powe and Hart (2017) suggest this professional expertise can come from community/social enterprise (See also Chapter 5). Indeed, there would appear to be a



strong culture of such enterprise within Ulverston. Examples of registered charities and companies limited by guarantee within the town include: the Ford Park Community group, which leases and manages Ford Park and buildings for community benefit; the now dissolved Lantern House International which provided subsidised studios and connected artists within their property under the same name; and Ulverston Community Enterprises which was set up by Ulverston Town Council in 2014 to potentially take up transfer of ownership of the musical and cultural venue, Coronation Hall, markets and other assets from South Lakeland District Council.

The offer provided by the town centre would appear to be now ‘more responsive to the tastes and demand from visitors’ (Countryside Agency, 2004b: 44). However, there was a change in people’s attitudes towards the town following its rebranding as a “festival town” in 2001 (Arts Council, 2007). Festivals were not new to the town, with seven festivals being held in the town in 1991, for example (Maliphant, 2011: 1). By 2003 this had risen to 21 festivals and other events (Countryside Agency, 2004b). These events attract significant numbers of people, for example, in 2004 the ‘Dickensian Festival – held at the end of December – attracts around 30,000 and is the most important for the Market Hall traders. Other important festivals include – the Lantern Procession, which attracts 10,000 in September and the Carnival which 20,000 attend’ (Countryside Agency, 2004b: 44). By 2007, the regeneration manager for South Lakeland District Council suggested that ‘re-branding Ulverston as a festival town is working ... there were 36 empty shops in the town centre – now they are virtually all occupied by smaller specialist retailers’ (Arts Council, 2007: 18). The efforts in the Lantern House supported these festival activities by encouraging an arts and crafts community within the town, where Arts Council (2007: 19) suggests at the ‘heart of the project’s success is the creative partnership between artists and active community participation’. Between 1983 and 2006 these efforts were supported by the arts company Welfare State International (WSI), who initially started the lantern festival. Evans and Shaw (2004: 48) suggest this rebranding exercise in Ulverston has enhanced the perceptions of local residents toward its town centre and provided an ‘external image of Ulverston as a creative town’. As an interview stated: “the festivals are a bit of a shop window really we like to think – if someone has a great time they will come back”. In terms of new employees to Ulverston, “if people think they are moving up to a cultural wasteland they are not. We have classical music – opera – bands and all sorts of things and it is so important that that is retained”. The festivals are largely run by volunteers, “there is a life cycle of festivals”, where over time they are revitalised by younger residents; “there are a lot of personal relationships which make things happen”. It was noted by two interviewees that this would be difficult to replicate as volunteer fatigue has been commonly observed elsewhere. When the Lantern Festival was run by WSI, it was reported by an interviewee that there were paid employees who organised and performed the events. This is no longer the case.

In rebranding the town centre there is a need to build on the distinctive heritage and cultural assets of Ulverston. Building on previous work of Ulverston 2000+, the Ulverston Heritage Economic Regeneration Scheme (HERS) was developed, as part of the MTI, to make the most of the historic town centre. As suggested by ULFP (2002: 11), the town centre contains a ‘largely unspoilt Georgian Conservation Area covering much of Ulverston’s central area with strong collective identity and over 200 listed buildings’. Similarly, SDLC (2008: 42) suggests ‘Ulverston has a visually rich and diverse environment ... [where] the cobbled main street is lined on either side by attractive historical buildings’. The HERS promoted and assisted the ‘repair and re-use of historic buildings; the restoration of lost or damaged architectural features (eg Victorian shop fronts); [and] the enhancement of important public

spaces and areas which presently detract from the character of the Conservation Area' (ULFP, 2002: 34). It also encouraged new economic uses for vacant and underused properties. SLDC (2010: 50) reported how a 'very successful Heritage Economic Regeneration scheme has been operating in partnership with English Heritage for over ten years and almost all of the problem buildings within the conservation areas have been repaired during that period' (See Photo 6.8). Visitor attraction was also enhanced by other key projects, such as the regeneration of the Hoad Monument, which overlooks the town and is important in terms of town identity, and by improving a popular walk for residents and visitors (See Photo 6.9). A sculpture of Laurel and Hardy is now situated outside the town's Coronation Hall and public art was used to mark the beginning of the popular Cumbria way on the edge of the town centre.



**Photo 6.8: Town centre shops benefiting from regeneration**



**Photo 6.9: View of the Hoad Monument in Ulverston**

Town centre regeneration has been supported by the growth in advanced manufacturing within the town and wider region. This was acknowledged by SLDC (2010: 40), where ‘good manufacturing jobs’ were seen to ‘support the town centre economy as the workforce has discretionary income to spend’. Whilst such jobs provide potential, the town centre offer still has to be such that these employees wish to visit. As one interviewee stated: “you also need to have shop keepers who are entrepreneurs”, which in the case of Ulverston focus on how to “promote it as a leisure experience as well as a shopping experience”. Efforts around rebranding the town and the improved distinctive offer which followed has helped realise this potential. Affluent firms can also benefit the town centre by helping fund its maintenance and growth. Since 2015, this has been achieved through the whole town Ulverston Business Improvement District (BID), which was also partly set up in order to fill some of the gaps that left in the context of government spending cuts. The BID has so far helped to develop initiatives to improve footfall in the town centre, including subsidising car parking on a Saturday, helping to fund new Christmas lights, improving the digital footprint of the town, as well as advertising the town in Lancashire. Support has come from businesses within the town, where, for example, it was publically announced by Jacqueline McCloy that “as a major employer in the town, the BID is important for Tritech, as we hope it will enhance Ulverston’s reputation as a great place to live and work”. All Ulverston firms contribute to the BID, with the larger firms contributing the same proportion of their profit as the smaller firms. All funds from the BID are spent within Ulverston. It was explained by an interviewee that the BID is about “making it attractive, making it accessible and we are improving the digital footprint so that they can find what they need to know. We are working with employers so that they have a consistent message and a positive message about the town”. This is a further illustration of what can be achieved where there is a long term consensus



within a town. As suggested by one interviewee: “There are three organisations; there is Ulverston Town Council which is a precepting organisation, Ulverston BID which is a levying organisation and Ulverston community enterprises which is a social enterprise which runs the Coronation Hall and those three are the real building blocks of the town and are all working together”.

Looking to the future in the context of austerity, one interviewee suggested: “the challenges that are going to come as we try to progress and make things happen is volunteers can only do so much. And I think with a lack of any paid staff eventually we are going to have to pay somebody to help take these projects forward”. Indeed, there is no one employed by the BID. The interviewee went on to suggest “if you have a really really really good project officer you can see so much happen which simply can’t happen with a volunteer who has got a day job”. In terms of the festivals they have been encouraged to be largely self-sufficient. It was suggested however that “in terms of delivering complex projects ... you need a paid project officer”. As discussed in Chapter 5, it is difficult sustaining a project officer within a small town such as Ulverston. Perhaps expertise and dedication to such community efforts can come from the various community enterprises in the town (see Chapter 5 for examples of where this has been achieved).

### *Desirable residential location*

A key function of Ulverston has for some time been its attraction as a residential location. It is an historic market town, and retains some of this identity within the buildings in and around the town centre, much of which is designated as a conservation area. The festivals within the town have helped enhance the feeling of a place with vitality and it has developed a reputation for having a café culture, wine bars and cultural activities. As noted above, the average house prices are below the district average. Yet, the town hosts some exclusive executive estates. Whilst Ulverston is also a place of employment, it provides good road access to Barrow-in-Furness. As was commonly mentioned, “people who use it as their home but work in Barrow”. Another interviewee explained how:

“Barrow has got a difficult reputation. You look at Barrow and it is regularly cited as a place of deprivation. A place where they have got more people on social security benefits and it famously had more betting shops and chippies than just about anywhere else in the country, which does not create a good picture ... You tell people you come and work in Barrow and you live in South Cumbria. You have had a lot of the middle management in the shipyard for example they live in Ulverston. Their kids go to the school there”.

As another interviewee explained: “That is why I left Barrow because it didn’t have anything for us – our life was outside Barrow and you always left Barrow to go out for meals”. As such, Ulverston provides a viable alternative to living in Barrow-in-Furness, with desirable housing and a cultural offer which is often walkable from these properties. As one interviewee suggested: “Ulverston is a dormitory town, but it has also become much more vibrant. It has a lot going for it”. This is in distinct contrast to Millom, which “just doesn’t have that vibe”. The interviewee explained further that Ulverston has: “some really lovely shops and there is the choice – the theatre, the cinema, the folk music, the comedy clubs, the quizzes and it is just very different to what Millom offers”. The desirable residential nature of Ulverston helps attract and retain employment within the area.

The Core Strategy for the area identified Ulverston as one of two principle towns in the district (SDLC, 2010). Whist Kendal remains the political and administrative centre for the district and is expected to take 35% of future housing expansion, Ulverston is expected to take 20%, which was estimated in 2010 to amount to 1760 houses up to 2025. SLDC (2010:

45) claims that “significant new housing development has been incorporated in Ulverston in a way that is sensitive to the local landscape characteristics and the historic assets within and surrounding the town”. The overall population of the town is expected to rise from approximately 11,500 to 14,000 by 2025. As an interviewee stated:

“So in the South Lakeland local plan there is land that has been identified for the development, but it was land locked. So the whole of South Ulverston has had to be looked at to be opened. The LEPs have worked on that. The local growth fund has had several million come in for that and they are looking at not only opening it up and they have started to do that already, but they have started to do the junctions as well”.

If done well, the role of Ulverston as a desirable residential location is likely to further enhance the vitality of its town centre and the cultural offer that it provides. A larger population may also provide a larger pool of potential employees.

### *Coping with growth*

Compared to other towns, Ulverston can be considered as a success in terms of its business growth and cultural development. It has been transformed from a town struggling in terms of redundancies and an outdated/declining town centre, to a place of vibrancy, vitality and growth. However, planning for change is a continuous process, where there is a need to constantly adjust to the changing challenges and opportunities emerging (Powe and Hart, 2017). Growth has led to significant changes within the town where there is a need to maintain the town’s residential desirability, its appeal as a place for advanced manufacturing business and its attractiveness as a place to visit for leisure. Growth can challenge the identity and appeal of the town to various audiences (Powe and Hart, 2011). Approximately 1,700 new houses are expected to be built in the town and other areas have been found for business development (SLDC, 2010). Whilst Powe and Hart (2011; 2017) report how some places feel challenged by economic growth, this would not appear to be the case in Ulverston where there was little objection to the strategy of growth within the SDLC Core Strategy.

Whilst the A590 to Ulverston is not as constraining as the A595 to Millom, increased traffic on this Furness corridor is likely to challenge this stretch of road which was described by one interviewee as a “nightmare”. The natural environment upon which the town’s appeal is based must not be challenged by growth. Through a local consensus and prolonged activity, Ulverston is currently realising its potential. Maintaining this momentum and developing a vision for its future based on its new successful identity will be difficult. Planning for Ulverston’s future remains a long term challenge.

A key challenge would appear to be recruitment. Sellafield and BAE were particularly singled out for their high rates of pay and their active use of recruitment strategies. Ulverston’s future would seem to depend on the success of its SMEs, which struggle in the context of peripheral rural areas. As one interviewee suggested:

“You want to come up here but what is your partner going to do if they can’t get a job? Particularly as the public sector has fallen off the edge now and there are not those jobs to mop up people with different skills. And if you are a young person. Do you want to be in Manchester?”

The area is unlikely to appeal to certain age groups and the challenges for partners to find work are unlikely to go away. In the context of Ulverston, with a cluster of advanced manufacturing, there is competition between firms, but also a pool of people with the necessary qualifications and experience. As suggested by one interviewee; “people move around”. In the context of regional growth there is likely to be an upward pressure on salaries. Whilst positive for those receiving this income, in the context of recruitment challenges, this

does make it difficult for SMEs to compete for quality employees. Within Ulverston, attracting staff was described as a “major” issue.

### **Millom’s future - opportunities emerging from regional growth**

Millom and Ulverston are situated within a region that may experience significant growth in advanced manufacturing in the coming years. This may bring transformational change to the region and enhance the opportunities emerging for places to change, hopefully for the better. It may also bring challenges as the political focus and economic support is likely to be focused on the larger businesses driving regional change. Concerns were expressed within SMEs in Millom and Ulverston in terms of staff retention and recruitment in the context of wider regional economic growth. Part of the appeal to businesses operating in Millom is their loyal workforce and low wage pressures. This niche may be challenged if the expected growth occurs and there is more competition for staff. Despite this challenge, there may be opportunities emerging from regional growth in these towns. Ulverston is not only benefiting from regional growth it is playing a key and active role within this growth. The prospects for Millom within this context are less clear.

Ulverston’s past has been shown to have been intrinsically linked to the economic outcomes in the nearby larger town of Barrow-in-Furness. In particular, these linkages have been in terms of providing visitors for the town, a residential location for Barrow employees, availability of skilled labour, business through the local supply chain and other linkages between firms. There are also apprentices at BAE systems, where it was suggested “so many people around here all say they started life in the shipyard”. It would appear that Millom’s destiny is more independent. Millom’s employment is highly dependent on the public sector and relies on it remaining an important hub for health and education within South Copeland. Politically there would appear to be more focus on Whitehaven. Whitehaven suffers from similar deprivation challenges to Millom but on a larger scale. As one interviewee stated: “I think that is why Millom tends to feel it is overlooked because there is actually an awful lot of other issues within the area”. Whitehaven has been prioritised in terms of transport linkages and benefits more directly from its proximity to the Sellafield nuclear plant.

Yet the future for Millom is unclear. Can Millom benefit from the expansion of advanced manufacturing both east and west? As one interviewee stated:

“The west coast right now is a good place to be for investment. It is almost on the cusp of being something significant and it is trying to make sure that Millom is part of it. I think it will be part of it. It won’t have as much to do as Whitehaven, as that is the centre of Copeland in terms of economic policy and community and all the rest of it, but there has to be some benefits for Millom and hopefully there has been enough noise about that from the people to the policy makers to make that happen”

The question asked here is: what potential is there for Millom to benefit from this wider context of business growth? Potential strategies for the town are considered in terms of business-led growth, tourism and further enhancing the dormitory function of Millom.

### *Potential for business-led growth*

Whilst Millom has not yet experienced significant business-led revival, the evidence outlined above suggests businesses can thrive in the town. Whilst the business growth that has occurred in Millom is very positive, it has not been transformational in terms of the economic revival of Millom. Business-led growth can add to the overall positive activity within the town, which could help to stabilize its economy and add to the critical mass required for revival. Business growth has come from local talent, loyalty to the area and growth within the

surrounding hinterland. This illustrates the need for a ‘recognition of the scales at which different processes operate and interact, rather than assuming that local concentrations of deprivation can effectively be addressed through locally concentrated initiatives’ (Gordon (2000: 203). In looking to the regional scale, it is important to first consider what Millom offers as a business environment.

Remoteness was seen by all interviewees to be the key constraint on business expansion in Millom. Whilst there are remoter towns in Scotland, in terms of competition for business locations, Ulverston and Whitehaven, for example, have much better transport links. So Millom represents the least accessible town within the area. In 1998, the A595, the main road connecting Millom east and west, was “de-trunked” such that it is no longer the responsibility of the Department for Transport. The only section of the A595 which remains a trunk road is the 20 miles (approximately) that connects Sellafield to Whitehaven from the north. This effectively means that sizeable investment to improve the roads linking up Millom west and east is less likely. As one interviewee stated:

“I think the biggest challenge is location, transport and roads. I think everyone will tell you that. Pretty much at the beginning – for example the Duddon road is ludicrous [A595 east of Millom] – you can’t get two big vehicles passing each other”.

Not only is Millom poorly connected, but there is also no through traffic. The A595 does not pass through the town, but instead bypasses the peninsula upon which it is located. As one interviewee stated: “Millom is a bit out on a limb. Nobody is passing through Millom. I think that tends to make Millom a little bit insular”. The only people going to Millom are those who wish to visit the town. This contrasts markedly to Ulverston, through which the A590 trunk road was built in the 1960s (Shacklady, 2016). Whilst there are certainly down sides of this through traffic, it was seen to be advantageous in terms of awareness of the town, visitor potential and accessibility elsewhere. Millom does not have these possibilities.

Given this context, what is the potential for business expansion? In answering this question, the following responses were given:

“Where would you develop? Carlisle? Penrith? Kendal? M6 corridor. You are not going to go and choose somewhere like Millom”

“My thoughts on Millom are that it is going to remain a community that is almost a dormitory town – so people will travel from Millom to go and work elsewhere. I don’t think that anyone would set up a major business in Millom. People might, but I can’t see why they would when there are other places where they could go”

These comments were corroborated by experience of the local property market for business space:

“Millom is not a place where it is easy to get tenants ... small units for a place like Millom are much easier to try and sell. These big ones, no chance.”

“I think it is the size of the businesses that are going to form there [Millom]. Going back to that connectivity and if you were thinking of making an enterprise zone out in the Millom area we haven’t got the connectivity to be able to support it at the moment”.

Indeed, a small industrial estate in Millom which is managed by an external property agent had all its units full in 2016. There would seem to be potential for local firms to grow and for this growth to be encouraged. In terms of attracting external firms this would appear unlikely. As an interviewee reflected:

“The mines were here because of the iron ore; the ironworks were here because of the mines so there was a reason for those industries to be here. Shipbuilding grew around Millom in order to bring in coal for the iron works and export ore and iron. So they were



all interrelated. The prison is here because during the war there was an RAF station which then morphed into an army barracks at one time or another so it was a useful piece of property which they could easily change into a low grade prison.”

Further investment would also need a reason for being located in Millom. Why locate in this remote town? The interviewee commented further:

“You have always got to look at it from the point of view that – if you were a business – would you want to open here – why would you put yourself here as opposed to Kendal say or Lancaster even? – and you have probably got to say to yourself, I probably wouldn’t want to be here.”

This strongly suggests the focus needs to be on looking for winners amongst local businesses that have chosen to be located in this area and are keen to stay – often for personal reasons.

Whilst logistically it is possible to locate in the area, there are noticeable constraints. One such constraint is the electricity supply, where “at the minute there is very little extra capacity to accommodate any large industry moving into the area”. It was suggested “the current supply to Millom is under threat continuously”. This may improve if further wind turbines are built near the prison, and these have planning permission. If the new nuclear power station is not built just north-west of Sellafield it is unlikely the business investment in Millom would justify the infrastructure cost of upgrading the electricity supply. The same may apply to improving the road network. There has been much talk for many years of a bridge over the nearby Dudden Estuary to the east of Millom. However, unless this is justified as a route for electricity cables to the nuclear power station and/or hydropower, it is unlikely such investment would be provided in Millom. Connecting Barrow-in-Furness (and Ulverston by default) to Morecambe would be more likely, but again only if there is other justification. Without this connectivity one interviewee suggested: “I don’t see much happening, I don’t see much future particularly for the SME sector [in Millom]”.

A further constraint relates to the recruitment of skilled and professional employees. As noted above, this remains one of the key constraints for Ulverston. This constraint is likely to be worse in less accessible Millom, which does not have the relatively exciting cultural scene experienced in Ulverston. The town was seen to be too small: “if I was an employer and I would want to get to a bigger pool of people”. Experience suggests that the qualities of Millom are unlikely to be appreciated until employees have started work in the town. To new people it seems like the “back and beyond”. As suggested by another interviewee: “if you were setting up a business now in Millom it would be where is your recruitment pool? Who are you going to employ?”

A further constraint is the perception that there is a lack of entrepreneurial spirit within Millom. Within peripheral areas, the onus is on local talent setting up firms and these firms growing in-situ. The evidence from both Millom and Ulverston provides examples of where in-situ small firms have grown to be medium sized firms. As such, the potential for business growth depends on their being an entrepreneurial spirit in the town. Commenting about Millom, one interview suggested:

“The psyche of the place for a lot of people, particularly people who have lived here for a long time, is that they have very low expectations about what they can do individually and what might be possible in Millom ... Probably the majority of people have got low expectations and there is a psychological aspect to that goes back to the closing of the mines – the closing of the iron works”.

As will be discussed below, raising aspirations was a key theme relating to Millom, where the lack of aspiration was extended to setting up business. With developing a local enterprise

culture being one of the key objectives of the Millom Network Centre, this appears to be an appropriate policy. Another interviewee explained:

“One of the problems I have in South West Cumbria is that the area is less accessible because it is over reliant on large industry there is very much an old fashioned view that the large industry employers will look after you. There needs to be more of an enterprise culture and that enterprise culture needs to be tempered with a welcome as well. And I don’t think the careers advice and the education that people are getting in some of these traditional areas is bringing on enterprise in the way that it needs to. It needs to start in the schools from a very early age developing a business and enterprise culture and marketing skills. And there is a lack of appreciation of what the market wants. What the market will spend its money on. That then leads to quality investment and a whole range of initiatives that will come out of the community”.

As noted in Chapter 2, there is increasing evidence to suggest that in-migration into desirable rural areas is encouraging a more enterprise culture. Perhaps economic growth within the wider region can raise aspirations within Millom? It may bring a more favourable climate within which to succeed.

Immediately north west of Sellafield, NewGen is planning a new nuclear power station. At the time of writing in 2016 NewGen were undertaking detailed assessments of their Moorside site, public consultation and discussing their intentions with the House of Lords Economic Affairs Committee on the Economics of UK Energy Policy (<http://www.nugeneration.com/index.html>). One interviewee suggested Copeland Borough Council are:

“fighting quite hard to create a legacy for the area –socio-economic benefits – from NewGen and from Sellafield – because they have still got a long life yet. They have still got many years of decommissioning ... So that is in addition to what NewGen are going to spend”.

Operating in the political as well as the private sector arena, there has been much effort looking to see how there can be a legacy for the area from the growth of nuclear industries, where what happens is situated in a political realm where benefits beyond the site are expected. One of the most direct benefits for Millom would appear to be improvements in the Cumbrian Coast rail line, increasing the regularity of the services and perhaps upgrading the stations. There will clearly be new opportunities in terms of employment for Millom residents. There are also hopes of off-site premises being located in Millom. In an interview with the NewGen Chief Executive on BBC radio Cumbria in September 2015 (<https://www.youtube.com/watch?v=Z4JH-BTcKEI>), it was suggested that Millom might have potential as a place for light industry in terms of storage and potentially prefabrication for NewGen, and a place providing accommodation. The quality of the coast was also noted as a place to cycle and walk. So far, Whitehaven has been the focus of Sellafield’s activities off site, but there might be potential for some offices in Millom. As one interviewee suggested: “there already is a lot of people ... trying to make sure that Millom is included. In the past it hasn’t been included”. Another interviewee suggests:

“Millom tends to be overlooked because it is not on the road to anywhere and I think there is a big push ... to get Millom a little bit more on the map. Because it would be an ideal base when things start off at the new power station at Moorside. They hope that Millom could tap into a lot of that. It is just whether or not there are the skills and the motivation for people to start things up. ... Millom can be a little like that. It takes a big push to get Millom to change. But having said that it probably really needs to take advantage”.

Concerns were also raised, however, that providing part of the supply chain for the construction by NewGen at Moorside will just lead to a short term boom. It was also

suggested that there will be contractor employment and there will “still be jobs in these facilities and they will be the sort of permanent jobs where people will bring their families. And that will feed other things when those people have families and they will need shops and doctors and teachers and all that sort of stuff. So you can imagine in the next 20-30 years there will be quite a growth in this area”. The effect on Millom is less certain. However, there is much land in Millom which needs investment to be made available for business premises. Perhaps through land redemption and the building of modern premises there can be a positive legacy from the boom in activity. As yet, the role Millom can play is unclear. For this interviewee: “one of the key elements is employing home grown talent or developing home grown talent”. This returns to the importance of developing an enterprise culture within Millom.

### *Opportunity as a visitor destination*

As explained by one interviewee above, Ulverston has: “some really lovely shops and there is the choice – the theatre, the cinema, the folk music, the comedy clubs, the quizzes and it is just very different to what Millom offers”. Ulverston has become a visitor destination. This section asks what potential Millom has to become a visitor destination. In order to consider this, it is important to first ask what Millom has to offer in this regard.

The Visit Cumbria website introduces Millom in terms of its mining and iron ore history and it mentions the Millom Museum and statue in the Market Square commemorating the town’s history (<http://www.visitcumbria.com/wc/millom/>). The Visit Cumbria website also notes the positive legacy of this past in terms of the RSPB nature reserve located on the site of the former mines (Hodbarrow). The heritage is also noted in terms of the famous writer Norman Nicholson who recorded, through poetry, the realities of life in Millom prior to the mines and the iron works closing. The Holy Trinity church and the remains of Millom Castle are also mentioned, along with the beaches and children’s facilities at nearby Haverigg. There is also the UK’s only heavy horse centre in the area. Whilst not mentioned on this website, the area surrounding the town is impressive, with Millom having the backdrop of the Black Combe mountain and the stunning Dudden Estuary. There is also nearby Silecroft village with its expansive beach. Millom certainly has a beautiful backdrop which is best visible from its second nature reserve on the site of the former ironworks (See Photo 6.10). Whilst it is a long trek for visitors to get to Millom, once there, there is relatively good access to the Southern Lake District. There have been previous efforts in the town to generate visitor trade, which it was reported had had some limited success. Unfortunately, an aircraft museum in the town had to close in 2010 due to financial difficulties. A local tourist organisation does attract some interest to the area through some annual events, but nowhere near that experienced in Ulverston.



**Photo 6.10: View of the Dudden Estuary and Lake District from Millom**

Reflecting on the potential within Millom, an interviewee said:

“People seem to like the place because it is cheaper than being closer to the lakes and its quiet ... Once you get to the National Park prices start to go up. And Millom is close enough to the National Park to take advantage of its proximity without being overburdened by its prices.”

This would seem to provide a niche for overnight visits. There is a small trade in Bed and Breakfast within the town. There is also potential in a site near the Hodbarrow nature reserve for caravans, where recent investment of £1.2m has enhanced the facilities on the site and increased employment from 12 to 48 (NWEM, 2016d). As part of this investment a new leisure complex is planned for the site. This is on top of other investment in the previous year. If successful there could be further expansion and perhaps facilities available to local residents in the off season. This could include a swimming pool. There is access to a large freshwater lake with potential for water skiing and fishing, which is a legacy of the former mines. This site may also provide trade for local businesses, but one interviewee warned that the “benefits [from holiday parks] tend to be inward looking rather than external looking”.

Comments about Millom itself as a visitor location were less favourable and the quality of the offer was questioned, either as a place to enjoy an evening out or as a place to visit during the day. For example: “Unless you have got an interest in maybe the history of the place, iron ore etc. other than that there really isn’t any reason for me to come to Millom ... Millom it is out of the way and even if you are travelling along the A595 to go to the West coast you don’t go anywhere near Millom; you go past it. Anyone has to travel another four miles into Millom – why would you do that unless there was something to come for? And unfortunately there is nothing here to attract people massively”.

Whilst “out on a limb”, Millom would appear to provide a small niche in terms of tourism, but this was unlikely to generate much visitor appeal. In terms of South Copeland, the southern part of the borough within which Millom is the largest town, CBC (2016) sees the future for economic growth in terms of tourism. Within South Copeland as a whole, there was seen to be some good attractions but not a “critical mass” that would attract significant numbers of visitors and there was a need to improve the offer in terms of cafés and restaurants. Strategic coordination would also be important in terms of marketing. With regional growth likely, interviewees suggested there is the potential to offer something different to walking in the Lake District. CBC (2016) focused on the need for improved tourist infrastructure in the area in terms facilities for cycling, cycling routes into the valleys and water-based activities along the coast. If the NewGen nuclear power station is built, there are plans to upgrade the Cumbria Coastal Line and this may enhance day tripper accessibility to South Copeland, giving access to the beaches and for cyclists. There are plans for a new coastal centre at the nearby village of Silecroft, where there is a need to improve facilities on the site to increase visitor numbers.

When planning for tourism growth it must be remembered that “most of the visitor economy benefits are derived from people travelling within the county – trips that are beyond their normal travel pattern. And there is a huge amount to tourism economy figures generated from day trips and from business visits and conferences”. Whilst there is potential for increased overnight stays within Millom, if there is to be significant growth it would need to appeal more to people living within Cumbria. It was suggested by interviewees that there also needs to be a greater resident population within the town and its hinterland to support the town as a visitor destination, in the way the local population support the town centre offer in Ulverston. The population of South Copeland is small and highly dispersed. As one interviewee stated: “I wouldn’t lead with a leisure investment ... because I think it needs a chimney pot. There needs to be wealth generated from other investment”. Such investment could be in terms of business and/or residential growth. In becoming a visitor destination there was seen to be a sequence of improved transport infrastructure, leading to population growth and gradually increased community pride. “Community pride” and “celebrating the place” leads to interest in local history and culture and leisure facilities follow. The transport linkages to South Copeland and its population appeared not to have sufficient “gravitational pull” for significant growth as a visitor destination. Millom also does not have the passing trade from which Ulverston benefits: “to get to Barrow you’ve got to pass through Ulverston, there’s never been an alternative”. Millom is “out on a limb”.

Despite these concerns, CBC (2016) see tourist development as a key route to economic growth. There is a similar focus on tourism within other ex-mining towns in Cumbria. The case of Barrow-in-Furness demonstrates the dynamics resulting from growth. Having significant employment growth was not seen as sufficient to address local poverty, where the wealth generated seeks out places of residential desirability and attractive visitor destinations. Ulverston has been able to capitalise on this. The surrounding villages to Millom have high house prices and the little town of Broughton-in-Furness also has a good offer in terms of cafes and restaurants. Replicating this in Millom will be a challenge. Its primary role is as a low cost dormitory settlement. Tourism is likely to help, but a broader strategy is needed if the prospects for the town are to be enhanced.

### *Enhancing the dormitory function*

One of the key roles of Millom within South West Cumbria is as a dormitory settlement for low income groups. By local and national standards, the house prices are cheap. Yet, Millom has a low crime rate, fantastic views of the Dudden Estuary and the Southern Lake District, and access to basic local services (education, health, retail and leisure). Whilst a Millom resident suggested that the town is “a very pleasant place to be”, the outsider perspective of moving to Millom as a “step down” was noted above. The local property market appeared to be fairly flat at the time of writing, where only 30 houses a year or 10% of the houses in Copeland were planned for in the town. Take-up of these opportunities was seen to be poor with planning permission for house building not being taken up by the developers. Concerns were raised about the quality of the secondary school and that it was facing declining numbers. The quality of the school is likely to be a key issue for some families. The school is also very important to the local economy as it is one of the biggest employers in South Copeland. Population growth may be required to support this essential service.

Whilst significant gentrification would appear to be neither likely nor likely to be perceived as desirable within Millom, the dormitory function within the town can be enhanced by raising the expectations of those living within the town. With economic growth likely to occur both east and west of the town there is potential for aspirations to be raised and for youth in particular to achieve more. The evidence suggests that successful business people with an attachment to the town could be one of the best assets to Millom. It was reported that has been much effort to raise local aspirations within the Millom secondary school and within the Millom Network Centre. Discussion with three of the interviewees focused on the careers function and the need for this to be enhanced so that school leavers are better informed about what might be possible. Talking more generally than Millom, an interviewer said:

“We hear this again and again that young people don’t know what jobs are available. People think I’ve got to be a scientist to work at Sellafield – that is absolute rubbish you have got 10% scientists and you have got 90% people supporting those scientists. So they have got to be educated about those sort of things”.

Raising aspirations of what is possible for Millom residents is crucial, where opportunities for enterprising activity also need to be encouraged. Links between the local school and local employers will be essential to realising this potential.

### **Conclusion**

This report asks whether businesses can thrive in peripheral rural areas in the UK. The results from both case studies illustrate that the answer to this question is yes. In Ulverston, groups of firms around LED lighting and sub-sea equipment have emerged alongside GlaxoSmithKline. Although Millom has not experienced significant business growth, SMEs are also thriving in the town. The SMEs in Millom and Ulverston are not branch plants producing products in their late stage of product development, as predicted by the life-cycle theories, or merely dominated by the parent corporation as characterised by Markusen’s (1996) “satellite platforms” (see Chapter 2). Instead, they are innovative firms leading in their niche markets. In Ulverston, there is now a “related variety” of firms improving resilience in the economy from previous dependence on single large employers (Boschma, 2015). Yet there is still a significant dependence in the region on BAE Systems and the Nuclear industry. Whilst resilience within the local economy is important and can help to avoid the depression which followed the closure of the mines and ironworks, Millom did thrive for a 100 years largely on this one industry. Likewise, whilst planned growth at BAE systems and the NewGen nuclear facility may be “transformational” for the local economy, it is important that this does not crowd out other activity.

Despite the remote location of Millom, a leading UK firm in its niche market has its distribution centre in Millom. Modern logistics networks make this possible without adding significant costs to the firm. Another medium sized firm, also a market leader, produces all its output in Millom for the UK and beyond. Whilst Millom does provide a niche in terms of cheap land for expansion and a loyal and low skilled workforce, this is not the primary motivation for firms locating in the town. Within both Ulverston and Millom, the business growth that has occurred has primarily come from local entrepreneurs and/or small firms that have moved to the area at an early stage in their development. Once established these firms have tended to stay within the location. Having adapted to a location, the costs of moving (fixed manufactured and human capital) are likely to outweigh the benefits. There is also a strong emotional attachment to the area for some of these firms.

It was noted in Chapter 2, that business growth can occur anywhere, within any sector and from any age of firm. The comparison between Millom and Ulverston is useful in trying to understand under what conditions businesses are more likely to thrive in peripheral rural areas. So why is the business environment in Millom so different from Ulverston? Whilst only 17 miles from Millom, Ulverston benefits from much better transport linkages. Millom is “out on a limb” and an hour away from the M6 motorway, whereas Ulverston has significant through traffic and is only just over half an hour from the motorway. Whilst Ulverston might still be regarded as remote, Millom faces a more challenging situation with other remote towns having better road access. The road access to Millom was seen as one of the main factors putting firms off locating in the town.

Accessibility and proximity to larger towns would also seem to matter, where the relationship can be both positive and negative. Ulverston’s past is intrinsically linked to the economic outcomes in the nearby larger town of Barrow-in-Furness. In particular, these linkages have been in terms of providing visitors for the town, a residential location for Barrow employees, availability of skilled labour, entrepreneurial talent, business through the local supply chain and other linkages between firms. Millom’s employment is more dependent on the public sector and relies on it remaining an important hub for health and education within South Copeland. Politically there would appear to be more focus on Whitehaven, which suffers from similar deprivation challenges to Millom but on a larger scale. Whitehaven has been prioritised in terms of transport linkages and benefits more directly from its proximity to the Sellafield nuclear plant. Millom and areas within Whitehaven both provide the same role as dormitory locations for low income groups. Whilst Ulverston, in contrast to Barrow, is a cultural and historic centre, it is Whitehaven that provides this role within the Copeland Borough.

Whilst there are questions of what comes first, Ulverston has achieved a sufficient critical mass of positive assets and activity for a transformation to occur. Challenges of congestion and residential desirability may emerge as Ulverston continues to grow, but its success has been due to what Powe and Hart (2017) call a “coherent diversity” of activity. Most of these positive activities were not planned by local governance, but were “accidents of history and geography and it just sort of plain happened”. As suggested by Barkley and Henry (1997: 322), there is a need to ‘give these communities a receptive environment for the historical accident or serendipitous event which could be nurtured into a new industrial cluster’. Indeed, serendipity has clearly played its part in Ulverston, but it is also a town with potential as a business location. As noted by the Ulverston historian Shacklady (2016), somehow the town has never really suffered from significant decline. The fundamentals for success have always



been there. The revival from its lowest recent point in the mid 1990s has been supported by a long term consensus for change and revival. The revival has taken place through gradual incremental improvements. These have been happening continuously in the town since the 1990s. There has also been significant volunteer support, particularly in terms of the festivals around which the town is now branded. There is also a social enterprise culture which is helping to support many of the town's activities. The recent formation of the Business Improvement District as a levying organisation may help to support the town centre through austerity. It is the coming together of all these aspects in the context of business opportunity that has helped Ulverston to succeed. Whilst the success in Ulverston was not planned there is a need to provide a supportive environment to let local actors do their best at the local level to meet broad rather than narrow goals of funding bodies.

Whilst new businesses would be welcomed in Millom, the evidence suggests there is no great desire for the growth and vitality experienced in Ulverston. There would also seem to have been a failure to work together to regenerate and revive the towns economic situation. There have, however, been some community-led successes in Millom, particularly in terms of fighting the potential closure of the town's cottage hospital, but low aspirations remain where there was seen to be a lack of an entrepreneurial culture. Focus needs to be on raising aspirations, particularly in terms of the employment potential of the young people in the town. In the context of regional economic growth, this may be one of the best ways to tackle local deprivation, where successful business people with attachment to the town can be one of the best assets for Millom. Business growth has come from local talent and loyalty to the area. There is also the need for a 'recognition of the scales at which different processes operate and interact, rather than assuming that local concentrations of deprivation can effectively be addressed through locally concentrated initiatives' (Gordon (2000: 203). Millom residents need to benefit from the growth of employment within the whole of the South Copeland area. Tourism may benefit from regional growth, but this is unlikely to be successful within Millom itself. Millom residents may still benefit, however, in terms of the employment and facilities that it might bring.

# Chapter 7

## Policy responses to help realise the potential

### Introduction

Chapters 5 and 6 have attempted to illustrate how places change over time, their policy contexts and the key factors affecting this change. These chapters have been about specific places. Whilst policy issues have been discussed at length and important reflections made, the focus has been on place rather than on the strategies and policy itself. This chapter focuses more directly on the themes developed in Chapter 2, focusing specifically on strategies and policy. Building on the academic literature, this chapter draws together key findings from both the contextual and case study research to make judgements as to the best policy responses to help realise the business potential within peripheral rural towns. This chapter is divided in two: strategies to help business thrive; and policy to create a business friendly environment.

### Strategies to help businesses thrive

Within Chapter two strategies to help business thrive were divided into demand and supply orientated approaches. The same division is applied here. Demand orientated approaches focus on improving the economic base of the area, through industrial attraction, business retention and attraction, enhancing the entrepreneurial culture and business start-ups and enhancing the visitor attraction role. These approaches are grouped together under the title of “strategies for business growth”. Supply side approaches focus on making the area more competitive and are based on comparative advantage theory and more latterly competitive advantage theory. The two key issues in this context relate to: the quality of the transport and communications infrastructure; and the quality of the labour supply.

#### *Strategies for business growth*

How to realise the potential within peripheral rural towns was a key area of discussion within the contextual and case study interviews. In some interviews the ability of policy to make a difference to these towns was questioned. For example, an interviewee suggested: “if you look at our rural policies for a long time it is putting money in to try and revitalise communities instead of actually looking and saying ok; then what is the value for money aspect of this”. A frustration was stated, that “unless you throw £20m at each individual one you are not going to make a huge difference”. There was seen to be a need to be realistic about what could actually be achieved and in what timescale. The issue of priorities was also raised: “should we not be looking at another town [in the area] and building on what is already there rather than trying to force fix [a particular town]”. There were seen to be times when places should be allowed to naturally decline, where more focus should be on other settlements perceived to have more promise for business-led development. Concerns were also raised as to whether small peripheral towns had sufficient population to sustain business-led growth.

### Industrial attraction is unlikely to be successful

In developing strategies to help businesses thrive, there is a need to be realistic about what can be achieved and to be aware that business growth can come from any sector, within any age of firm and in any location (see Chapter 2 for a discussion of this). In the case of industrial attraction, however, it was widely considered that success was unlikely. This is

particularly the case within a depressed peripheral rural town. It was suggested that in terms of industrial attraction:

“you have to be able to carve out a niche for yourself. What is it you could offer that they [other areas] couldn’t? You have something to offer as a rural area but you have to try and carve out that unique thing that is going to make them come to you rather than go to anywhere else in the country ... The reality is there is another three hundred districts they can go out and do business with and most of them are significantly easier and they don’t have the constraints we do”.

From a developer/business perspective, for example, if land is too expensive, or values of developed sites are too low, they will not invest in an area. This was seen to be the most important consideration in terms of where to invest. Within depressed peripheral rural towns, the value of developed sites is likely to be low. Within natural amenity-rich areas, land values may be inflated due to pressures for housing. Further to issues of land value, the sites considered also need to be easy to deliver, where it was noted that the more complex a site is the less likely developers will be interested.

Despite these challenges within peripheral rural towns, it was suggested policy has “for a long time been all about attracting inward investment”. Yet, consistent with the view of developers, there were very few examples of firms that had been encouraged to relocate to the peripheral rural areas researched within this report. Another interviewee questioned the merits of encouraging firms to locate in such towns:

“If a business was coming and wanted to set up would you really say why would you not come and set up in [a remote rural town] on your own with the hope that others will come and join you. I mean are we setting them up to fail? If they are all moving in together that wouldn’t be so bad, but you want that business to survive so they would need to base themselves with other companies of similar ilk they can work with and trade with. Would we do a disservice to a new business by saying go to [a remote rural town]?”

A key finding within Chapters 5 and 6 was that the growth experienced within the study towns was usually from pre-existing firms. The few exceptions were footloose very small firms.

Frustrations were expressed that some people still clung onto the idea of industrial attraction despite the likely ineffectiveness of the policy in peripheral rural towns. As one interviewee stated:

“I think a lot of places are looking for the outside to come and sort their problems for them. Rather than sort the problem internally. Sort of looking for a knight in shining armour to come on the back of a horse and say I’m an inward investor I will sort your problems”.

Attracting such an inward investor was seen to be highly unlikely. The towns researched in this report were either too small or too remote. Should opportunities arise, the importance of the local authority being helpful and welcoming was stressed. Whilst many firms thrive within the case towns, external investors were unlikely to be aware of this potential. There are simply too many other less risky places to set up business. Some peripheral rural towns have the advantage of available space and cheap land prices, but other rural locations (often situated within attractive countryside) are more constrained, with an emphasis on maintaining their quality rural environment. Consistent with the findings reported in Chapter 2, personal

reasons (lifestyle, family, grew up there) were the main motivations for businesses locating within peripheral rural towns.

### Is tourism the only game in town?

If industrial attraction is not likely to be effective within peripheral rural towns, what about tourism? As way of illustration, an in-depth consultancy report undertaken as part of the development of the local plan for the largely rural County of Northumberland in Northern England, emphasised that indigenous growth was the main perceived potential within the sectors of manufacturing, information and communications technology and creative industries/media (NCC, 2011). Industrial attraction was seen to be unlikely, with few competitive advantages in rural locations. The exception was tourism in which there was seen to be the most potential for growth. As noted in Chapter 6, this reliance on tourism for growth is a common strategy within peripheral rural areas. Indeed, for some Cumbria ex-mining towns, tourism was the main focus within their economic plans. Given the low paid nature of this employment and the challenges of attempting to extend the short season, are there complementary strategies that provide more hope for peripheral rural towns? To some extent, this hope can be provided through efforts for business retention and attraction.

### Realising the potential in pre-existing businesses

Whilst tourism strategies often have potential to support business growth within peripheral rural areas and opportunities for industrial attraction should not be fully neglected, the evidence in Chapters 5 and 6 clearly suggests that realising the potential in pre-existing businesses needs to be given due consideration and perhaps even “refocus efforts to where they are going to be more useful, [where] growth is going to come from existing businesses looking to expand”. Local firms are adapted to their location and have their key workforce already. They know their business can function in the peripheral rural area and are more likely to be loyal to the area within which they are embedded. As one interviewee suggested: being based in this town “works because we started here. You have got that loyalty to the community”. There are, however, issues of succession planning within local attachment. In some cases, the loyalty of the owner to the area is a key motivation for the business remaining. It is also where they want to live. But what happens with the next generation? One interviewee suggested: “As you get down the generations not all are as loyal as Grandad” to the area. Will the business simply be sold? In the case of Ulverston, however, businesses have been taken over and this has not led to them leaving the area, but instead continuing to grow in-situ. This might not always be the case in areas with less potential for expansion.

In Chapter 2 it was reported that for some rural businesses were more bohemian than profit motive driven, where it is possible to enjoy the quality of life and manage on a lower level of income (Bennett et al., 2015). One interviewee, for example, explained how such “lifestyle businesses” were “set up to work for reasons which are not necessarily about wanting to be a big business”. It was reported how this was often seen as a step towards retirement. For one interviewee, maintaining the lifestyle focus was to do with confidence rather than not wanting to expand. However, as suggested by Bosworth and Willett (2011: 210), ‘in-migrants seeking an escape from modernity are unlikely to be catalysts for the turnaround of the [rural] county’s economic fortunes’. The results in Chapters 5 and 6 suggest that within peripheral rural towns, at least, there are a number of businesses that are driven to succeed and, if given sufficient encouragement and support, also to grow.

It is difficult to gauge how much potential there is for business growth within peripheral rural towns. When asked whether the success experienced in Leominster was due to the good

fortune of having emerging businesses in the locality, it was suggested that the potential within the area was “no more than anywhere else. It is recognising it”. As demonstrated in Chapter 6, the potential for business-led growth differed markedly between Millom and Ulverston. Yet, Millom has recently also experienced business growth. There is likely to be potential in most locations, but recognising this potential requires extensive local knowledge and a relationship with the individual firms. This would appear to be the most likely route to picking and helping “winners”. Realising the local potential for growth requires both specific knowledge of the constraints faced by individual firms and consideration of the wider supply side constraints affecting a particular area. The supply side issues concerning the quality of the local infrastructure and labour market are discussed below.

In implementing a strategy that realises the potential in pre-existing businesses, there is a need to engage with local businesses, understand their potential, have a dialogue with local firms in terms of what is possible and help them address the constraints restricting their business. Policy works best when those involved in its implementation have a good understanding of local business and the economic context within which they are situated. For example, one interviewee illustrated the case of a leading firm within a niche market who wanted to double the size of their workspace but did not know “anything about property”. Contacts were made, help with land searches provided and the realisation that if this was to occur someone else would need to build the property with the business owner taking on a long lease. It is difficult to know what would have happened without this support, but the easiest approach for the firm would be just to carry on and not take advantage of its potential for growth. Another interviewee suggested: “You find that most of the companies that have expanded [into a business park] are existing companies where they hadn’t got the space to expand any more, or the building is not fit for purpose”. It is important to get the companies to realise what is possible and help them find a solution that enables them to expand. Clearly these are business decisions, but there is a need to inform businesses of the possibilities for growth.

Workspace requirements for expansion would seem to be a key issue within policies to help realise the potential within pre-existing businesses. The interviews illustrated the nature of the workspace market within peripheral rural towns. One interviewee made a clear distinction between occupier-led and speculative developer-led employment sites. Whilst rural employment generation policies in the 1980s meant the public sector took the role of workspace provider, governments have tended to avoid this policy ever since. There are however successful exceptions developed by regional development agencies and more recently through the Rural Growth Network (RGN) (see Chapter 3 for more details on the RGN). One potential role would be to test and demonstrate the market, where it is hoped the private sector would follow. This was illustrated through an RGN example where there was clear evidence of demand for office space. The public sector took the initial risk and its success gave a local landowner the confidence to provide more units. Normally, speculative developer-led workspace is only built within recognised “high demand areas”, where you “know that the occupier is going to come”. Occupier-led development is more likely in a peripheral rural town context, where a pre-existing firm wishes to expand.

Whilst the allocation of employment space is an issue for statutory planning, requirements will be specific to each individual firm. So rather than this being a generic supply side issue, business expansion requires specific help for individual firms. It was suggested that statutory planning was largely “allocate and they will come [policy]. They have allocated and they haven’t come”. Planners were seen not to have that “detailed understanding” of local

businesses and landowners to know what their plans are and whether any help can be provided to aid business expansion. A proactive approach is needed which requires a dialogue with local firms. In some cases, such as the Leominster example in Chapter 5, infrastructure is also required to open up landlocked areas to enable business expansion. This issue will be discussed below with other supply side concerns.

### Developing an entrepreneurial culture and small business start-ups

In attempting to realise the potential within peripheral rural towns and their surrounding areas, there is a need to encourage an entrepreneurial culture within which it is hoped new business will emerge, develop and grow. This will hopefully complement policies to support pre-existing businesses. People with ideas need to be encouraged to have a go and form a business. However, trying to generate an entrepreneurial culture is very challenging and will not be transformational in the short term. It was noted by an interviewee that a project such as the nuclear plant, NewGen in West Cumbria, if it comes to fruition, will generate thousands of jobs in the short term. This would be transformational, whereas efforts to encourage an enterprise culture may generate less than 50 jobs, for example, over several years. However, they could help generate a business which may even go on to become the backbone for a new cluster of activities, such as experienced by internal growth within Ulverston.

Fledgling businesses lack physical, human and organisational resources and whilst their business ideas may be sound and have potential, the lack of resources may explain why many do not succeed. Policy to encourage small businesses to set up and expand usually attempts to address this lack of resources and knowledge. Ex-mining or mill towns tend, however, to have a lack of aspiration either to look for better employment or attempt to set up business. Whilst the need is greatest within these towns, success is likely to be more limited than in other more vibrant areas. Developing an enterprise culture takes time and luck, where most people seeing an enterprise coach for example will not go on to set up a business. Figures from one study town suggest that less than 10% of people given one-to-one help will set up a business and some of these businesses will not last long. Business clubs can also be set up to encourage small fledgling businesses to network more locally and to have further contacts which may give advice. One interviewee noted that this had been crucial within the early stages of their business. Incubation space can also help, where fledgling businesses need a low risk first step which gives them the opportunity to move out of home, integrate with other businesses in a hub and hopefully then move on in a few years to a more commercial property as a successful SME. This has been observed in some of the case study towns within enterprise/network hubs (See Chapters 2 and 5). One means of funding this through private sector investment could be through an affordable workspace planning agreement associated with housing growth. Yet in peripheral rural towns the commercial viability of housing growth is often in question, suggesting this to be unlikely for depressed towns.

### *Improving competitiveness*

Within the in-depth study of South West Cumbria (Chapter 6) a key finding was the need to improve infrastructure and attract and retain quality employees. Several of the contextual interviews supported this perspective. These supply side issues are discussed below.

### Remoteness and infrastructure

Accessibility by road to these peripheral rural towns was almost universally seen as a factor constraining business activity. Rail infrastructure was also mentioned by some respondents. DEFRA (2014a) found more accessible rural areas to be performing better (see Chapter 3). Indeed, the empirical findings here suggest transport infrastructure is a key factor

determining the affluence of towns and their potential for growth. Whilst many examples were given within the contextual interviews, the comparison between Millom and Ulverston illustrates this best. Millom is simply too small to command much say in transport decisions. Ulverston has benefited from its close proximity to Barrow-in-Furness which has meant the A590 link to Ulverston is a much better transport link than it would otherwise have been. It is clear that remoteness matters. Ulverston has sufficient potential and is adequately linked for planned industrial and population expansion. It has been able to attract LEP funding to improve accessibility within the town and open up landlocked areas. Millom does not have that critical mass. In the context of austerity, road infrastructure is likely to follow growth, rather than being built to enable growth. Size of settlement also influences the likelihood of gaining an enterprise zone, for example. Such schemes and the infrastructure they command benefit the regional economy and it is hoped that these benefits will spread to the rest of the area. It is important that the smaller settlements are not simply neglected because of their size.

A recurrent theme amongst the interviewers was that the size and location of settlements matters in terms of the infrastructure received. Millom's size and remote location from other towns have been key factors in determining its decline and later stabilization, rather than its revival. The prioritisation of the Furness area and the Whitehaven/Workington route to Sellafield would appear to have prevented a revival in Millom. Those businesses that have thrived in Millom have managed due to modern logistic services. It was reported how contracting out to a logistics firm is significantly cheaper than having their own distribution system and sufficiently reliable to ensure that their service quality is maintained. Whilst a critical mass of population and business is required for the transport infrastructure to be improved for peripheral rural towns, in Chapter 2 evidence was highlighted to suggest that rural areas also lag behind in terms of their digital connectivity. Whilst digital connectivity may partially compensate for the remoteness of towns, this is aggravated by a slow supply of updates to this technology in rural areas. Recent updates within the case study towns indicate that this connectivity was seen as crucial to the viability of businesses. As mentioned in Chapter 3, government policy at the time of writing is attempting to address issues of Broadband speed within rural areas (DEFRA, 2015a; 2016b). However, this is not a short term issue. There is a tendency for a rural deficit in terms of the delivery of connection technology. It is hoped that this does not happen again, where peripheral rural towns should have at least the same provision as large urban settlements. This could be combined with network hub facilities giving rural businesses this option of provision.

### Improve the quality of the local workforce

A key challenge facing peripheral rural towns is recruiting skilled and professional staff. It was suggested that potential employees consider:

“not just what does it [the area] offer me. What does it offer my kids, for my wife, or husband and we have got to deliver that in terms of opportunities? Quality of life up here is great for a certain type of life but if you like the big city and bright lights etc. it is a long way to somewhere like Manchester for example”.

Some interviewees suggested that within more urban locations there were likely to be many more applications for the skilled and professional jobs. From the perspective of employees, it was noted how common it is within an urban environment to gain promotion by moving to another firm. In a rural context this means relocating the whole family as there are unlikely to be any other relevant firms within that area. Clearly, these challenges were not uniform across all skilled and professional employment categories, but recruitment was seen by employers to be a challenge.



Whilst within the South West Cumbria context it was alleged that larger firms were targeting employees within the SMEs (“poaching”), employees were generally seen to be more loyal than had been experienced within larger urban contexts. Two interviewees suggested this was due to a lack of alternative job opportunities within the rural area. Engineering-related employers were adopting apprenticeships in order to enhance the loyalty of employees. As one interviewee suggested:

“Young people are looking at this and they are saying do I really want to go to university? Or do I want to go into a good company? They will then pay for me to go to university [or college]. So I’m paid to learn. I have a good job and I’ve also got skills whether I’m an engineer, whether I’m an administrator, whether I’m a project engineer, project manager that are transferable anywhere. Because there is going to be a massive shortage of people like project managers; engineers; electronic engineers. There are good jobs which are achievable with maybe rather average school qualifications – if you were in Manchester there would be a lot more competition for those jobs. Up here there are good jobs you can get and the company will then develop you”.

It was perceived that apprentices would be more loyal. An interviewee suggested that “graduates tend to come – do the graduate programme and then go”. Those on apprenticeships from the local area were seen as more likely to stay. As the interviewee continued:

“Apprentices – because they have got roots here – because they are born and educated here. They like the area because it is a nice area. They will stay. So longer term investment you are better off taking an apprentice on – developing them – putting them through university [or college] – they do degrees [or other qualifications] on a release basis and that adds value to the workforce”.

A similar message came from another interviewee:

“One of the things I really believe in is that if you get people buying into your culture and they understand how the company works and they like it and you treat them the right way, then you get the return, because they’re loyal – they stay with you and you get much more from them”.

Working with local schools and encouraging children to consider apprenticeships was commonly undertaken by some of the firms within South West Lakeland. For firms recruiting graduates there was a preference for people who had grown up locally as “they are more likely to stay and they know what they are coming to”.

Whilst peripheral rural towns will never be the “big city”, issues of culture and image were seen to be very important within recruitment. As one interviewee suggested:

“A lot of the big employers find it difficult to recruit and retain because the cultural offer is not as diverse – beautiful landscape – fantastic for the walking, hunting, fishing, boating sort of fraternity – but not everyone is of that make-up”.

For example, in the context of Ulverston it was suggested:

“the more we can improve the reputation of Ulverston the easier it is going to be for employers to recruit – whether that is cultural. Whether that is festivals. Whether that is about the good schools here. And that is about new housing”.

Residential desirability clearly plays an important part within recruitment strategies, where there is a need to give “people confidence that this is a nice place to live”. Ulverston is more blessed with such desirability than most peripheral rural towns.

## **Creating a business friendly environment**

Within the last section, strategies were considered to help businesses thrive in peripheral rural areas. This section builds on these strategies by considering three key themes in their successful implementation; in creating a business friendly environment.

### *Local leadership and collaboration*

A key theme outlined in Chapter 2 was local governance, where there was seen to be a need for place-specific governance to take a holistic approach to planning and management. A more focused economic approach to governance was seen to be important at the territorial level. Local leadership and collaboration were seen to be the key issues in terms of local governance.

In terms of local authority support for investors, having an up-to-date local plan was seen to be important, as it provides more certainty within planning applications. The reputation of the local authority was also seen as being important. If the local authority has a reputation for being aware of developer needs, for treating them well and dealing with issues such as planning in a timely manner, then investment is more likely. It was suggested that if a local authority is “open for business” there needs to be an “economic development team willing to help navigate processes and the planning team is engaged in actually trying to facilitate development”. For example, if a developer has an “occupier” who is looking for a site for workspace, they may:

“knock on the doors of a number of adjacent authorities and say we have an occupier – we have 100,000 square foot requirements how fast can we get planning? Do you have any sites? And some authorities will go no. Or they will make it very difficult. Others will say yes if you would like to join us next week we will get our economic development team and show you around three or four sites. You can meet with the planners and see what the planning issues are and it should take 13 weeks to get planning permission. We will see you on Tuesday. So you get a kind of pro/open for business meet and greet type of approach or they are almost too arrogant to meet the occupier”.

Whilst not so extreme, other interviewees explained how their experience between local authorities varied.

A lack of leadership in terms of workspace planning was also experienced. It was reported how some local authorities have the misperception that by allocating space for business within planning documents, firms will come. Whilst perhaps a caricature of a worst case scenario, such an approach would demonstrate a lack of realisation that a collaborative and engaged approach is required if business growth is to occur at the local level. In Chapter 2, the need was emphasised for business space decisions to be based on a better understanding of qualitative place-based requirements. It is suggested here that there is also the need for a proactive approach to facilitate workspace provision, where there is a need for this to be incorporated within statutory planning. It was argued, for example, by one interviewee that the:

“local authorities should know who the main businesses are. What are their plans? What are their plans for growth? It is about building that intelligence of the market in your area. Who is looking to move? Who is looking to expand? Who is maybe getting a bit worried and thinking we might go and set up [elsewhere]? I think that is the first stage of building that intelligence – of who our businesses are and what their ambitions are. And through that, we will be able to identify areas for intervention”.

Whilst constrained by austerity measures and with a focus on statutory services, local authorities appeared to lack a strategic approach towards business growth. Yet, they need to be a key agent for bringing together activity at the territorial level. Again the discussion focused on planning, where local plans or core strategies were seen as lacking in vision. For example, one interviewee questioned whether local authorities are clear in their own minds about what they want to achieve. It was suggested:

“If you ask councils ‘where do they want to be in 10 years’, often the answer will be that ‘we have our core strategy’. These are not visionary – they should be. The intention was that they should be strategic, ambitious, set the local authority’s stall out, but they are not. They should be presented as a [strategic] document – they should be exciting”.

Although strategic work can be expensive and politically risky, it was noted that businesses like the stability that is provided by clarity of aspiration. It was noted how clarity of aspiration requires leadership, political stability and a consensus within both the local communities and the local authority. Achieving such clarity of aspiration has certainly been achieved within the more successful small towns outlined in Chapters 5 and 6. In the absence of vision and strategy, inappropriate development can be permitted. As explained by an interviewee:

“I do believe that you do need to have a plan because otherwise you accept anything and everything and too late down the line you realise that a piece of land that would have been valuable to you has already been sold piecemeal to somebody else. Something has been built just in the centre which stops you ... so you do need a plan”.

A key theme within successful towns is “barmy ideas”. Whilst some of these “barmy ideas” might be “laughed at” when originally considered, many examples within the small town literature illustrate how their innovative nature can transform the local economy and the whole trajectory of peripheral rural towns. For example, in the 1970s there was the idea that Hebden Bridge would become an attractive dormitory town and a visitor attraction (Chapter 5). At the time, these ideas for this post-industrial town were seen as “barmy”, but they have come to fruition. Similarly, Ulverston has become a “festival town” and a centre for advanced manufacture in LED lighting and sub-sea technology. It was noted how this “kind of blue sky thinking, big picture thinking doesn’t have to form part of the statutory [planning] process”, but it was argued that it should provide a “very good warm up”. As an interviewee suggested: “if you give people the oxygen to come up with a barmy idea – it will often happen”. Taking those ideas forward requires leadership at the local level. One such leader explained the challenges they faced in terms of realising such ideas, where he had had to convince politicians, a difficult pressure group and the wider community. However, the project was still a success.

A key finding running through this report is the need for clarity of aspiration at the town level. For example, an interviewee stated:

“The town council is very strong and they know where they want to go and they come to the table and we work together. You have got some very strong individuals that are driving the town”.

Another interviewee suggested how:

“You need someone like the town council to take much more ownership of its [the town’s] development and that needs to be supported by the local authority. You need that town council to absolutely grab it and go. ‘This is what we are doing and this is our plan’”.

These comments illustrate the importance of local leadership at the town level. This could be from the town council, a community enterprise, a business improvement district, an entrepreneur or simply a group of individuals, but that leadership needs to come from within

the town itself. As an interviewee stated: “It is about backing winners. It is about backing entrepreneurs”, where “those sorts of people should be revered and given every potential support that is available”. There is a key role for the private sector within this, but “it is not an easy role [for them] because you have to deal with bureaucracy and whilst people on their own in business make decisions immediately they have to go through the various procedures”. But if encouraged, it was suggested “they slowly get in” as they “find that they have the management skills”.

Successful development has often been driven by a “core” group of people, where “the people have got to be passionate and they have really got to care”. However, there is also a need for local leadership to gain local support, where this may be challenged by a:

“lot of disparate groups who all operate in their own little world and they don’t necessarily come together. You do not have one consolidated view where they all say this is where we are going. And actually, in some respects, all of the disparate groups work against each other”.

A further challenge comes when there is a lack of aspiration for change and improvement, where it is possible that “many people are happy with the way it is and will resist change”. External ideas may be resisted without internal leadership, where the locals “do not want people to come in and impose ideas on them ... ‘what right do you have to come in and dictate what happens in our town?’”. If there is little desire for business growth within a location and the changes required for it to come about, it would be politically risky to attempt such an approach within the town. Perhaps there is a need to focus on areas where there is more of a willingness for change. The same caveat would relate to a town where their aspirations are not seen to match the economic realities of that location.

### *Networking and interacting with other businesses*

In discussing their firm, one interviewee suggested:

“Kicking and screaming would consider moving to [a city] simply because of the density of people in the city centre, as could network with more people more efficiently and effectively – economic agglomeration ... We are a knowledge economy, whereas if you are manufacturing tin cans they could go anywhere where the logistics is good”

As suggested by this quote, the need to network will vary between firms, but for some businesses it is essential. More generally, Chapter 2 demonstrates wide recognition of the view that it is insufficient for firms to merely draw upon their own internal knowledge. Also consistent with the findings described in Chapter 2, for some of the interviewees, a lack of awareness of the need to network is present in many small businesses. For example, one firm benefiting from an enterprise coach reported how the:

“first thing he said to me is you must network. Now that put the fear of god in me. I can’t do that. Laughter. Certainly in ... rural areas it is all on who you know. An awful lot of business works on who you know and recommendations by keeping going to those business breakfast meetings there are so many people now that you just build up that network”.

Another interviewee suggested:

“If you are operating in an isolated environment you have to be very proactive to break out of that – so there can be those kind of social consequences of being isolated – which can be self-perpetuating. If you get people together you get a kind of social pattern of behaviour which stimulates ideas, drives solutions organically”.

A further interviewee added:

“It can be very hard to start your business – grow your business – the people you need to know you don’t know who they are ... So it is giving you the confidence when you don’t know the people to find. It is getting on those networks”.

These quotes illustrate the importance of networking to firms. This is particularly the case in rural areas where you have:

“got to travel somewhere else to see someone else – to see their experience of whether they are doing exactly the same thing as you are – that is the way that you learn. You have got to encourage people to do that. If they stay where they are, what sort of stimulation is really going to come to you?”.

However, even if you do travel and partake in internet-based networks, the challenges of isolation remain. For example, it was suggested:

“As much as the area is a very nice area to come and visit we don’t get too many visitors because we’re out on a limb. I think if we were based more in a city then it would lend itself more to customer visits. We do get a few and I think ultimately those that really want to come and see us would do, but it does have its limitations”.

In terms of policy, the benefits of encouragement from enterprise coaches and the availability of business breakfasts, or other such networking events can be helpful. If the services are available, there is also potential for support to come from the local authority, in terms of “hand holding and putting the right people in touch with each other”. Whilst stories of cooperation were given by numerous firms, being based within a business hub was found to be the most helpful. For example, within a hub funded by the Rural Growth Network (RGN) programme (see Chapter 2 for more details of business hubs and Chapter 3 for detail of the RGN), it was suggested:

“we all go to each other for information and advice. We all offer each other contracts. We have all got stuff going on. It is not just talking. We are all doing business with each other. I just find that fascinating because the vast majority of the time it is all private sector or maybe public and voluntary. It is not that often when you get all three in the same place. And I think that works particularly well here”.

Whilst there can be a complementary relationship within a mixed hub, the potential is at its greatest where the activity is similar. For example, experience from another RGN hub suggested:

“clustering definitely relates to synergy, which relates to growth ... It is 2+2 makes 5. So in our case what we’ve done here is attitudinal. We don’t just have an office block; we integrate with the tenants and we stimulate and encourage interaction between them. So a lot of our tenants are trading between themselves and helping one another. So it’s very much an open door policy and as it happens we tend to have attracted similar software/IT based companies”.

In the case of this hub, they had more than achieved their employment target. There was also a feeling that the cluster within the hub encouraged recruitment and retention. As one interviewee suggested: “what’s going to happen if the job doesn’t work out, is there somewhere else we can go? That’s where I think clustering works”. Clusters provide multiple options for employment not otherwise available in rural areas. However, as stated in Chapter 2, experience elsewhere suggests it is a real challenge to gain such a specialist cluster within rural areas.

### *Funding growth*

This sub-section considers the challenges in funding growth. It focuses on two issues: access to government support for growth; and access to venture capital within individual businesses.

#### **Government support for growth**

Guided by a growth agenda, it would seem natural to focus government support on those places with the greatest potential for business formation and expansion. This is most likely to

be in the larger urban areas. Similarly, there is likely to be the greatest concentration of deprivation within the larger towns. With a higher concentration of SMEs within smaller settlements, any neglect of these businesses within policy would hit hardest in the rural context. Small settlements are also likely to gain less attention politically as they have less critical mass in terms of their local economies or numbers of voters. There will always be the danger that peripheral rural areas will be neglected within policy formation and funding.

A key theme within the interviews was the perceived neglect from the Local Enterprise Partnership (LEP). The importance of LEP was stressed by several interviews in terms of it being the “main driver for inward investment”. With LEPs tending to focus on infrastructure and labour market issues, they were seen to have potential to make a significant difference to the local economy. Within South West Cumbria, LEP funding was seen to be focused on the largest towns and the largest businesses. However, funding had also been provided to numerous smaller businesses located in peripheral rural towns (CLEP, 2016). Challenges were, however, expressed in trying to obtain this funding, where there were high expectations in terms of the information required and, perhaps inevitably, the need to demonstrate strategic significance beyond the specific locality considered. Indeed, one interviewee was concerned that government funding was being spread too thinly and it was not sufficiently strategic, focusing on higher risk projects that had the potential to transform should they prove successful. Whilst this was a different interviewee, there was thought to be a need to look to fund some of the projects that might initially be seen as “barmy” ideas (see above). Government funding, however, is provided through a political process and politicians were perceived to be generally risk averse. A “patchwork of interventions” was not seen as the “best way of doing things”. The devolution of funding to the LEPs and the flexible approach taken towards the management of the RGN programme was viewed as particularly beneficial in generating support that was sensitive to local needs.

Strong feelings were expressed that a priority was being given to the large firms within South West Cumbria and SMEs were being neglected. Yet, others saw the possible size of investment in the region as potentially transforming the economy within the area. Clearly there is a difficult balance to be achieved and numerous interviewees expressed concerns in terms of the dependence within the local economy on a few large industries. The effects of the loss of the iron ore mines and works and the loss of employment in the Barrow-in-Furness shipyard in the 1990s were frequently mentioned. The case of Ulverston illustrates what can be achieved in terms of a more diversified and potentially more resilient local economy. More generally, in terms of SME support, life cycle theories, which narrowly suggest focusing on young businesses, would still seem to be applied within LEPs (see Chapter 2 for a critique).

### Access to capital

Perhaps because we were focusing on successful businesses, there were no issues noted in terms of access to capital within the South West Cumbria interviews. Consistent with the academic literature outlined in Chapter 2, successful medium-sized businesses do not appear to struggle in obtaining capital. They do not suffer from the “opaque” information situation of start-ups and smaller businesses. Indeed, it was suggested “access to capital isn’t as much an issue as it was. I think if it is a good business it can find funding”. Alternatively, another interviewee suggested: “if your business plan is good enough - money is out there”. Yet, it was thought to be important for people to be encouraged to take risks when there were seen to be clear benefits to the wider local economy if such ventures are successful. Is there a role for a local authority, which can borrow money at a very cheap rate, to “help make that an

acceptable risk for them [local businesses] to take?” For example, a lease could be underwritten for the first few years on business space by the local authority, if the private sector would fund the space. Should funding be made available to encourage businesses to take the risk of employing more staff? Commenting on these issues, a concern was expressed that entrepreneurs will be encouraged to take the support and just “see how it goes”. Rather than “thinking long and hard ... and do a lot of the leg work ... to work out themselves whether the business is going to work”. Guidance and encouragement can be given, but the decision as to whether to undertake the project would still be based on the fundamentals as to whether the project makes economic sense.

A further issue in terms of financing growth relates to the digitization of banking, where small fledgling businesses were concerned that there was increased remoteness in provision, whereas, as demonstrated in Chapter 2, “relationship banking” is needed to overcome the “opaqueness” of information in small businesses. It was suggested that “digital banking is great from a transactional point of view but from a comprehension and understanding of the business it brings its own challenges”. There was a feeling from small businesses that digital banking holds “less potential for relationships” with the owners when looking for funding. This brings the discussion back to the idea of regional banks, as outlined in Chapter 2, where there is currently a debate as to whether adopting a more local/decentralized approach would lead to a better service and better outcomes for businesses. What is uncertain is the extent to which there is potential for digital banking to actually enhance the personal service. Indeed, a recent entrant to the market “Atom Bank” is designed for smart phones and claims to offer a more personal approach. Indeed, there are a whole range of new approaches to financial technology (FinTech) which move away from the traditional banking sector. Yet, unless technology enables the understanding of “soft” information about firms, this is unlikely to lead to the desired “relational” approach. Whilst Apps are being developed to help with financial literacy and improve decision making, the merits of these approaches are still unproven. An alternative approach is Local Credit Unions which are being formed in part due to the “the inability of bank customers to deal with a person” (Tynedale Community Bank, 2016: 1). One business owner suggested: “I am in a potential growth area in which we have doubled our turnover and somebody said go and say your intent to a bank, but it is a bit sort of daunting”. Clearly this individual would benefit from a personal banking service, where they could gain advice on their business ideas. Networking, gaining advice and sharing experiences from other businesses is likely to be beneficial. This was supported through the Rural Growth Network programme. However, it was only a pilot.

## **Conclusion**

Building on the place-specific research reported in Chapters 5 and 6, this chapter has focused specifically on developing the strategy and policy issues outlined in Chapter 2. This chapter has drawn together key findings from both the contextual and case study research to make judgements as to the best policy responses to help realise the business potential within peripheral rural towns.

Two types of strategy have been considered: demand orientated strategies for business growth; and more supply orientated approaches related to improving local competitiveness. A mixture of these strategies was found to be needed if business-led growth is to occur, however priorities emerge. Consistent with the findings of DEFRA (2014a), transport accessibility was found to be a key driver in business investment. Businesses can thrive in peripheral rural areas, but these locations are unlikely to attract external investment. There is a need for LEP involvement to help tackle some transport infrastructure issues if there is clear



potential for business growth in these towns. Inevitably, however, the remote nature of many places will continue and transport infrastructure improvement cannot be justified for many peripheral rural towns. However, there is a need for continued efforts to maintain other forms of infrastructure, where investment in digital connectivity needs to be maintained so that this provides a compensating factor for remoteness. In contrast, a rural technical deficit in digital communications has tended to be another factor where peripheral areas lag behind large urban areas. Equivalent broadband infrastructure to urban areas should at least be maintained within these towns, where business hubs can be formed and small businesses encouraged to network.

Whilst external business investment is unlikely in many peripheral rural towns, there is a need to focus on realising the potential within pre-existing businesses. Policy to support such businesses and help them to grow requires an understanding of their specific needs and opportunities. This can be achieved through local authority support, where purpose built workspace/business space provision would seem to be a key route to growth. Achieving this requires an understanding of the property market and what is possible within a given location, where the local authority may merely play a facilitating role between the business and property agents. There is a danger that this non-statutory service will be neglected within the context of austerity. There is also potential for the public sector to demonstrate market potential by leading on a development site which would otherwise be neglected by the private sector.

Recruitment is a serious challenge for rural businesses employing skilled and professional staff. Strategies to alleviate this problem relate to the funding of apprenticeships and looking for graduates with roots in the area. Apprenticeships were seen as instilling employee loyalty and a long term commitment to the firm. This would seem to be consistent with current government policy promoting apprenticeships. However, it is important to consider what peripheral rural towns offer employees. Their residential desirability, access to natural amenity, the heritage and culture they provide. To repeat an interviewee quoted in Chapter 6, Ulverston has: “some really lovely shops and there is the choice – the theatre, the cinema, the folk music, the comedy clubs, the quizzes”. This offer was also found to be of benefit in recruiting and retaining staff, whereas the first impressions, at least within Millom, were less enticing. Successful places in terms of business growth also need to be successful and vibrant visitor attractions, providing a place where people wish to work and set up business.

This analysis has demonstrated that there is considerable potential within peripheral rural towns and, whilst unlikely to become the main focus of political activity, they should not be neglected. There is much potential for business growth and even the most remote towns can make a significant contribution to the national manufacturing base by providing many SMEs that are leaders within their niche market and in some cases international markets.

# **Chapter 8**

## **Conclusions and policy recommendations**

### **Introduction**

This is a report about business-led growth and its role within place-based revival. The report explores these issues by considering peripheral rural towns which are defined here as small towns distant rather than accessible to large urban areas. The towns considered within this report are between 2,000 and 12,000 in population. Following structural change, the revival of peripheral rural towns has often been slow. Whilst frequently turning to tourism as a saviour, this research found there to be at least as much potential encouraging other local businesses to grow. Their success is often unobserved, but significant to the revival of peripheral rural towns. The growth of indigenous business can provide hope for such places and can be a key catalyst in finding a new future for these towns. Four key findings emerge:

- Peripheral rural towns should not be neglected when developing an industrial strategy.
- Many firms can and do thrive in peripheral rural locations. Their growth comes through their adaptation to local circumstances as their businesses grow. Local businesses contribute to national growth and their growth brings hope for place-based revival.
- Policy needs to focus on helping places help themselves, where business growth requires sustained support at the local level which is sensitive to local opportunity and context.
- Government support needs to be supportive and sensitive to the diverse local-initiatives emerging rather than leading and controlling.

This report highlights the importance of business within place-based revival and considers how such activity can be better supported.

### **Aim of the report**

Whatever the reason for the original growth of activity in peripheral rural locations, after structural change, resulting from decline in agricultural employment, exhaustion of natural resources and deindustrialisation, the revival of these former (usually Victorian) growth towns has often been slow. Challenged by an out-migration of skilled labour, high unemployment levels and limited business activity, is there much hope for business growth in these peripheral rural locations? Decades on from their decline, small rural settlements often remain economically challenged in terms of their revival. By their remote nature, such places are peripheral to major urban areas and agglomerations of activity. Does this inevitably mean that peripheral rural towns can only provide low value activities serving the local market, as foreseen by Christaller's central place theory?

This research aims to:

- investigate whether businesses can thrive in peripheral rural towns. If so, what conditions are needed for businesses to thrive in these locations?

Whilst there has been much research into the potential for growth in rural areas, there has been a lack of focus on specific places and the challenges they face. Many studies have considered "rural" or sub-sectors of "rural" such as "peripheral rural" as generic categories whose economic prospects are assessed with little consideration of the outcomes within specific contexts. The opportunities arising will vary considerably between specific places

and depend on a range of specific factors which would be difficult to assess or judge generically from national statistics. The key contribution of this research is in terms of the business orientated focus and the breath of the material covered in an interdisciplinary context (academic, policy and key actors interviewed).

### **Approach taken**

Rather than looking for national economic trends across arbitrary sectors/classifications, this research focuses instead on experiences within specific places and builds its conclusions from this detailed knowledge. The research provided in this report is based on an extensive academic literature review and primary research in terms of contextual interviews from throughout the UK and detailed case study interviews in South West Cumbria, in the towns of Millom and Ulverston. The conclusions are reached through detailed consideration of this extensive evidence base.

### **Can businesses thrive in peripheral rural towns?**

Many firms can thrive in peripheral rural locations. Their growth comes through their adaptation to local circumstances as their businesses grow. In terms of the conditions for businesses to thrive it is important to consider the case specific issues within individual places

### **What conditions are needed for business to thrive?**

The conditions for businesses to thrive have been considered through considering the likely efficacy of alternative strategies for business growth, understanding the opportunity emerging within peripheral rural towns and the routes to creating a business friendly environment.

### *Understanding the potential for business growth*

What aspirations should peripheral rural places have in terms of business growth? What opportunities do they face? As suggested by Healey (2009: 447) academic research needs to provide inspiration for ‘enlarging the imagination which strategy makers bring to their struggle to grasp what is going on and what is at stake in a particular situation’ and particular time. Six strategies were considered where business growth can come from any sector, from firms of any age and in any location.

- *Industrial attraction is unlikely to be successful* - Why would external businesses want to set up within a peripheral rural town, when there are many other less risky locations for their business? Industrial attraction is seen as being unlikely to be successful unless places can provide a niche which attracts entrepreneurs, such as residential desirability. At a more local level, authorities can compete by being open to discussion with business and property agents, willing to help and encourage footloose local businesses within their area.
- *Enhancing tourism should not be seen as the only game in town* - Tourism attraction is often perceived as the sector which has the most potential for growth within peripheral rural areas. It is strongly argued that the other four strategies below should not be ignored. Enhancing tourist appeal may change negative attitudes towards some towns, but it is only likely to create seasonal low paid jobs. This strategy is unlikely to lead to a transformation within peripheral rural towns, but instead may reinforce their reputation as residential locations for low paid employees.
- *Realising the potential within pre-existing businesses* - The evidence in Chapters 5-7 suggests that a key source of business growth is likely to come from pre-existing

businesses. Located in peripheral rural areas often for personal reasons (lifestyle, family, grew up there), local entrepreneurs know their business can function there and are more likely to be loyal to the area as their firm grows. The challenge is then to encourage such firms to realise their potential within the town. This requires dialogue and understanding of their potential and the challenges faced.

- *Enhancing the entrepreneurial culture* - The future economic prospects for peripheral rural towns is likely to depend on local businesses and people with good ideas need to be encouraged to form a business. Whilst the need for business growth and employment is greatest within ex-mining or industrial towns, success is less likely than if such efforts were focused in more vibrant areas. Developing an enterprise culture takes time and luck, where most people seeing an enterprise coach will not go on to set up a business. Many of the businesses that are set up will fail. However, a successful business could emerge which becomes the backbone of the local economy. A focus on encouraging formal and informal networking within fledgling businesses can help raise understanding of what it takes to run a successful business. The Rural Growth Network has helped achieve this.
- *Tackling remoteness* - Whilst modern logistic systems, for example, mean that it is feasible for businesses to thrive within these towns, the quality of road access is still a critical factor affecting future investment and business expansion. Many peripheral rural towns do not have a sufficient critical mass of population and other activity to justify enhancing their road linkages. Although digital connectivity may help compensate for the remoteness of these towns, there has tended to be a rural deficit within provision. Improving digital connectivity needs to remain a priority in supporting for peripheral rural towns.
- *Improve the local workforce* - One challenge facing peripheral rural towns is recruiting skilled and professional staff. For many firms this problem is alleviated through apprenticeships, where employees tend to be more loyal to the firm. However, small firms generally have a low adoption of apprenticeships, where they may be perceived as expensive, come with an administrative burden and, particularly due to the lack of career progression within a small firm, be risky in terms of the employees staying. Residential desirability was seen as crucial in attracting employees, where this can relate not only to the quality of the houses available and the attractiveness of the countryside, but also to the cultural opportunities within the area. This further illustrates the importance of quality of place within industrial strategy.

Whilst some rural towns do need support, business opportunity can occur throughout the wider rural area and focusing specifically on towns in need could mean much potential is missed. It is important to consider the opportunities emerging within the region and the potential for peripheral rural towns to benefit from this. Understanding these opportunities requires local knowledge.

### *Understanding opportunity*

Whilst some rural towns do need support, business opportunity can occur throughout the wider rural area and focusing specifically on towns in need could mean much potential is missed. It is important to consider the opportunities emerging within the region and the potential for peripheral rural towns to benefit from this. Understanding these opportunities requires local knowledge.

The opportunities emerging with specific towns can depend on a number of factors.

- *The peripheral nature of the towns* - The nature of the towns' remoteness is a key factor affecting the opportunities arising within peripheral rural towns. Whilst by their nature they are peripheral from large urban areas, the degree of access to good transport links (particularly road) is likely to influence the outcomes for the town. However, the relationship with other (sometimes larger) towns is also crucial. This could be complementary, where, for example, peripheral rural towns may provide more desirable residential locations and/or visitor attractions. Being "out on a limb" will not help the opportunities available to the town.
- *Importance of amenity within revival* - Historical towns situated in the context of surround natural amenity have great potential in terms of marketing their sense of place and reigniting links with their rural hinterland. Successful peripheral rural towns are regarded as attractive places to live and work. The combination of natural amenity, heritage and local culture encourages housing, investment, entrepreneurs and employees to these locations. Natural amenity, heritage and culture are often the key assets upon which such towns can enhance their local economy.
- *Not all towns want amenity-led growth* – Not all towns wish for amenity-led growth, as this changes the nature of the local property market and encourages significant immigration into the town. Within such a context, business growth is more challenging and alternative routes to growth are required which are less amenity, heritage and culture orientated. It is important for local residents that such towns continue to be important residential locations for low income groups.
- *Opportunity is not determined by its context* – Luck plays an important role within local successful. Clearly opportunities are more likely to be taken advantage of within more favourable contexts in terms of local capacity and circumstances.

### *Creating a business friendly environment*

This research has highlighted a series of factors crucial in creating an environment which helps peripheral rural firms thrive. Place-based revival requires sustained local consensus and support which is sensitive to the diversity of local opportunity and circumstances.

- *Leadership and collaboration* - The economic prospects of peripheral rural towns very much depend on the strength of the local leadership and there being an atmosphere of local collaboration. Whilst having great potential in terms of the skills they bring, local leadership from the private sector can be difficult to achieve. Whilst actors within a town can be encouraged to work together towards common goals for the place, ultimately this unity has to come from within. In the absence of such consensus, it is difficult to see how places can take advantage of the opportunities that arise.
- *Planning* - Outside the national parks, statutory planning usually only becomes a constraint within areas pressured for development. The usual constraint on growth within former mining or industrial towns is a lack of market activity. Such places often have sufficient space for development, but lack people wishing to invest. Planning is not constraining growth within these small towns. Within pressured small towns, however, there is more of a need for planning. Growth needs to be carefully planned such that local amenity is not harmed. The desirability of living/working within such towns often provides a key reason for success in attracting affluent residents and/or entrepreneurs. Given the diversity of opportunity and constraints emerging, planning requires knowledge at the very local level.
- *Support* - There is a need to recognise that peripheral rural areas are unlikely to be on the radar of property developers and external entrepreneurs. Peripheral towns are also unlikely

to gain district/county level political support, where this is usually focused on the larger towns. Those hoping to support local growth need to know the challenges and opportunities arising within local firms and be able to provide the necessary advice, so that local entrepreneurs can make better informed decisions and be better networked and linked into relevant supply chains. There may also be potential to provide help with business risks and business finance, but this does enter the tricky area of influencing business activity rather than helping entrepreneurs to make better informed decisions. Rather than being generic, support must be sensitive to local opportunity and circumstances. Private sector advice is preferred to the use of public sector employees.

- *Access to capital* - Access to financial capital was not generally thought to be a problem within the successful firms interviewed. A key message which came across was that “if your business plan is good enough - money is out there”. Finance for small businesses is an area of current political focus and there are numerous schemes and new ways of gaining funding. Indeed, a clear message from the academic literature is the need for a “relationship” type banking experience which helps reduce the information “opaqueness” within small businesses. A loan agent would know the firm’s history, the individuals involved and the local economy within which the business is situated. This might suggest the need to move towards a more regional/local approach. Various financial technologies (FinTech) are emerging and whether a relational approach can be achieved using this technology is yet to be adequately researched. Good business ideas need to be encouraged and finance made available. Understanding this potential requires local knowledge.

### **Policy recommendations**

This report does not suggest radical change in policy, but rather a more careful adoption of policy which is sensitive to the diversity of issues arising locally.

#### *Peripheral rural towns should not be neglected within policy*

Given their size in terms of their population and local economy, there is a tendency for peripheral rural towns to be neglected within local authority politics. Yet they can sometimes play a crucial role within business development and growth. Their SMEs can be leading firms within their particular market niche and are likely to be crucial to maintaining the local economy and contributing to national goals and statistics. The academic literature clearly states that business growth can occur in any location, within any sector and within any age of business. The opportunities emerging within peripheral rural towns must not be written off.

#### *Helping places help themselves*

Policy needs to focus on helping places help themselves, where place-based revival requires sustained support at the local level which is sensitive to local opportunity and circumstances.

- *Importance of local involvement and leadership* - Understanding how local need can be addressed and opportunities/potential realised often requires local knowledge and leadership. This will often come from local individuals (volunteers, property agents, entrepreneurs). Local people are also likely to care most about their place and their support is more likely to be long term. Policies need to recognise the importance of local activity in uncovering and realising local opportunity. Local leadership can come in many forms and from many sources, and requires case-specific support.
- *Local consensus provides a friendly business environment* – At the settlement level, business issues are likely to be inseparable from social, cultural and environmental issues. The nature of “town teams” needs to be decided locally, whether part of a parish/town council, led by a community enterprise or just a group of local people who are interested

in their town. Fractured and competing groups are likely to restrict the realisation of local opportunity. These problems should be addressed locally, but the need for a resolution needs to be encouraged externally. Places working towards a clear and unified vision are more likely to realise the potential for local business innovation. Place-based revival brings together luck and collaborative activity.

- *Encourage businesses to engage more locally* – When providing business support, evidence suggests that some form of business mentoring is the preferred means of delivery. It is important that places are helped to help themselves. Encouragement for local networking, business breakfasts and mentoring from non-competitive firms may enable places to build on local business knowledge. This may help to recognise common business challenges and to ensure that opportunities for business growth are appreciated and acted upon.

### *Business support needs to be sensitive to local circumstances*

Government support needs to be sensitive to the diverse local initiatives/activities emerging rather than leading and controlling.

- *Need to make the most of local businesses* – It is unlikely that attempts to attract big business will be successful in the long term. There is more potential in helping local businesses grow. It is important to better understand local businesses and recognise the potential and the constraints on their growth. Businesses can thrive in peripheral locations but these places are unlikely to be on the radar of medium and large external businesses. Local firms are more likely to be embedded/loyal to the town, adjusted to the rural context and committed to growth in the area. Indeed, most business growth observed had come from the expansion of local small firms.
- *Intensive and sensitive business support* - The evidence is clear that the most successful business support efforts tend to be intensive and sensitive to the needs of the individual firm and/or the local business context within which the firm resides. Whilst there is a need to pick winners in providing such support, this will always be a challenge. Business growth can come from all sizes and ages of firms and in all sectors. There is a need to better understand local potential.
- *Planning for business growth* – Whilst enterprise zones are unlikely to be successful within small towns, some of the principles from this approach are still relevant. When planning for business growth the principle “allocate land and they will come” is inadequate. Planning for growth requires knowledge of local firms, their aspirations potential, and the local property market in terms of the availability of land and business space. There is a need to recognise that peripheral rural areas are unlikely to be on the radar of property developers. Facilitation may be needed to help bring together local businesses and property agents. Some assistance may be needed to help places to help themselves.
- *Encourage regional banking* - Access to debt capital by SMEs could be improved if there were more regional/local banks. This would improve commercial banking decisions so that, through “soft” information, SMEs with genuine potential for growth would be better able to access funding. This approach is likely to be more effective than any national schemes to subsidise large banks providing loans to SMEs.

### *More generic issues*

Further to the two themes of “helping places help themselves” and “support needing to be sensitive to local circumstances”, there are some more generic issues which are also of relevance here.



- *Infrastructure matters* – This is an issue which usually requires external support. Improved infrastructure can encourage firms to stay in a specific town and can open up otherwise landlocked development sites. In the absence of adequate infrastructure (usually road, but also public transport, digital communication, key services and utilities) significant opportunities for growth can be missed. Whilst peripheral rural areas are always going to be less connected than other places, adequate connectivity to the supply chain and access to other related firms is essential. Where potential for business growth can be demonstrated, such as landlocked development sites, support needs to be forthcoming from national government to fund or encourage the provision of the necessary infrastructure.
- *Long term solutions are required in terms of broadband accessibility* – There is a tendency for rural areas to suffer from a technical deficit in digital connectivity. Whilst perhaps inevitable, as urban areas are likely to be prioritised in terms of the slow implementation of new technology, a workable solution is required so that reasonably up-to-date technology is provided within rural towns. Business hubs can form around the provision of this technology offering at least an option for all rural businesses.
- *Apprenticeships* – The apprenticeship model seems to work well within rural peripheral towns, raising local youth aspirations and encouraging employee loyalty. As new measures, such as the Apprenticeship Levy, are introduced it is important that businesses are encouraged to make the most of the opportunities that arise. For small firms, however, generally have a low take up rate of apprentices and this is seen unlikely to change following the new measures introduced in 2017.
- *Local business support needs to continue beyond Brexit* – As much of the business support available is from European Union funding, Brexit provides an opportunity to re-evaluate what forms of business support need to be provided. Experience from the US suggests against public subsidies for firms to relocate.



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