The Future Funding Landscape for Economic Growth

The impact for rural areas

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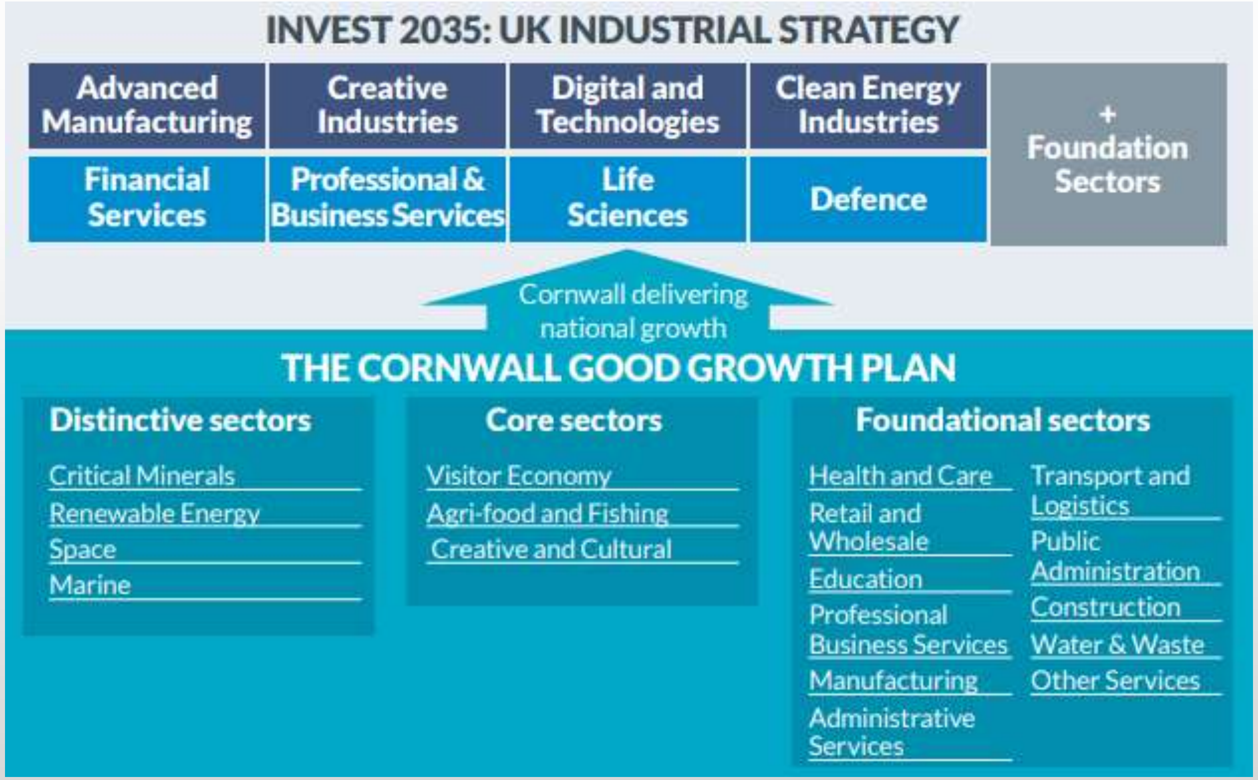
Cornwall's Good Growth Plan Opportunity

The Cornwall Good Growth Plan sets out the aim of developing the Cornish economy for the benefits of its residents. The plan identifies key sectors, investment priorities, and structural challenges and opportunities to shape Cornwall's economic future over the next decade and beyond. Cornwall continues to be an area with significant economic challenges including low levels of productivity and wages.

Distinctive Sectors

Core Sectors

Foundational Sectors



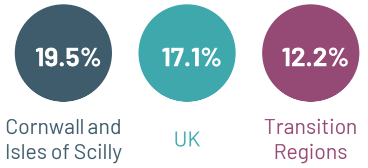
Growth Potential in Cornwall

Past Performance and Challenges

We have invested strategically, and Cornwall has outgrown comparative regions, and our local economy is £2.1 bn larger than if it had followed growth rates of comparable areas:

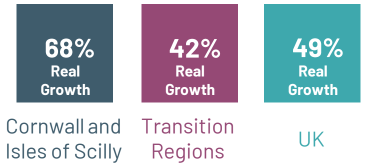
THE IMPACT OF REGIONAL ECONOMIC FUNDING IN CORNWALL AND THE ISLES OF SCILLY – 1998 to 2022

RELATIVE GROWTH IN EMPLOYMENT – 1998 to 2022



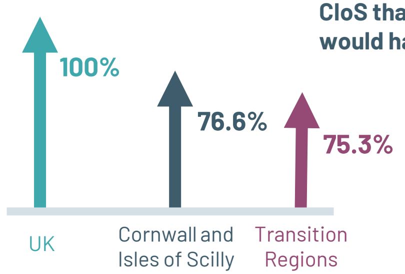
CIoS now has c.16,500 more jobs than if it had grown at a rate of Transition regions.

RELATIVE OVERALL GROWTH IN GVA – 1998 to 2022



PRODUCTIVITY – 1998 to 2022

£820 higher in CIoS than it would have been.



Productivity in CIoS remains significantly behind the UK average. However, between 1998 and 2022, it outperformed transition areas across the UK in employment, overall GVA and productivity growth.

Labour productivity in CIoS has grown faster than the transition regions. This has helped hold up its position against the UK average.

PRODUCTIVITY AS MEASURED BY GVA PER FILLED JOB

Growth Potential of National Significance

We have used past investment to develop sectoral opportunities of national importance and there is an excellent link between the UK Industrial Strategy and the Cornwall Good Growth Plan:

CORNWALL GOOD GROWTH SECTORS MAPPED TO UK INDUSTRIAL STRATEGY

D = DISTINCTIVE SECTOR C = CORE SECTOR F = FOUNDATIONAL SECTOR

Growth Potential Sectors (IS-8)	Advanced Manufacturing	Defence	Clean Energy Industries	Digital and Technology
Alignment with Good Growth Sectors	Space D	Space D	Renewable Energy D	Space D
	Agri-Food C	Marine D	Manufacturing F	Manufacturing F
	Marine D	Manufacturing F		Creative & Cultural C
	Manufacturing F	Agri-Food C		
		Renewable Energy D		

*The space sector definition in the Good Growth Plan includes digital.

▨ = INDIRECT LINK

Growth Potential Sectors (IS-8)	Creative Industries	Financial Services	Life Sciences	Professional Business Services
Alignment with Good Growth Sectors	Space D	Professional Business (PBS) F	Manufacturing F	Professional Business (PBS) F
	Creative & Cultural C			

Foundational Industries and Inputs	Energy Network	Critical Minerals	Ports	Construction	Composites	Chemicals
Alignment	Renewable Energy D	Critical Minerals D	Marine D	Construction F	Manufacturing F	Manufacturing F
			Visitor Economy C			

Foundational Industries and Inputs	Steel	Materials
Alignment	Manufacturing F	Manufacturing F

Funding landscape and urban bias

National Growth and Economic Regeneration Funding

£6.251bn →

Funding with urban bias

- Pride in Place (core+expansion+Impact) (5.95bn)
- High Street Innovation Partnerships (£301m)

£3.7bn →

Ringfenced for MCAs/MSAs

- Mayoral Revolving Growth Fund (£0.5bn)
- Local Growth Fund (0.9bn)
- City Investment Fund (2.3bn)

£0.162bn →

Rural Focused Funding

- Kernow Industrial Fund (Cornwall-specific) (£30M)
- Fishing and Coastal Growth Fund (132M)

Urban consequences

- Multiple Funding Streams
- Long-term multi-year allocations
- Grant funding and repayable capital
- Strong ‘crowd in’ of private finance
- market failure: urban areas win funding by design, not strength
- lower marginal productivity gains
- Over time, **cities face constrained growth due to reliance on imported energy, materials and food as access to domestic rural assets declines** due to lack of funding

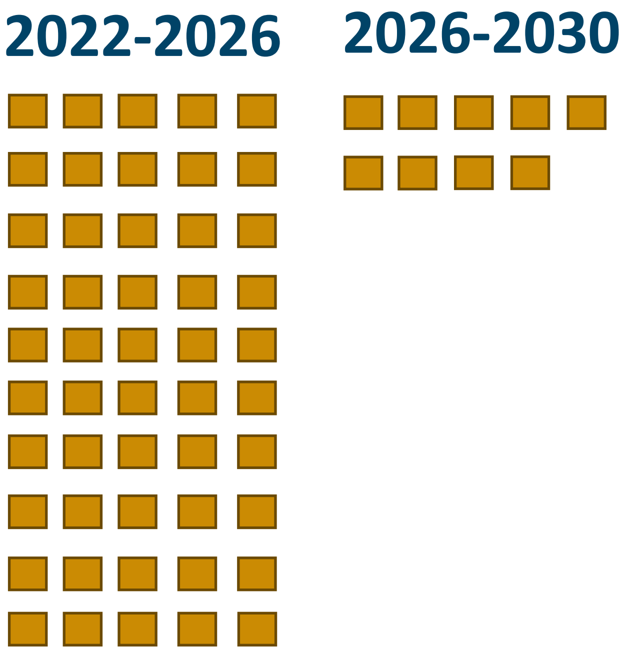
Rural consequences

- Widening of funding gap
- Risk of business support system collapse
- Reduced ability to support industrial strategy and diversify economy beyond tourism and agriculture.
- Risk to national resilience incl. food and energy security

* The Growth Mission Fund (0.24bn) is technically available to both urban and rural areas but requires support from the Secretary of State

Pre 2026 vs Post 2026

- **Confirmed funding in 2026-2030 has fallen to just 9%** of the 2022 -2026 levels



Risks to:

- Growth Hub Provision
- Rural economic support
- Revenue funding for regeneration
- Local capacity
- Support for capital projects

Likely impacts:

- Reduced productivity and business growth
- Worsening labour shortages and economic inactivity
- Town centre and local economy decline
- Loss of delivery capability to contribute to Industrial Strategy

£129 lost per resident per year

***This does not account for the losses from Fairer Funding review 2.0 and does not factor in govt investments from National Wealth Fund or potential future announcements e.g. around critical minerals**

Pride in Place Urban Bias

Pride and place was allocated at a MSOA neighbourhood level with a limit of one per parliamentary constituency.

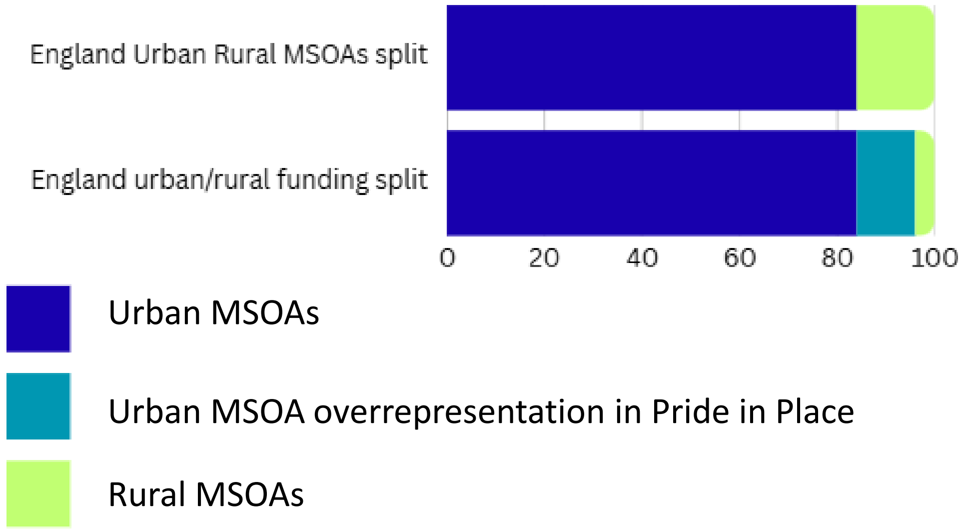


Fig 1: Rural underrepresentation in Pride in Place Funding (Pre expansion) by MSOA Neighbourhood.

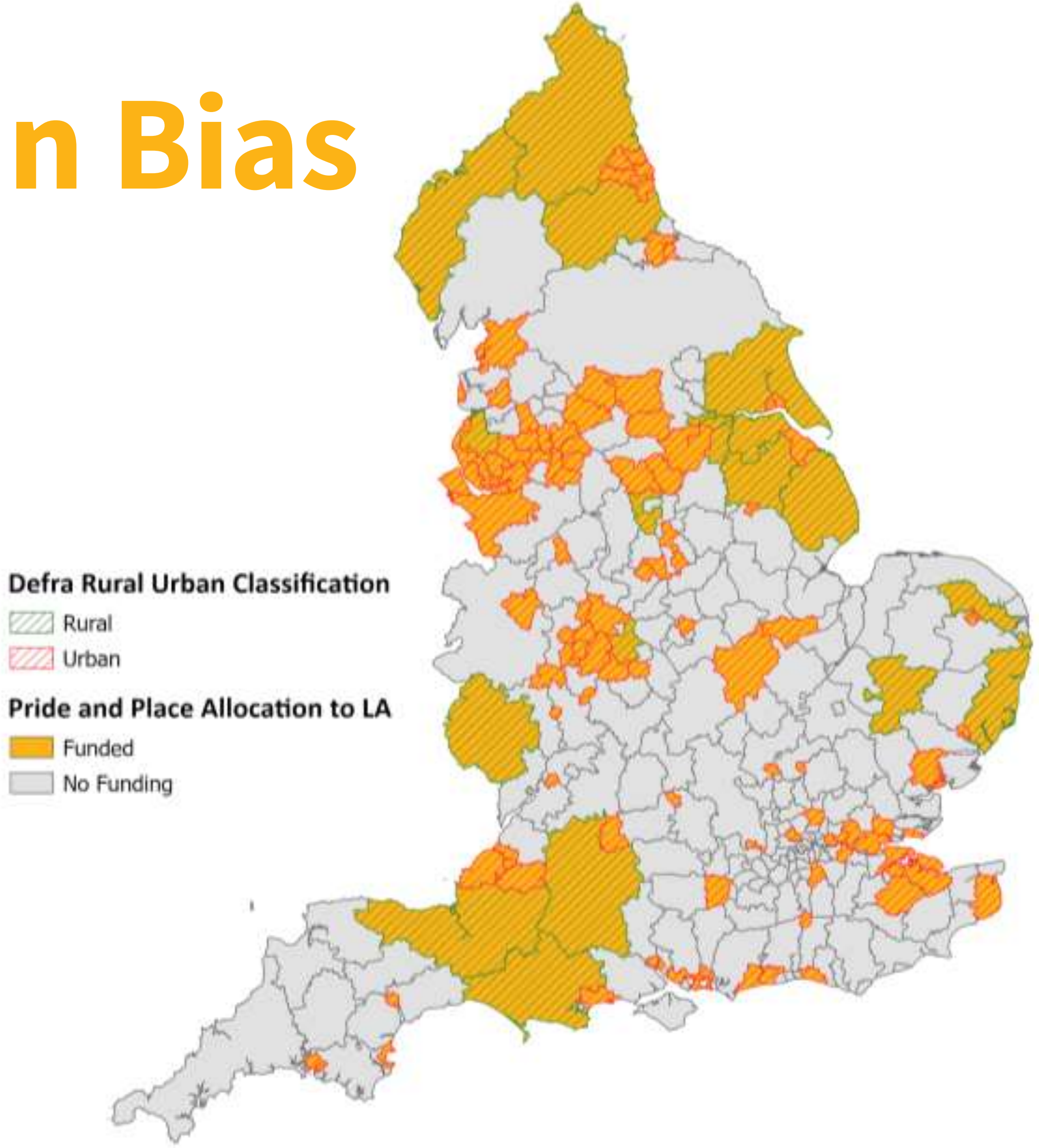


Fig 2: Map of Local Authorities who received Funding via Pride and Place (including expansion) by 2021 Rural Urban Classification.

Rural underrepresentation by a factor of 4!

Pride in Place layers of Urban Bias

Urban Facing deprivation indicator (IMD)	IMD indicator undermeasures rural deprivation
Translation to 2021 LSOA boundaries	Population weighted boundary translation averages out small pockets of rural deprivation
Double aggregation bias	LSOA to MSOA level masks rural deprivation by averaging small pockets of need across large, mixed rural areas, while urban deprivation remains concentrated
IMD CNI Combined score	Z-score allows a moderate and a high score to cancel each other out. Extreme urban scores dominate.
Community Cohesion filter	Community cohesion should not be interpreted as a lack of need or deprivation, as rural areas often have higher cohesion due to smaller populations. Community is relied on to cope with structural disadvantages and gaps in services. Solutions are often inadequate.

Fairer Funding 2.0

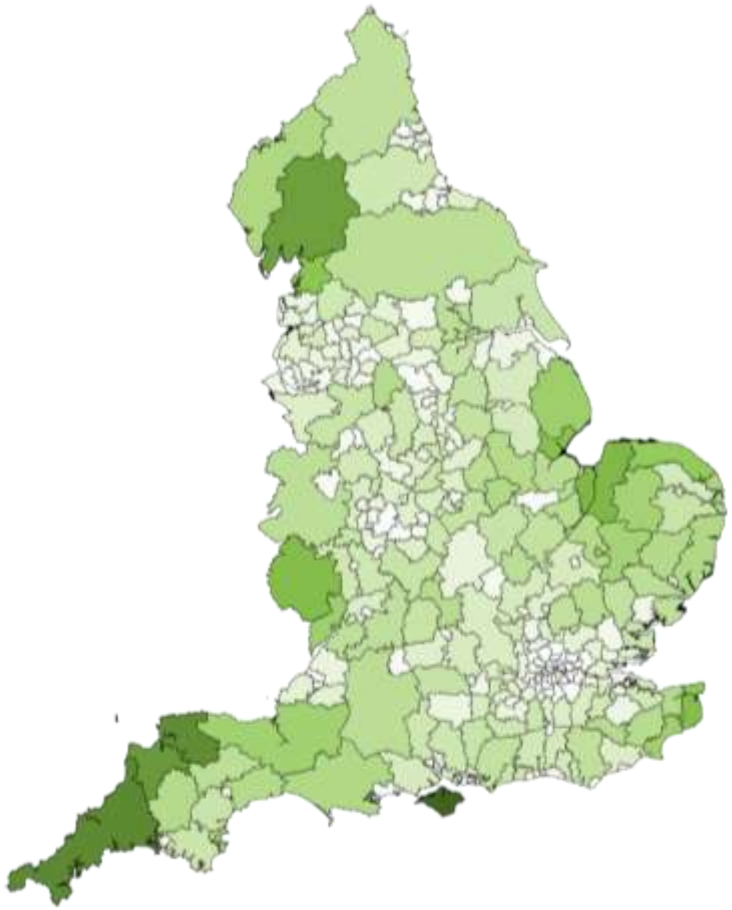
1. **Disregards rural deprivation and unique challenges**
   - Relies on Index of Multiple Deprivation
   - Misses **dispersed & “hidden” poverty**

2. **Rural costs not fully captured**
   - Long distances, small populations → **higher per-person costs**
   - Sparsity weighting seen as **insufficient**

3. **Overestimates local tax capacity**
   - Assumes councils can raise funds via council tax
   - Rural areas often have **lower incomes & weaker tax bases**

4. **“Urban-designed” modelling**
   - Based on **economies of scale + dense service delivery**
   - Rural areas can’t replicate this → structural disadvantage

5. **Data smoothing masks real need**
   - Averages hide **small pockets of severe deprivation**
   - Leads to systematic under-allocation



Remoteness Index: Darker Shades reflect a higher score

Risk to National Growth

- **Rural Areas can deliver National Growth Opportunities**
  - Growth opportunities in rural areas such as critical minerals and renewable energy. Cornwall has potential to produce domestic lithium and generate low carbon renewable energy (e.g., geothermal, heat, onshore and offshore renewables)
  - Missed opportunities to commercialise innovation in marine, critical minerals, renewables, space and defence.
- **National Resilience and Security**
  - Food, energy, critical minerals and defence capabilities
  - Rural economies hold the UK's only extractive leverage.
  - Supply chain vulnerability linked to green transition e.g. UK remains exposed to global shocks in battery materials.
- **Environmental/Net Zero progress**
  - Concentration of green firms is higher in Cornwall than London
  - Rural areas hold the key to deliver on achieving net zero emissions by 2050
  - Underinvestment in rural skills, infrastructure and business growth reduces pace and feasibility of renewables rollout.
  - Missing carbon budgets increases likelihood of higher-cost later interventions rather than lower-cost early action rooted in delivery
- **Cultural and social erosion**
  - Hollowing out of rural and coastal towns
  - Connectivity for rural areas
  - Over-reliance on visitor economy
- **Energy System inefficiency**
  - Risk of overcentralise energy system design. Cornwall's potential for baseload geothermal power is significant.
  - If rural economies have key renewable energy assets but these need support to reach scale
  - Rural energy capability can reduce UK dependence on energy and supply chains that pass through geopolitical chokepoints like the Strait of Hormuz

Thank you / Meur ras

If you have any questions or comments

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