

Isles of Scilly Island Futures

CIOS LEP



Council of the
ISLES OF SCILLY

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Executive Summary

Since publication of Island Futures: A strategic economic plan for the Isles of Scilly in May 2014, significant progress has been achieved on Scilly, but a changing world means some of the island's priorities and objectives have changed.

The 2014 Economic Plan sets out the aim to grow the economy to protect the future viability of Scilly and its communities.

'A thriving vibrant community rooted in nature, ready for change and excited about the future'. 2014 Economic Plan

Brexit, a global pandemic, the war in Ukraine, inflation and the cost of living have impacted on the UK economy and altered the business landscape, calling for a refreshed set of priorities for IoS, based on a focused analysis of key economic indicators.

This refresh document sets out key data and engagement driven ambitions required to sustain Scilly's economy, alongside a number of priority interventions to be considered in context of the UK's Levelling Up and Shared Prosperity Funds.

Scilly has good examples of success in enterprise, tourism and innovative solutions that can be built on, however, out of the economic baseline evidence obtained in March 2022 came four **headline issues** threatening the future of its economy. These issues need to be addressed to sustain the island's economy and increase resilience:

1. Population decline
2. Housing affordability and availability
3. A fall in the number of businesses
4. High energy costs (national issue)

Contributing factors for each of these threats were identified: a fall in population on St Mary's, increasing house prices and a reduction in housing stock, a contraction in employment, inefficient housing stock, and very low levels of installed capacity in renewable energy.

Engagement with the Council, private sector businesses and other key stakeholders has led to specific key challenges and priorities being identified:

| Priority | Levelling UP | SPF |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Delivering housing that meets community need | | |
| Increase affordable housing supply to ease immediate pressures |  | UK SPF Investment Priority Communities and Place UK SPF Investment Priority People and Skills UK SPF Investment Priority Supporting Local Business |
| Progress key housing development projects in the Affordable Housing Delivery Programme (target 30 units) | | |
| Collaborate with other economic development projects to identify further opportunities to deliver new homes | | |
| Ensure that effective policies are in place with the Duchy | | |
| Ensure a strategic approach is taken to the relationship with the tourist sector to increase resilience across the economy | | |
| Accelerating transition to a low carbon economy | | |
| Deliver improved energy efficiency across buildings |  | UK SPF Investment Priority Communities and Place UK SPF Investment Priority People and Skills UK SPF Investment Priority Supporting Local Business |
| Encourage and plan for the decarbonisation of transport | | |
| Explore the feasibility of establishing community renewable energy projects. | | |
| Proactively manage the impact of tourist industry on the environment and make environmental credentials a USP in tourism promotion | | |
| Invest to manage environment change and protect key economic assets | | |
| Improving transport connectivity | | |
| Ensure successful delivery of the Vessel Replacement Programme |  | UK SPF Investment Priority Communities and Place UK SPF Investment Priority People and Skills UK SPF Investment Priority Supporting Local Business |
| Explore the further optimisation of service scheduling | | |
| Determine the future tourism market strategy and the implications for transport | | |
| Work with key stakeholders to deliver future investments | | |
| Support the adoption of innovative new technologies | | |

| Priority | Levelling UP | SPF |
|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supporting enterprise and skills development | | |
| Support economic diversification |  | UK SPF Investment Priority Communities and Place UK SPF Investment Priority People and Skills UK SPF Investment Priority Supporting Local Business |
| Foster entrepreneurship | | |
| Broadening of the offer to appeal to new 'digital nomads' | | |
| Deliver a Museum and Cultural Centre | | |
| Continue to provide strategic leadership in tourism | | |
| Use the decarbonisation of the economy as a focal point for skills development | | |
| Continue joint working with the Cornwall and Isles of Scilly LEP to develop skills for growth and retention | | |
| Ensuring community infrastructure | | |
| Deliver an integrated health and social care facility |  | UK SPF Investment Priority Communities and Place UK SPF Investment Priority People and Skills UK SPF Investment Priority Supporting Local Business |
| Lobby government for fairer funding | | |
| Explore wider community infrastructure projects | | |
| Explore the potential to utilise the Community Ownership Fund to support a range of proposals | | |

Out of these challenges and priorities have come **four priority projects**:

1. Housing delivery
2. Vessel Replacement programme
3. Museum & Cultural Centre
4. Integrated Health & Social Care Facility

These will play a fundamental role in sustaining Scilly's economy and provide critical step changes for Scilly, securing its long term and sustainable future. Although already in development, significant resource is required to deliver these projects. Success requires the Council and strategic partners to work together effectively.

These projects provide a framework against which there should be much interpretation: new opportunities should be seized, challenges should be risen to, Scilly's unique qualities should influence the output, and every chance to progress the transition to a low carbon economy and provide employment and skills development opportunities should be taken.

Island Futures 2022 is about doing things differently to develop the Isles of Scilly. With supportive economic development policy and sufficient strategic investment, Scilly will offer a higher quality visitor experience, become more sustainable through carbon reduction and renewables, and deliver innovative demonstrator projects.

The Economic Plan has set out a summary of what this could look like. The Island Futures Board will act as the mechanism for strategic direction and delivery. Joint working across the combined leadership board of IOS Council and Cornwall Council to deliver shared objectives will also be crucial.



Policy Context

This refreshed Economic Plan builds on the foundations laid by Scilly's previous Economic Plan, **Island Futures**, published in 2014.

The 2014 Island Futures Economic Plan set out the following aims:

- To secure resilient, year-round transport services to Cornwall and further afield
- To improve the quality and value of the tourism offer
- To promote the Isles of Scilly more effectively
- To diversify the economy
- To create more collaborative opportunities for the islands' businesses
- To make the islands more self-sufficient and more resilient to future changes

This 2022 plan comes at a time of significant change, challenge and opportunity for Scilly. Nationally, the political context continues to evolve rapidly, and plans have been influenced by the emerging impacts of the UK's withdrawal from the EU, and the Covid-19 pandemic.

The Government's focus on 'levelling-up', international trade, achieving net zero, the launch of its Build Back Better plan for growth, and the Shared Prosperity Fund (SPF) – seen as a direct EU fund replacement, are all setting the pace of national policy and investments. The primary objective of this document is to recognise the implications of change and refine Scilly's Economic Plan accordingly. In a very different funding landscape to previous decades, Scilly needs to adapt and compete with other areas to make its case for investment.

New threats are likely, but so are new opportunities; this needs to be a document that evolves and responds to changing circumstances. There is no specific timescale, however the strategy includes both short term actions and wlong-term goals.

The Isles of Scilly Council's Corporate Plan for 2021-22 was signed off in February 2021 and will inform this economic plan. The key economic development measures are:

- Secure funding for required infrastructure investments, including those at St Mary's Airport (1 of 6 Top priorities)
- Work with partners to access training to upskill residents to meet the needs of the Council and economy (A People & Community target)
- Secure inward investment and funding to support the economic sustainability of the islands (Place, Economy & Environment principles and requirements)
- Enable businesses to grow and attract investment that supports a year-round economy and creates rewarding and well-paid employment (Place, Economy & Environment principles and requirements)
- Contribute to the development of the Cornwall and Isles of Scilly Local Industrial Strategy, to unlock access to the UK Shared Prosperity Fund (Place, Economy and Environment Target)
- Embed carbon reduction principles in all aspects of council decision-making (Our Council Principle and Requirement)
- The Council embraces its role as a leader for the community, advocating on its behalf and seeking fairer funding arrangements from Government (Council Principle and Requirement)

Economic Baseline – Update on headline issues

The refreshed economic baseline analysis identifies four headline issues that are critical in considering the future path of Scilly's economy:

Population decline

Whilst Tresco and Bryer/St Agnes (population combined in estimates) have experienced recent growth, the population on St Martins and St Mary's has declined. St Mary's is the largest island in the archipelago, so its population decline has influenced the total island stats.

The population on St Mary's declined by 4.6% (109 people) in the period 2015 to 2020, this decline is concentrated within the working age population. A decline in this demographic places further pressure on the viability and sustainability of key services and reduces the available workforce.

The decline in population on St Mary's is likely due to availability and affordability of housing stock.

Housing affordability and availability

There are significant challenges in housing affordability and stock availability on Scilly. House prices fluctuate more on Scilly than inland due to the small number of sales (annual averages can be uplifted or depressed by a few sales), and data indicates an increasing gap in median house prices since 2016.

The Scilly chargeable Council Tax base shows a reduction of 61 properties since 2017 (to 2021), and whilst housing site allocations are in the development pipeline, overall housing stock has not increased since 2017. Housing pressures have worsened in the last few years, likely due to an increase in self-catering accommodation, the loss of B&B/guest houses that included owner accommodation, and the release of staff accommodation for holiday use.



Fall in the number of businesses

There has been a fall in the number of active businesses on Scilly: since 2018, the number of local business units has fallen by 25. Of these, 10 were in the Accommodation and Food Services Sector (potentially representing the loss of guest houses/B&Bs), and 10 were in the Agriculture and Fishing Sector.

The fall is likely due to recent pressures in the housing market- making recruitment and retention of skilled staff more challenging.

Office for National Statistics data indicates a recent contraction in employment (accepting ONS caveats around rounding at this scale). This trend fits with both local anecdotal evidence and wider changes to the working age population. The engagement exercise highlighted issues with recruitment to a range of different roles linked to the availability and affordability of housing (both pre and post pandemic). The future release of Census 2021 data may provide further understanding of these changes.

High energy costs

Robust data from the ONS shows that estimated energy costs are the highest on Scilly by some distance compared to all other local authorities in England and Wales.

The housing stock on Isles of Scilly has by far the worst energy efficiency performance against all local authorities in England and Wales with an average score of 45 – 20 points lower than the England and Wales average of 65.

Much of the housing on Scilly is old and stone built, and an estimated 70 of households use electricity to heat homes, which is significantly higher than any other local authority. The lack of availability of the required skilled trades and higher construction costs may be acting as a barrier to energy efficiency improvements.





Thematic Challenges and Priorities

Out of the **four Headline issues** have come specific key challenges and priorities identified through engagement with the Council, private sector businesses and other key stakeholders.

They are structured into the following thematic challenges for the Economic Plan:

1. Delivering housing that meets community need
2. Accelerating transition to a low carbon economy
3. Improving transport connectivity
4. Supporting enterprise and skills development
5. Ensuring community infrastructure

Beyond this Economic Plan, it is important to note that there are other key documents that relate to progress and plans in these thematic areas. The role of the Economic Plan is to highlight high-level priorities from an economic perspective.

Delivering housing that meets community need

Aim:

To support a housing market that meets the needs of the local community

Challenges:

A well-functioning property market is necessary to enable a well-functioning economy and sustainable community on the islands. Demand for housing is driven by residents, second homeowners, seasonal workers and tourists; if any one of these elements changes it creates an imbalance and impacts the market, especially when housing supply is finite. Currently the housing market is broken and the current market equilibrium position is detrimental to both the economic future and social/demographic well being of the Islands.

The much reduced labour market since the government's points based immigration system was introduced means businesses on Scilly face increased competition with mainland businesses for staff. They also face higher expectations when it comes to the type and quality of accommodation they are providing to staff.

The Covid-19 pandemic had a huge impact on the housing market and whilst Scilly has benefitted from increased tourism as a result of UK 'staycations', the incentive to use housing stock as holiday accommodation has caused critical shortages in the private rented sector and subsequent increases in rental costs. This has resulted in an increase in households on the Council's housing waiting list and difficulties recruiting and retaining staff for businesses.

Some areas have responded well to the challenges Brexit and Covid-19 have presented, whilst others like St Mary's continue to face major challenges. A key challenge is to ease pressure in the immediate to short-term whilst structural adjustments in the economy take place and pipeline schemes move to completion, and be proactive in planning for future temporary increases in demand (for example, due to a number of key construction projects expected to occur in the same period, 2024/5).

Priorities:

Housing has already been recognised as a critical issue by the Council, with considerable progress already being made in pipeline projects. The Council is also mobilising to ease the impact of recent shocks to the market by declaring a 'Housing Emergency' to escalate the response.

While housing is a critical issue now, it may be less of an issue in the longer-term given existing projects in the pipeline. However, there are acute pressures in the immediate to short-term and pipeline schemes are also still subject to risk.

The key priorities are to:

1. Identify and undertake quickly deliverable interventions to increase affordable housing supply to ease immediate pressures - for example, the Council recently purchased a former guesthouse on St Mary's which will deliver three affordable housing units. Alternative accommodation like pod-style units will be thoroughly investigated.
2. Progress key housing development projects in the Affordable Housing Delivery Programme (target 30 units) - : (i) Carn Thomas, Hugh Town (ii) Ennor Farm, Old Town.
3. Utilise synergies with other economic development projects to identify further opportunities to deliver new homes - for example, through release of sites such as the Old Museum.
4. Ensure that effective enabling policies are in place with the Duchy - to deliver strategic utilisation of its estate, sufficient flexibility to respond to market needs and the availability of freeholds to enable growth.
5. Ensure a strategic approach is taken to the relationship with the tourist sector to increase resilience across the economy. It is not only a question of existing housing supply, but how the existing supply will be used. Investigate the possibility of a role for regulation/licensing of visitor uses.



Examples of progress to date

Tresco staff accommodation (case study)

Tresco Estates achieved planning permission in May 2021 for 6 one-bedroom units and 2 two-bedroom units to act as improved staff accommodation, and to address the shortage of top-quality worker accommodation on Tresco.

Having the right mix and quality of staff housing for the present and future is key to the development of the business and the maintenance of an active, vibrant community that embraces the very young and very old.

With the return of the Helicopter service, Tresco's strategic goal is to change the current business model from a seasonal operation to an all year round offering. This approach will rely on a more permanent staffing structure, with more staff making the Island their permanent home, all year round.

In accordance with the policy set out in the local plan, this development provides good quality accommodation for singles, couples and small families. They have been designed to be as sustainable as possible, through the use of natural low carbon materials, reduction in energy use, and renewable energy generation.

Establishing and responding to housing need on the Isles of Scilly – affordable housing progress

In recent years the case for affordable housing on the Isles of Scilly has been clearly evidenced and set out through the Local Plan process, which led following a successful Inspector's report to the adoption of the Plan in March 2021.

The Isles of Scilly has a skewed housing stock, with significant price pressure and competing demand from holiday uses. The Local Plan seeks to stem population decline and enable the delivery of new homes for people and families that are already on the islands, returning to the islands or those required to work on the islands. The provision of affordable homes on the island is a corporate priority. Modern well insulated homes built to take account of accessibility and adaptability standards will help reduce fuel poverty, improve health and wellbeing and support the islands economy by providing homes to those in need.

Site delivery policy approach and progress

Policy LC1 of the adopted Isles of Scilly Local Plan (2015-30) establishes the need to enable the delivery of local need homes, up to (and no more before the plan is reviewed) 105 affordable homes. So far under the plan period 2015-2030, the Council has permitted 10 new build local need homes. The Council's Housing Delivery Programme seeks to ensure the delivery of 30 new homes that are affordable on the islands through the delivery of two allocated housing sites.

Ennor Farm

The site purchased from Duchy of Cornwall by the Council, and this transfer of ownership enabled a successful bid for £664,250 from the Brown Field Land Release/Self Build funding from the LGA and Cabinet Office. The site has planning permission and agreement to sell to Cornwall Community Land Trust (Sept 2021) to access additional funding – to ensure that key infrastructure works to allow the plots to be serviced and accessed can be undertaken. There are significant capital works required to prepare the site, if these if these costs fell to the self-builders the site would not be affordable.

Carn Thomas

To enable significant progress to be made by working alongside a registered provider to provide a 100% affordable homes scheme agreement The Council agreed (Sept 2021) to sell to LiveWest Homes Limited (an affordable housing provider) to progress to delivery by 2025. The Council successfully bid for Land Release Funding which recognised the barriers to the viable development of the site and allocated £315,000 towards site remediation works to help ensure the site is released for development by March 2023. The aim is to start site work in June 2023 with completion by April 2025.



Accelerating transition to a low carbon economy

Aim:

To accelerate transition to a low carbon economy, ensuring the long-term sustainability of the natural environment.

Challenges:

Protecting the unique natural environment of the Island is crucial to ensuring future prosperity for its community.

Guiding Scilly's economy through low carbon transition and long-term economic transformation is a substantial but critically important task. The transition to a low carbon economy is a significant challenge but presents a number of opportunities for locations that take proactive measures to capitalise on opportunities and adapt their existing economic structure. Interlinked with this transition is the wider goal of achieving positive long term economic transformation in Scilly – in particular, by improving access to skills training and employment opportunities.

The economic and social impacts of failing to adequately transform into a low carbon economy are arguably greater in Scilly due to predictions of rising sea levels.

Specific challenges in Scilly include:

- The vulnerability of key economic assets and infrastructure from rising sea levels, extreme weather events and coastal erosion
- The need for low carbon transition across transport, both on the islands (e.g. in cars and vans) and on sea routes (in vessels providing mainland and inter-island services)
- The building style and quality in all sectors means low levels of insulation and energy efficiency
- The impact of tourism and visitors to the islands, including through demand for transportation, impacts on natural assets and the generation of waste
- The current lack of renewable energy generation deployed

Priorities:

The Council has declared a climate emergency and set a target of zero-carbon by 2030.

Long-term environmental sustainability is a cross-cutting theme of this Economic Plan, having significant implications for housing/accommodation, transport and energy requirements of local people and for tourism. The overarching goal is to encourage behavioural change and the adoption of low carbon solutions across Scilly.

To support this, the key priorities are to:

1. Deliver improved energy efficiency across buildings- addressing the poor energy efficiency of the existing building stock.

This will not only address carbon emissions but also the relatively high energy costs for households and businesses on Scilly (plus improve resilience against future rising energy prices)

The building stock includes:

- Resident dwellings
- Visitor accommodation
- Business and commercial accommodation

Implementing a decarbonisation plan for Council owned estate is an early priority. This includes the Enterprise Centre, Airport, Industrial Estate and significant social rented housing. It is noted that the Town Hall is excluded from the Council's decarbonisation plans as it will be picked up in the new Museum & Cultural Centre project work.

The Council will seek to collaborate with the Duchy on decarbonisation of buildings across the islands and to leverage economies of scale in sourcing both hardware and the required skilled labour to deploy technologies such as ground source heat pumps.

2. Decarbonise transport - including:

- (i) Explore what a low carbon transport system would look like, including consideration of implications for power demand and refuelling systems required on the island (e.g. for hydrogen)
- (ii) Promote the use of electric cars/vans and other low carbon modes of transport. As part of this, there is a need to embed the car share scheme to increase electric vehicle usage
- (iii) Encouragement of low carbon propulsion for vessels (e.g. hydrogen). Here, smaller inter-island services could provide ideal scale for pilot schemes, and larger schemes could include the conversion of mainland service vessels



3. Community renewable energy projects

Determine whether there is the potential for investment in renewable energy generation on Scilly. For example, for an energy system run by a CIC and owned by the community, with the use of SPVs to own specific assets.

Establishment of renewable energy offers the opportunity to address the high energy costs borne by households and businesses on Scilly. It could also enable a reduction in reliance on the diesel-powered back-up power station should the interconnector to the mainland fail.

4. Reduce the negative impacts of the tourist industry on the environment and make environmental credentials a marketable benefit in tourism promotion

This includes:

- (i) Reducing waste generated by visitors and tourism activity
- (ii) Relieving pressure on available services with the day visitor market. (The day visitor market is economically valuable but is associated with peaks of demand which can be better managed.)
- (iii) Supporting packages for zero-carbon activities and activities that support the development of a circular economy. For example, initiatives linked to the local food chain and local providence of food
- (iv) Leveraging high environmental credentials as a selling point for the tourism Industry
- (v) Utilising the Climate Change Action Plan as a way of mobilising solutions - e.g. plastic-free Scilly and carbon offsets for visitor travel.

5. Invest in the management of environmental change and protect key economic assets -

Including flood defences, measures to mitigate coastal erosion and opportunities for nature recovery. Key employment sites must be protected as part of this, for example, the industrial estate which is vulnerable and represents a concentration of vital economic activity.

The actions of the Duchy will be crucial to meeting the overall environmental target on Scilly. The Duchy has produced its own Net Zero strategy setting out its ambitions to 2030 and has employed dedicated staff to deliver net zero across all its UK let estate. There is an opportunity for the Duchy and Council to work together in driving change.



Progress with EV infrastructure – EV project

The project has established a network of electric vehicle charging points installed across all five islands, providing a solid infrastructure of electricity grid network connections to support the transition to electric vehicles.

10 charging points are dedicated to the car share scheme and the remaining chargers are for general use by those wishing to purchase their own electric vehicles.

The vehicles from the car share are capable of discharging the energy from their batteries to optimise balancing of the grid, known as vehicle-to-grid bidirectional charging or V2G for short. The project will help the rest of the UK understand how this type of technology might become part of the electricity grid of the future.

The car share vehicles are housed under solar canopies allowing the project to test the optimisation of direct charging of electric vehicles from solar photovoltaic panels.

The project is also hoping to deliver a network of electric cargo bikes for hire alongside the car share scheme. The aim is to get as many people as possible walking and cycling.

The project is managed by the Council of the Isles of Scilly and is being delivered by two project partners: the Isles of Scilly Community Venture and Hitachi Europe Ltd. The GO-EV project is being funded by the Cornwall and Isles of Scilly Local Enterprise Partnership with £606,000 from the Government's Local Growth Fund and £2.4 million from European Regional Development Fund.

This project is funded under an ERDF extension to the end of 2022.



Improving transport connectivity

Aspects relating to the need to decarbonise transport are covered under the Environment section of the Economic Plan.

Aim:

To improve transport connectivity across the islands and to the mainland.

Challenges:

Improving transport connectivity is unquestionably a major challenge for Scilly. The potential benefits are however substantial, and it is therefore a key theme of this strategy. Issues with transport were highlighted by a broad range of stakeholders and businesses during interviews and surveys. Specific challenges can be considered in terms of mainland connection services, inter-island services and on the islands.

In 2020, a helicopter service restarted with a 15-minute flight time with connections from a new heliport at Penzance to Tresco and St Marys. This service was designed to help bring resilience and connectivity to the wider islands to sustain future growth.

Mainland services provide sea and air connections between Scilly and the mainland. They are critical to residents, businesses and visitors.

Specific challenges with current services include:

- The aging vessel and aircraft fleet which is not fit-for-purpose and requires substantial reinvestment to maintain services in the future
- The frequency and scheduling of vessel services during the shoulder season, both for residents, seasonal workers and the tourist market
- The capacity of freight services and the performance of these services, which is critical to businesses and faces increased demand with growth in visitor numbers (since businesses servicing visitors have to import more products). There is potentially a capacity issue relating to St Mary's Harbour which handles around 98% of all freight and 60% of passengers
- Service costs and reliability

Inter-island services provide linkages between Scilly's islands. They are a lifeline for residents on the islands enabling access to services like education, health, specialist business services and leisure, and also serve the tourist market. Specific challenges with current services include the low frequency and lack of reliability with scheduling during the shoulder and winter seasons, road capacity and significant pressure points. During peak season, the number of cars can generate adverse impacts on the quality of the environment and visitor experience.

The higher freight costs for both businesses and residents of everyday goods add to already higher costs of living.

Priorities:

Significant progress has been made in securing the future of mainland services for Scilly. A successful bid was made to the government's Levelling Up Fund to support a major vessel replacement programme. This will play a critical role in securing the future of mainland connections and provides a foundation on which to deliver further improvements across all forms of transport on Scilly. Small-scale pilot projects using drones to service a sub-set of freight demand are also underway.

Key priorities are to:

1. Ensure successful delivery of the Vessel Replacement Programme - including support to navigate the due diligence process and ensure the project is delivered on time
2. Explore the further optimisation of service scheduling - including vessel connection times and service frequency in the shoulder and winter seasons. This applies to both mainland and inter-island services.
3. Determine the future tourism strategy and the implications for transport - clarity on the future tourism strategy especially in terms of numbers is essential to plan for transport. The growth of tourism has implications for the handling of both passengers and freight and managing movements at pinch points such as St Mary's Harbour.
4. Work with key stakeholders to deliver further investments - in particular, the Steamship Company and its future investment plans. This should include taking account of the broader investment landscape, including related investments on the mainland. For example, the new freight depot planned for Penzance Harbour (for which funding has been secured as part of Towns Deal Fund) and plans to deliver a new hanger complex at Land's End Airport.
5. Support the adoption of innovative new technologies - including in the Unmanned Aerial Vehicle (UAV) sector, to deliver better services and keep remote communities connected.



Priority Project: Vessel Replacement Programme

The Council has been successful in securing £48.4m towards the cost of replacing the vessels and improving the harbours which play a vital role in providing the sea links which support the community and businesses on the Isles of Scilly. The funding was confirmed as the Government announced the first areas in the country to benefit from its Levelling Up Strategy in the autumn budget.

The Council submitted its bid for funding to the Government in June 2021, based on the work which had been undertaken by the Isles of Scilly Transport Board. The board developed plans to replace the existing passenger, cargo and inter-island vessels and improve the two busiest harbours on the islands at St Mary's and Tresco.

The project will also benefit from £5.4m of local funding to be provided by the Isles of Scilly Steamship Group, Duchy of Cornwall and Tresco Estate.

Work has already started to ensure the harbour improvements can be completed and vessels enter service on or by 31 March 2024. Upgrades at St Mary's Harbour will provide pontoons, pedestrian walkways and electricity supply to charge batteries on vessels. The project will deliver a range of benefits including:

- A residents travel scheme ensuring affordable travel, priority access to crossings on the cargo vessel all year round and improved onward connectivity
- A seat on the board of the Isles of Scilly Steamship Group for the Council as the community user representative informed by a Community Advisory Board
- Access for passengers with reduced mobility to a minimum standard set by the Council
- An annual Passenger Transport Service Review to ensure the standard of service is independently measured and reported on annually
- Provision of mainland delivery point for internet orders and onward shipping to the islands
- An apprenticeship programme for local residents



Drone Trials

Two pilot schemes have commenced to test the use of drones to deliver selected packages and goods. These are:

1. Testing of services for smaller packages and medical uses - Royal Mail/Windrancers

The government-funded project (UK Government's Industrial Strategy Challenge Fund £49,751 feasibility award) was developed in partnership with DronePrep, Skyports, Consortiq Limited, Southampton University, Excalibur Healthcare Services and Windracers Limited.

The project will initially focus on delivering PPE and testing kits to the islands' most vulnerable and remote communities. Windracers' drone can accommodate mail of most shapes and sizes, allowing more general mail to be transported to the islands as part of the trial.

During trials, parcels will be flown to the islands' airport in St. Mary's by a UK built twin-engine Windracers ULTRA UAV, which can carry up to 100kg of mail, which Royal Mail said is equivalent to a typical delivery round. A smaller VTO drone, operated by Skyports, will then be used to transport items to delivery points throughout the islands.

2. Small freight packages - Steamship Company

A partnership between the Isles of Scilly Steamship Company and unmanned aerial systems (UAS) experts Flylogix has secured £200,000 of grant funding from Aerospace Cornwall to run a drone project. The project is trialling a drone delivery service from Land's End Airport, near Penzance, Cornwall, to the Isles of Scilly.

The drones carry time-critical items such as medicines and blood samples 30 miles over the Atlantic Ocean

The Steamship Company's aviation team is working with Flylogix and the Civil Aviation Authority to devise an operation that can complement their existing air freight service, which could pave the way for similar operations from other UK airports.

The trial is part of a two-year project that aims to culminate with a purpose-built drone that can provide a commercial freight service to the islands. The Steamship Company and Flylogix will work closely with the island community to establish the requirements for the service.

Flylogix currently uses an unmanned single engine aircraft with a wingspan of 3.48m, a range of 500km and a cruising speed of around 80mph. All flights will be continually monitored, with safety paramount. Compared to manned aviation, it has 98% fewer carbon dioxide emissions.



Supporting enterprise and skills development

Aim:

To support private sector enterprise and skills development

Challenges:

A key challenge for Scilly is to ensure an environment that is supportive of business and entrepreneurship. This will help to support not only a healthy economy but valuable diversification into activities other than tourism. Allied to this are the opportunities for young people, either to gain new skills or to start their own enterprises.

In the labour market, there are significant challenges facing businesses across the board and most acutely in the hospitality sector. There is some evidence that businesses are raising wages/improving terms to attract staff, but the market is extremely challenging in the labour market UK-wide, making it more difficult than is typical to compete with mainland firms for staff. Difficulties do not only relate to Covid and Brexit; some reflect the aging and retiring of staff on the island and lack of replacements.

Some businesses are experiencing difficulty in securing suitable business premises to enable their desired investment and expansion plans. The restricted supply of employment premises and the need to often acquire permissions from both the Council and the Duchy (as landlord) are contributory factors.

In the tourism economy, although the buoyancy in domestic tourism has created an opportunity, the sector still faces a number of challenges to its long-term prosperity. The pandemic has brought increased demand and a new demographic of visitor, but it has also created issues in terms of the quality of the visitor experience. It is critical to ensure a high-quality visitor experience, both to retain the existing customer base and to attract a new demographic moving forward.

There is a need to raise the broader cultural offer, for example, the museum is currently in a temporary location which is not fit-for-purpose.

The development of the shoulder season has previously been identified in tourism policy as an objective. However, it is clear that differences in ambitions exist between small owner-operated businesses typically in café/restaurant trade and larger multiple site business owners typically covering tourist accommodation. There is evidence of hospitality closures and reluctance to open outside peak season, with reasons cited including the VAT threshold and intensity of the workload during peak. In practical terms, this means that the overall offer is not sufficient.

Scilly has a heavy reliance on the tourism sector. Whilst this is likely to be the case for the foreseeable future, it does mean that other opportunities to create viable businesses are not always visible to residents or potential inward moving entrepreneurs.

Potential areas of business include creative and digital activities, and specialist food and drink. There are successful examples of these businesses already but there is scope to increase the numbers. These businesses require a conducive environment and, in many cases, a robust supply-chain and the ability to both receive inputs and get products to customers within the required timeframes.

Ensuring a healthy supply of new workers into the future is a key challenge for Scilly. First, this requires addressing barriers to younger people on the islands in acquiring the skills required for their chosen occupation and/or business management. Acquiring higher level skills typically requires young people to move temporarily to the mainland at a relatively young age. Without signposting and wrap around support this can be extremely challenging. Second, it is necessary to ensure that young people who want to return to Scilly can either secure a job matching their skills or find a suitable environment in which to start their own business.

Priorities:

Significant progress has been made in supporting businesses, including in response to the Covid-19 Pandemic (for example, through business voucher schemes). A considerable body of research has also been targeted at identifying measures to grow the tourism sector sustainably and to developing the cultural offer.

Growing trends such as high value home working, remote working and sustainable tourism should be capitalised on. Alongside this, there is room to further strengthen basic digital skills across all SMEs and to raise awareness of opportunities to utilise technology to build and expand their business.

This means it is important to provide an appropriate infrastructure and opportunities for development and acquisition of entrepreneurial skills. An important part of this is ensuring adequate opportunities for young people to gain work experience opportunities that enable them to develop business skills. More broadly, there is a need to ensure that there is a strong business support and mentoring offer in the district that caters to the needs of both prospective start-ups and newly formed enterprises. This support needs to be appropriate to the Scilly context and be adequately accessible to all.

Continuing joint working with the Cornwall and Isles of Scilly LEP on skills issues is important. The Employment and Skills Board (ESB) is a formally constituted subgroup of the Cornwall and Isles of Scilly Local Enterprise Partnership Board and is responsible for driving the Local Skills Report and Labour Market Strategy for 2021 – 2030 for the region. This strategy was last refreshed in November 2021 and sets out detailed priority actions for 2022-25. A further addendum analysis is also currently being worked on to support this. The actions identified include many that are appropriate for Scilly. Accordingly, this Economic Plan does not seek to duplicate this work or propose alternative actions, instead it aligns with the priorities identified therein.

Particular priorities in Scilly include providing more supportive actions within school before young people reach leaving age. This includes Careers Education and Guidance actions to raise awareness of the opportunities for young people. There is the opportunity to link this to future increased activity on Scilly relating to the transition to a low carbon economy (e.g. skills related to renewable energy, electrical vehicles and environmental science more broadly). Exposure to opportunities around STEM skills and digital is valuable in improving the careers offer for young people on Scilly.

Ensuring that there are sufficient apprenticeship opportunities at all levels is a high priority. This includes addresses issues with matching young people with suitable opportunities in engineering skills, including the construction, plumbing and electrical trades. Consideration should be given to providing incentives in areas where there is a shortage of local labour. Interventions to support young people with access to accommodation and travel support during training are also crucial.

A further important action is to ensure effective engagement of existing businesses and provide support in respect of accessing new markets (such as those relating to the green economy) and funding streams. The small scale of many businesses on Scilly means that it is often not feasible for these firms to undertake exploratory research into potential new markets individually. Strategic leadership of groups of firms is more appropriate and ensure that businesses are not excluded from potentially valuable market opportunities.

Providing the appropriate environment for potential entrepreneurs to test, develop and hone their skills will stimulate this type of activity and long-term economic benefit.

Key priorities are to:

- 1. Support diversification** - in particular, in areas where there are already demonstrable successes such as creative, digital and specialist food & drink products
- 2. Foster entrepreneurship** - including business support to provide start-up skills, business management, marketing of opportunities and networking. Explore lobbying for a VAT threshold increase in Scilly to reflect higher costs as part of fairer funding discussions
- 3. Broaden the offer to appeal to new 'digital nomads'** – both to support growth of the tourism sector and to broaden business networks
- 4. Deliver a Museum and Cultural Centre** - to strengthen the cultural offer, provide the museum with a new permanent home and incorporate a cultural centre
- 5. Continue to provide strategic leadership in the tourism industry** - to develop tourism in a way that is cognisant of links to the economy and environment, and that ensures the quality of the overall tourism offer
- 6. Use the decarbonisation of the economy as a focal point for skills development** - Linked to this is opportunity for young people to gain skills and employment associated with low carbon transition and technology.
- 7. Continue joint working with the Cornwall and Isles of Scilly LEP on skills issues** – Specifically, to deliver the detailed priority actions for 2022-25 outlined in the Local Skills Report and Labour Market Strategy for 2021 – 2030

Spotlight On: Faye Page Jewellery (Creative Sector)

Faye Page began her craft in early 2002 by making a basic range of shell and pebble jewellery on the tiny island of St. Agnes. With the help of initial Princes Trust support, she established Faye Page Jewellery and in later years growth has been assisted with EU LAG funding.

The business is nearing 20 years of operation and illustrates the potential for creative businesses to thrive on Scilly. Over the years, the business has grown substantially, moving to a new workshop premises on St. Martin’s, and introducing many new product ranges.

Apart from a few batches of casting that are undertaken in Birmingham, everything is made in the workshop on St. Martin’s. The firm now employs 9 staff and prides itself on a flexible working policy and its Living Wage Policy. It exports its products all over the world, including Hong Kong.

Covid recovery support grants

Over £11.5m of Covid grants have been distributed across Scilly in 2020 and 2021 through over 2,000 individual awards, including over 700 self-employment income support schemes grants:

Awards

| | |
|-----------------------------------------------------------------------------------------------------|------|
| Self-Employment Income Support Scheme (SEISS) | 735 |
| Additional Restrictions Grant | 67 |
| Restart Grants | 273 |
| Local Restrictions Support Grants | 714 |
| Business grant fund (LADGF) | 95 |
| Small business grant funds (SBGF) and Retail, Hospitality and Leisure Business Grants Fund (RHLBGF) | 377 |
| Discretionary Grant Fund | 136 |
| IoS Direct Business Grant distributed | 1662 |

Furlough data is not available separately for Scilly

Priority Project: Museum and Cultural Centre

In 2019, the building of the Museum of the Isles of Scilly was deemed structurally unsafe and closed prior to demolition. This situation has accelerated longer term ambitions for a new museum for the islands.

A working group including the Council, the Museum, the Duchy of Cornwall and Islands’ Partnership have been meeting to explore ideas for the future. Wider consultation has now engaged the Cornwall Museums Partnership, LEP, Cultural Investment Board and others.

The aspiration to create a new museum has evolved to reflect priorities in the Destination Management Plan as a major feature to enhance the visitor economy and improve local provision. A new museum would ideally incorporate additional flexible space with integrated functionality and access to host research, live events, and exhibitions. The ambition is to develop and build a centre with multiple functions that can be shared to provide the most significant wet-weather, family friendly facility on the islands. A twenty first century interpretation of a combined museum and cultural centre would cater for a diverse range of users including undergraduates, regular Scilly visitors, cruise ship passengers and community groups. There is a timely opportunity to redefine and extend the traditional perceptions of a local museum.

A new museum and culture hub for Scilly reflects the desire for a facility that enhance the visitor economy and improve the quality of life for residents. It is a recognised key priority in the Councils Corporate Plan and the Destination Management Plan.

An Isles of Scilly Manifesto for Culture has been drafted in conjunction with key stakeholders and led by Island Futures. The manifesto details the islands ambitious in relation to Culture.

A successful bid was made to the UK Community Renewal Fund for approximately £0.5m. The funding was used to progress the new Scilly Museum and culture hub project from Stage 0 of the RIBA Plan of Work to Stage 4 and will include an Outline Business Case. There may also be opportunities to align with National Lottery and Arts Council funding.





Ensuring community infrastructure

Aim:

To ensure community infrastructure needs are met

Challenges:

Ensuring the needs of the population are met in terms of health and social care is vital to sustaining the community. Demographic pressures mean the demands of an ageing population are rising. The challenge is to ensure fit-for-purpose health and social care to all residents.

There are several factors which are key drivers for change on the Islands. These include:

- **Workforce challenges -**
in terms of recruitment and retention of health and social care staff due to a limited and inaccessible housing market. The national issue around adult social care workforce recruitment is compounded locally by effectively zero unemployment on the islands. However, a finite population and the demands for staff in the tourism sector make recruitment of staff a particular challenge. Additionally, the shortage of affordable housing in particular means relocating to the islands is not usually an option.

In March 2017, significant recruitment issues in the islands' care workforce reached a critical point with over 250 vacant care hours which seemed likely to precipitate market failure due to the high proven likelihood of unsafe care. These have since been mitigated through a range of measures and stability has been brought to the care market via increased pay, a training programme and identification of a limited number of affordable homes.

Vacancies in the care sector continue to be a challenge and access to homes is a key barrier to recruitment.

- **An existing estate that is below standard -**
in terms of functionality, condition and quality, the estate is not suitable for the delivery of modern health and social care
- **A move to integrate health and social care services on the islands -**
and the requirement for the estate to act as an enabler to this
- **An ageing population with more complex health and social care needs -**
putting increased pressure on services and estate on the islands
- **A need to achieve financial sustainability -**
in terms of service delivery and estates infrastructure revenue costs.

Beyond health and social care, there also exist challenges with the provision of other services and infrastructure. Some of these services cost far in excess of the funding available to support. These include functions such as the fire service and the airport.

The responsibility for electricity and water infrastructure is outside the scope of Council involvement. The recent arrival of South West Water in respect of the latter is a positive development for the islands. There are no critical challenges in these areas currently.

Priorities:

Addressing health and social care challenges is the primary priority in this area. More broadly however, there is the opportunity to improve wider infrastructure in retain and attract the population (including the leisure offer).

Progress has been made in progressing a plan for health and social care and also to make the case for fair funding of services from government.

Key priorities are to:

1. Deliver an integrated health and social care facility - to develop a fully integrated model that delivers safe, effective and person-centred care by consolidating health and social care services within suitable facilities and housing. This should meet the following requirements:

- Provision of a sustainable service and optimisation of integrated working to improve service user outcomes
- Significant workforce challenges in the recruitment and retention of health and care staff due to a limited and inaccessible housing market
- Provision of modern fit-for-purpose facilities that enable safe ways of working, and improve health and social care user experience
- Responding to the changing needs of an ageing population located on the islands
- Optimisation of the use of digital technologies to support local care and reduce unnecessary patient/client travel.

2. Lobby government for fairer funding - continue work to articulate the case for fairer funding from government. This will involve building upon the evidence in the fair funding paper and Section 151 Officer activity

3. Explore wider community infrastructure projects - with the objective being to support an offer that helps Scilly to retain and attract a younger population. For example, this may include the provision of a new swimming pool.

4. Explore the potential to utilise the Community Ownership Fund to support a range of proposals - for example, projects may include sporting and leisure facilities, cinemas/theatres, music venues, museums/galleries, parks, pubs, post office buildings and shops.



Integrated Health & Social Care Facility

The Council of the Isles of Scilly and the NHS are committed to developing an improved and integrated health and social care service offering for the Islands. Currently the services are provided separately from St Mary's Community Hospital (MIU, community and mental health services), St Mary's Health Centre (primary care) and Park House Residential Home (adult social care) in an estate of variable quality and condition. South Western Ambulance Service Foundation Trust (SWASFT) currently operates out of Porthmellon Enterprise Centre.

An Isles of Scilly Integrated Health and Social Care Programme Board has been established to produce an Outline Business Case (OBC) for a sustainable model of care on the Isles of Scilly with a whole estate solution, supported by facilitation of key worker housing and housing for older adults. The project develops many of the core principles of Shaping our Future.

In balancing priorities between service and estate needs, the programme has sought to ensure service needs are the key driver with a significant focus on workforce which remains a serious challenge on the islands and has posed a significant threat to service viability in recent times.

The scheme aims to co-locate primary care, community health, mental health, urgent care and adult social care in a single site based on an integrated service model to meet the needs of residents. The scheme has gained government traction as a means to pilot similar innovative models across Cornwall and nationally to ensure that people receive the right care and support as close to home as possible.

The new campus would include GPs, a pharmacy and dentist as well as minor injury, urgent care, mental health, adult social care and voluntary sector services. The campus would also incorporate bedded care to replace those beds currently provided by the hospital and Park House.

Work will now begin to further develop the business case for delivery of the new Campus.





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