

**GOVERNMENT OFFICE FOR THE SOUTH WEST**

**EX-ANTE EVALUATION OF THE  
CORNWALL AND THE ISLES OF SCILLY  
CONVERGENCE ERDF PROGRAMME 2007-13**

**FINAL REPORT**

May 2007

**Fraser Associates**

*Management and Economics Consultants*

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## 0 EXECUTIVE SUMMARY

Work has been proceeding on the preparation of the Programme Document for the Cornwall and the Isles of Scilly Convergence ERDF Programme 2007-13 since early 2006. Fraser Associates was engaged to undertake an integrated Ex-ante Evaluation and Strategic Environmental Assessment in July 2006.

We have enjoyed a cordial and constructive dialogue with the client throughout and have been favourably impressed by the client's serious approach.

The ex-ante evaluators reviewed the consultation draft in November 2006 and, alongside much good work, identified a number of areas requiring strengthening. We did not see a further full draft until April 2007. While it was apparent that an effort had been made to address the points raised in our review of the earlier draft, some issues had not been tackled in sufficient depth. There has subsequently been limited time to work through these issues in preparing the submission draft.

An intensive consultative process has been a distinctive feature of the preparation of the Cornwall and the Isles of Scilly Convergence Programme and has helped in achieving partnership "buy-in". However, it is the evaluators' impression that this has contributed to slippage in the re-drafting of the Document and limited the time available to address the issues raised in the ex-ante evaluation.

There are a number of strengths to the draft Programme Document and its process of preparation. We would highlight in particular:

- it is well grounded in the relevant EU and UK policy contexts and this is effectively demonstrated.
- it is predisposed towards innovation, both in thematic content and in overall approach.
- it contains a very bold strategy involving a strong focus on developing a significant knowledge economy in a location that lacks major urban centres, a critical mass of academic and technology institutions and a rich endowment of higher level skills.
- there is a useful, if somewhat understated, appraisal of the very considerable Community Added Value offered by the Programme.
- there is a generally strong approach to the cross-cutting themes, environmental sustainability, in particular, although some clarification and improvement to detail is still required.
- there has been a very full consultation process the results of which have, in part, influenced the content of the draft Programme.
- there has been a substantive and participative SEA process that has clearly informed the integration of environmental sustainability.

The evaluators are essentially comfortable with the diagnosis of the weaknesses in the C&IS economy. However, we believe that there is a need to demonstrate more clearly that the prescribed remedy is both feasible and appropriate. The evaluators recommend further work in six main areas:

- articulation of a clear strategy for the substantial investment in technology infrastructure proposed, its focus and its relevance to the business base.
- demonstration of the potential for C&IS to significantly grow activity and employment in the higher value-added and higher technology end of the environmental sector.

- verification that there is a sufficient potential market in high growth start businesses and other businesses with significant growth potential to absorb the resources allocated to Priority 2.
- clarification of the reasons why the market may not deliver second generation broadband against the background of the rapid roll-out of first generation broadband.
- identification of the development potential and priorities for investment in the Combined Universities.
- consideration of the consistency of the proposed spatial targeting of business infrastructure with the need to develop an effective labour market in knowledge skills.

In addition, the evaluation has also identified a number of technical issues that require to be addressed:

- the connection between the evidence base, the SWOT analysis and the Priority rationales is weak. Some Priority rationales make scant reference to the underlying analysis.
- the SWOT analysis does not lead to clear conclusions concerning the identity and weighting of the Priorities. The evaluators believe that a more robust approach to the SWOT analysis would have highlighted the need to strengthen the evidence base as is recommended above.
- there is a need to explain the allocation of resources across the Programme; this might be done by reference to the scale of domestic funds available in the South West for the agendas supported through the Programme.
- the specification and quantification of objectives has recently been significantly improved where the Global and Operational Objectives are concerned; the evaluators recommend the extension of this approach to the Specific Objectives.
- recent work has improved the treatment of the cross-cutting themes; only detailed strengthening is required:
  - in the case of equal opportunities, a good analysis of gender and other target groups is now provided; proposals for addressing these groups need to be more strongly integrated in the Priority texts.
  - in the case of environmental sustainability, the absence of a strong baseline could be overcome by cross referencing that in the SEA Scoping Report. It would be helpful to present further material drawing out the significance of the environment as a strategic asset. Some editing and signposting of the structure of the section on environment within the cross-cutting themes Chapter would be beneficial as would strengthening the illustration of horizontal integration in some of the Priority texts.
- the general approach to programme quantification is sound, but there are a number of inconsistencies in the production of the targets. The resolution of these is likely to produce a significant shift in some targets.

As with the justification of the strategy and actions, the evaluators believe that most of these shortcomings can be addressed fairly easily given time and a resolve to work through the issues thoroughly.

With the exception of the Chapter on Implementation Arrangements that is being negotiated separately, the evaluators consider that the draft Programme Document contains the necessary elements and represents a viable basis upon which to commence negotiations. Nevertheless we recommend that the Partners continue to work on the areas highlighted ahead of negotiations.

# 1 INTRODUCTION

## 1.1 General

Fraser Associates was commissioned in July 2006 to carry out the combined Ex-ante Evaluation and Strategic Environmental Assessment (SEA) of the Cornwall and the Isles of Scilly Convergence ERDF Programme 2007-13. This document is the Final Report on the Ex-ante Evaluation.

## 1.2 Context of the Ex-ante Evaluation

The Structural Funds Regulations for the 2007-13 perspective involve a Fourth Reform taking into account the enlargement of the EU in 2004 and 2007 that will see the largest proportion of structural support directed to the New Member States. Nevertheless, over the next seven years, the UK will receive some £6.3bn under:

- the **Convergence Objective**, which is broadly comparable to Objective 1 in 2000-06, and which will operate only in Cornwall and the Isles of Scilly, the Highlands and Islands of Scotland, and West Wales.
- the **Regional Competitiveness and Employment Objective** which will cover all other areas and for which ERDF Operational Programmes will operate at regional level and ESF Operational Programmes will be developed for England and the devolved nations.

With less funding for the more advanced Member States, the Structural Funds for 2007-13 are more tightly aligned with the policies for growth and employment (the Lisbon Agenda) and which are reflected in:

- the scope of eligible actions set out in **the Structural Funds Regulations**.
- the **Community Strategic Guidelines** (CSGs) which highlight the policy priorities agreed between the Member States for 2007-13.
- the **National Strategic Reference Framework** (NSRF) which interprets the CSGs in the context of UK policy and circumstances.

## 1.3 The Purpose of Ex-ante Evaluation

The commissioning of ex-ante evaluation is a responsibility of the Member States. While carried out primarily to support those preparing Programme Documents, ex-ante evaluation is an independent exercise undertaken impartially in the Community interest. The Ex-ante Evaluation Final Report accompanies draft Programme Documents and is one of several factors informing negotiation of Programmes.

DG Regio's Indicative Guidance notes the purpose of ex-ante evaluation as being:

*"to optimise the allocation of resources and to improve the quality of programming. Ex-ante evaluation should be an interactive process whereby judgement and recommendations are provided by experts on the content of Programmes drawn up by those responsible for their composition. It should also be an iterative process whereby the recommendations of the experts are taken into account by the planners in subsequent drafts of different parts of Programmes".*

The ex-ante evaluation is required to provide an answer to broad questions, including:

- does the Programme represent an appropriate strategy to meet the challenges confronting the region or sector?
- is the strategy well defined with clear objectives and Priorities and can those objectives be realistically achieved with the financial resources allocated to the different Priorities?
- is the strategy coherent with policies at regional, national (including the NSRF) and Community level; how will the strategy contribute to the Lisbon objectives?
- are appropriate indicators identified for the objectives and can the indicators and their targets form the basis for future monitoring and evaluation of performance?
- what will be the impact of the strategy in quantified terms?
- are implementation systems appropriate to deliver the objectives of the Programme?

## 1.4 Our Approach to the Ex-ante Evaluation

Fraser Associates' approach to ex-ante evaluation takes account of the Commission's evolving requirements and has been refined through experience of some 15 diverse ex-ante evaluations ranging from National Development Plans to regional thematic Programmes.

Our approach starts from an appreciation of the need for the ex-ante evaluation to be seen to be impartial and independent of the Programme development. It follows advice from DG Regio that ex-ante evaluators must not be involved in drafting sections of Programmes.

This principle accepted, our approach thereafter is intended to be supportive of those engaged in Programme development, to help ensure that the Draft Programme has anticipated most of the questions that the Commission will have prepared. To this extent, over the course of the ex-ante evaluation, Fraser Associates has provided:

- a method statement (evaluation checklists) based upon our experience of successive Programmes and interpreting the requirements set out in:
  - the finalised Structural Funds Regulations.
  - the Community Strategic Guidelines.
  - the Lisbon National Reform Programme.
  - the England National Strategic Reference Framework.
  - DCLG's Programme Document template.
  - the aide-memoire for Desk Officers in reviewing draft OP documents.
- an omnibus of evaluation experience from past Programmes.
- four rounds of critical review of elements of the OP on a rolling basis as they were drafted.
- a guidance note on the production of SWOT analyses when this was identified as an area in particular need of reinforcing in the first full draft of the Programme.

In addition, the ex-ante evaluators have been prepared to meet with Planning Team Leaders to discuss the findings, any misunderstanding identified and areas - in the

opinion of the evaluator - requiring revision or reinforcing. One such meeting has been held following the review of the first full draft of the Programme.

## 1.5 Perspectives on the Implementation of the Ex-ante Evaluation

The client for the ex-ante evaluation has been a Steering Group comprising officers of the Government Office for the South West, the South West Regional Development Agency and other partners. There have been two formal meetings and two further meetings in the margins of consultation events, but the Group has not met since late 2006. We have nevertheless had regular informal dialogue with our main contact, the Head of Programme Development at GOSW.

Where there has been an opportunity for dialogue with the client, it has been cordial and constructive at all times. We have been favourably impressed by the client's serious approach.

The client has afforded the opportunity for the evaluators to attend two consultation events and we have been interested in their content and impressed with the level of interest generated.

Whereas our experience as ex-ante evaluators has normally involved the engagement and mentoring of civil servants who are drafting Programmes, on this occasion the client had commissioned a firm of consultants to carry out this task. These consultants clearly enjoy the client's confidence in substantial measure. Accordingly, as evaluators, we have not been as close to the drafting process as on other occasions.

Draft material has been submitted for review less regularly than envisaged at the outset. The main elements reviewed have been:

- a first draft of the socio-economic analysis (September 2006).
- the consultation draft (November 2006).
- a second full draft (April 2007).
- a final draft (9 May 2007 plus selected subsequent additions).

The process has become quite end-loaded and, confronted with pressure to submit Documents as early as possible, the Programme authors have had limited time to respond to recommendations made by the ex-ante evaluator.

## 1.6 Structure of the Ex-ante Evaluation Final Report

Following this Introduction, the Ex-ante Evaluation Final Report comprises ten further Chapters covering:

- evaluation of the evidence base.
- evaluation of the SWOT analysis.
- evaluation of the objectives and strategy.
- evaluation of the Priority Axis texts.
- evaluation of the cross-cutting themes.
- evaluation of the quantification of the Programme.
- Community Added Value.
- evaluation of the implementation Arrangements.

- overall conclusions and recommendations on the Submission Draft Programme Document.



## 2 EVALUATION OF THE EVIDENCE BASE

### 2.1 Issues for Evaluation

The purpose of the evidence base is to present the socio-economic position in the Programme Area upon which the SWOT Analysis and underpinning rationale for the Strategy and Priorities should be based.

Guidance was provided by ODPM in 2006 in the form of a template, which provided a basic structure for the socio economic analysis based on the following elements:

- Summary of eligible area – strengths and challenges.
- Employment.
- Competition.
- Enterprise.
- Innovation.
- Investment.
- Skills.
- Environment.
- Rural.
- Urban.

The guidance provided by ODPM was fairly limited in scope. It indicated that under each of the thematic headings, area strengths and opportunities should be identified and explained, and that Programmes may choose to do this at a spatial level, in addition to the thematic review. It also expected that the analysis presented within the main body of the document would be relatively short. The first draft of the C&IS Convergence Programme evidence base, which was submitted in September 2006, did not follow the structure advocated by DCLG, although the guidance did form the basis for its structure thereafter.

Although no formal guidance was issued, the Commission's position, reflected in internal guidance for Desk Officers, was that the text presented in the main body of the Programme document should present the *conclusions of analysis*. By implication, it was expected that a substantive analysis would lie behind these conclusions.

Our role as ex-ante evaluators was to review the contents of the evidence base to establish that the full range of themes had been addressed, and thereafter to consider whether:

- sufficient relevant data were presented?
- the data presented were up-to-date and from a reliable source?
- the data were static or in time series form and benchmarked (for example, against the corresponding GB data)?
- trends were analysed?
- issues surrounding the cross-cutting themes were incorporated into the analysis?
- the data were disaggregated to illustrate sub-regional disparities.
- the accompanying analysis and conclusions were consistent with the data presented?

## 2.2 Summary of Identified Economic, Social and Environmental Issues and Trends

The main issues identified in the analysis are as follows.

C&IS has experienced significant **population** growth in recent years, and is now home to more than 515,000 people. Inward migration has been concentrated within the 30-60 age range, while the flow of young people out of the region has been reduced considerably. It is anticipated that the population will continue to grow rapidly, driven largely by the attractive lifestyle offer.

**Employment** growth in the region has increased substantially in recent years, although the economy is dominated by lower value-added service sectors or sectors dependent on the public sector. Labour market opportunities are largely skewed towards low paid and part time employment. Some progress has been made in recent years in restructuring the economy, although the transition to a service driven, knowledge based economy is anticipated to accelerate over the next 20 years.

The increase in population and employment has increased **productivity**, as measured by total GVA. The wholesale/retail and business service sectors are the biggest contributors to the C&IS economy, each accounting for more than a fifth of total output, with Services as a whole (excluding the public sector), now making up more than 60% of output, significantly higher than the national average. Nevertheless, the area has a disproportionate share of its output from lower value service sectors. Limited progress has been made with regard to GVA per worker.

C&IS has a reasonable number of **businesses** and a relatively healthy start-up rate. In terms of the number of businesses relative to its population size, C&IS compares well both to the South West region and nationally. However, there are major issues surrounding the structure of the business base with many operating in lower value-added sectors. The economy is characterised by very small businesses, with some 85% of companies employing ten or less people. Although not lacking an entrepreneurial culture, the type of businesses and the continued dominance of lower paid sectors make are a major factor in the area's poor relative economic performance.

In terms of **innovation**, the region demonstrates low levels of innovative activity and employment in Knowledge Based Enterprises. In 2003, over 550 jobs in C&IS were in R&D businesses, representing 0.3% of the total workforce, while R&D spend per VAT registered business is considerably below the average regional level of investment. Patent related activity is also well below levels recorded across the region, although investment in product and process development is anticipated to be relatively high given the resilience of the manufacturing base.

The mismatch in supply and demand for high quality sites and premises in C&IS is one of the key **infrastructure** issues facing the region. There remains an unmet demand for high quality accommodation of a range of types and sizes with current provision being a constraint on economic and company growth. Investment in broadband technology is said to have provided a significant boost to the area, although there is a need to review infrastructure provision to determine the extent to which further investment is needed. Pressure on the capacity of the existing transport network generated by continued growth will be a key challenge. The development and retention of Newquay Cornwall Airport is perceived to be a critical element in the strategy to reconnect C&IS with national and international markets.

Some 40% of the workforce has low levels of **skills** and are consequently vulnerable to labour market changes. Qualification levels remain low in several important sectors, including wholesale/retail and hotels/restaurants, which capture the majority of tourism employment, and also manufacturing where skill levels would have been expected to be higher. Nearly 90% of those holding level 4 qualifications are in work, compared to 73.8% of those whose highest qualification is a level 2, and just 53.3% of those without qualifications. The link between recruitment difficulties and skills shortages suggests that the growth of the regional economy is affected by labour related issues.

Claimant and ILO **unemployment** rates are below the UK average but slightly higher than the regional average. The rate, although falling over a number of years, is more affected by seasonal change, due to the heavy reliance upon tourism related activities during the summer months. Underemployment is a particular issue in the area, with a very high proportion of men and women working part-time. The extent of **worklessness** in the region has become an issue, with 13.2% of the working age population claiming benefits. The majority of these are claiming sickness benefits in excess of two years.

The quality of the **environment** is perceived as a key regional asset, generating considerable benefits for residents and providing a major draw for economic migrants and businesses. In Cornwall alone, the Area of Outstanding Natural Beauty (AONB) designation covers 27% of the total area and it possesses an outstanding coastline. The region faces a number of environmental challenges and opportunities, with a range of issues surrounding conservation, sustainable development, climate change, resource depletion and waste management.

C&IS is predominantly **rural** in nature, although all of the Local Authority areas, with the exception of the Isles of Scilly, have large market town populations. The rural economy is characterised by a high proportion of micro-businesses, many of which operate below the VAT threshold level and do not expand above this. Although tourism plays a key role in many rural areas, associated employment is often seasonal and lower paid. Although it is not home to any large **urban** areas, a group of 18 towns act as key centres for employment, retailing, and service use in Cornwall. The towns account for two thirds of total employment and GVA, and half of the region's business base.

## 2.3 Evolution of Draft Socio-economic Analysis

The evolution of the evidence base began with an initial draft of the document in September 2006, followed by further drafts in November 2006 and April 2007.

The first draft presented related to Strategy and Action, a broadly-based strategy for the development of C&IS including actions beyond the scope of the Structural Funds. In preparing this document, Partners had taken into account the potential contribution that the Convergence Programme could make. The evaluators considered that this document represented a useful starting point, making good use of local research and standard statistical sources. However, the document contained an approach that mixed analysis, assessment of the implications and policy prescription and we suggested that it would be important to separate these into a more logical flow. There was also a tendency to advocate particular courses of action prematurely. There was limited disaggregation or benchmarking of data.

The second iteration, presented in November 2006, was shorter and structured to reflect the themes suggested in the Draft Programme Template produced by ODPM. We noted that a number of our comments in respect of the September draft had been taken into account in the second version, but there were still a number of outstanding issues relating to the presentation and completeness of data, the region's capacity to deliver the Programme and the depth of the analysis in a number of areas.

A third draft was presented for review in April 2007. The evaluators observed that that recent improvements had been helpful:

- the analysis was more neutral. However, the content of Conclusions sub-sections remained somewhat too prescriptive in prematurely advocating certain actions rather than confining comment to the identification of strategic issues and their general implications.
- sources were more fully referenced.
- the meaning of acronyms was explained in most cases.

However, the evaluators concluded that the coverage and depth of analysis was in many cases insufficient to provide a convincing rationale for the strands of action proposed under the various Priorities. Accordingly, we recommended a selective strengthening of the analysis to overcome this weakness. The analyses of equal opportunities and environment were also noted as requiring an improved level of analysis.

## **2.4 Evaluation of the May 2007 Draft**

### **2.4.1 General**

In the limited time between the review of the April 2007 draft and the production of the Submission draft, some additional material has been added in response to our recommendations. Some of this is very useful, but its coverage is narrower than the range of issues that we had highlighted as requiring reinforcement.

### **2.4.2 Demography and Housing**

The analysis opens with a short section highlighting recent trends in migration and demographic aging. The implications for the housing market are briefly discussed, although there is some additional material has been added in a new sub-section, Key Towns, on Pages 35-37.

It would be helpful to augment this material with evidence on the motivations for migration to / from the South West as these issues are highlighted in the SWOT analysis but are not presently covered in the evidence base.

### **2.4.3 Employment**

The analysis of employment is based on a discussion of issues surrounding:

- economic activity.
- employment structure.
- earnings.

The depth of analysis and presentation of data are the key issues in this section. The discussion of economic activity is based upon the latest data rather than the

trends represented in graphic form. Although gender differences are highlighted in the text, there is no presentation of relevant data or changes in trends.

There is an adequate presentation of changes in the employment structure between 1998 and 2004 based on broad SIC categorisation. A fuller discussion of trends in male/female employment and part time/full time issues would provide stronger justification for the conclusions drawn around low value-added sectors and low pay/skills.

There is no analysis or sense of intra-regional disparities or potential opportunities based on the sectoral analysis of employment.

There is a tendency to advocate actions prematurely in the conclusions.

#### **2.4.4 Competition**

The discussion on the economy and competition is based on the following:

- GVA and output.
- Productivity.

There is a useful discussion and analysis of headline GVA benchmarked at regional and national level and GVA per capita in the C&IS local authority areas.

Partial data are presented on GVA by sector from a local GVA model. It would have been helpful if data for all sectors had been shown and also GVA per worker. It is asserted that a disproportionate share of the output of the service sector is low value-added. It would have been helpful to confirm this by presenting the relevant data.

On Page 21, Paragraph 1, it is stated that “the education contribution to GVA has and will continue to increase as the full benefits of the Combined Universities in Cornwall (CUC) are incorporated into the figures for 2005, 2006 and beyond.” It would have been helpful to elaborate the basis of this argument.

#### **2.4.5 Enterprise**

The analysis of enterprise is based on discussion surrounding:

- Business stock.
- Business start ups.
- Self employment.
- Exporting.

The discussion of enterprise is quite compact given that its stimulation becomes an important part of the strategy. Many of the basics are covered in a discussion interspersed with statistics. Presentation of rather more of the source tables would have been helpful.

It would have been helpful to present more information and analysis concerning the business sectors from which the high-growth starts, envisaged as part of the strategy, are expected to come. In this context it would be useful to provide more information on the phenomenon of mobile entrepreneurs that is referred to.

It would have been useful to present evidence on barriers to enterprise which are identified in the strategy, notably:

- aspirations among young people.
- leadership and management weaknesses.
- constraints on access to finance.

A fuller analysis of business premises-related constraints is now provided and this is helpful.

It would have been helpful to present information on the capacity, strengths and weaknesses in business support services in C&IS and the area's response to the Business Support Simplification Programme for which the standard text is included on Page 71.

Exporting is covered in a very short paragraph on Page 21. It would have been helpful to present a fuller analysis to demonstrate the feasibility of the aspiration in the strategy to re-connect C&IS with international opportunities.

#### **2.4.6 Sector Profiles**

Brief sector profiles have been presented, essentially re-producing material from the RES evidence base. The key sectors identified are:

- Food and drink.
- Tourism.
- Marine.
- ICT.
- Environmental technologies.
- Creative industries.
- Finance and business services.
- Manufacturing.
- Agriculture.
- Fishing.

These sectoral profiles are helpful notwithstanding that the quantified data presented are not consistent and, accordingly, comparative performance is not clear.

There could be more effective cross-referencing between the issues raised in this section and a number of the other elements in the evidence base, for example skills, employment and the business base.

The figure and related analysis on productivity and employment indices that have been added on Page 30 are extremely helpful as far as they go. It would be helpful if this analysis could be extended to show:

- the sectors not presently shown.
- the absolute employment levels associated with these sectors.
- trends in employment and productivity by sector.

As part of the sectoral analysis it would be helpful to clearly identify the emerging and niche sectors that the SWOT analysis highlights as a strategic strength.

## **2.4.7 Knowledge Based Economy and Innovation**

Discussion of the knowledge based economy and innovation issues have been based on:

- Knowledge economy employment.
- R&D spend per VAT registered business.
- the ICT sector.

The analysis shows that most employment and the highest levels of growth in knowledge intensive sectors are concentrated in three of the local authority areas within C&IS, but that the relative intensity of this employment remains well below that in the South West as a whole. It would have been helpful to explore the implications of the sectoral employment structure for the aspiration of the strategy to make a substantial and rapid move towards a more knowledge intensive economy.

The trend in expenditure on R&D per VAT-registered businesses is compared with regional and national benchmarks. It would have been interesting to explore to what extent this is a function of sectoral structure.

It would have been helpful to present a short appraisal of the research and technology support capacity in C&IS, both within and outside of the higher education sector. Also of help would have been information on the track record of spinning out new businesses from the Higher Education and research community.

Information on the level of take-up of broadband is benchmarked with the regional and national level and shows that C&IS has a much higher penetration rate than average. Very little information is provided on the commercial application of broadband in the Programme area, for example, the extent to which businesses in C&IS are using ICTs to overcome constraints such as the limited local market.

There is a fairly extensive discussion of ICT infrastructure. In speculating on the possibility that next generation broadband may not be delivered or will be slower to roll out in rural areas, the technical and economic arguments being rehearsed appear essentially similar to those deployed in the late 1990s, in spite of which the market did deliver. It would be useful to explore the reasons why this is unlikely to be the case with next generation broadband.

The argument for public support for next generation broadband roll-out in C&IS would be strengthened if more information were provided on the current commercial use of applications requiring high bandwidth.

## **2.4.8 Infrastructure**

The analysis of infrastructure issues in the region is based on the following:

- Key towns.
- Sites and premises.
- Combined Universities in Cornwall.
- Transport.

A substantial new section on Key Towns has been introduced in the May draft. This section variously discusses a grouping of 18 towns with a total of 140,000 jobs and six towns each with a population of over 20,000 and a further six other towns which

are said to be strong in attracting employment. It is not clear which combination of these comprises the "key towns".

The discussion covers issues surrounding employment and travel-to-work, economic growth and capacity to accommodate future population and economic growth. It is not clear what conclusion is drawn, however. Page 36, Paragraph 4 notes that research commissioned by the Partnership concludes that: "achieving sustainable development will depend upon concentrating new investment in the key towns" whereas Paragraph 6 advances the seemingly contrary argument that "it is neither possible nor desirable to focus the majority of this (projected) growth in a select number of areas".

With regard to sites and premises, a fuller exposition of material from the Employment Space Strategy has been provided as recommended in our review of the April 2007 draft. In the judgement of the evaluators, this makes quite a strong case for intervention particularly where premises suitable for start-ups and initial expansions are concerned.

It would have been helpful to include information on the condition of land. Section 2.9 of the November draft noted: "more than a tenth of Cornwall's land is derelict, 70% of the regional total and the highest proportion of any county in England".

As regards the Combined Universities of Cornwall, the information on the availability of higher education places is welcome but trend information on the actual number of students, including numbers from outside the region, together with information on graduate placement and graduate retention would develop a rounder picture of the potential of CUC.

As discussed above, it would be helpful to say more about the research and technology strengths of CUC and the case for investment would be strengthened if supported with greater insight to the focus of the six research institutes proposed and their relevance to sectoral strengths in C&IS.

With regards to transport infrastructure, it would be helpful to set out more detail on what is known about the development potential and economic benefits of Newquay Airport. It would be helpful to provide information on current as well as forecast air traffic.

The section on key towns now highlights the extent of car-based commuting in Cornwall. It would be helpful to comment on the availability, efficiency and scope to develop public transport as a solution to the identified congestion problems.

#### **2.4.9 Skills**

The analysis of skills is based on discussion surrounding:

- Participation and attainment.
- Skills gaps/needs.

A brief, but good quality analysis notes that secondary level educational attainment has improved in recent years to close to the regional average, but that there is a significant vocational skills gap that is reflected in labour market experience and represents a barrier to shifting to a knowledge-based economy. Skills gaps are noted as widespread.



It would be helpful to analyse literacy and numeracy by age band. This would aid assessment of trends.

Capacity to intervene in the field of educational attainment and skills gaps is still not assessed. This includes the potential contribution of community, voluntary and social enterprise organisations.

The analysis should be accompanied by breakdown of key statistics by gender, as a minimum, and, where possible, by other equal opportunities target groups.

#### **2.4.10 Underemployment and Worklessness**

The discussion of underemployment and worklessness is based on data in respect of:

- ILO / claimant count overview.
- Unemployment by duration.
- Unemployment by age.
- IB claimants.
- Index of Multiple Deprivation.

The material presented is highly summarised, but nevertheless covers many of the essentials.

The evidence presented does not allow an objective judgement to be made on whether there is underemployment. The pattern of employment may reflect lifestyle choices by residents and could be a reason behind the pattern of migration to and from the sub-region.

The material on multiple deprivation is superficial does not draw out the implications of the high incidence of deprivation, especially poverty. The treatment of this subject in the evidence base from September 2006 was more comprehensive and satisfactory.

The analysis should be accompanied by breakdown of key statistics by gender, as a minimum, and, where possible, by other equal opportunities target groups.

#### **2.4.11 Environment**

The discussion of environment is quite limited and is surprising given the clear concern of the partners for environmental issues. It would be helpful to include a summary of the environmental baseline prepared for the Strategic Environmental Assessment here.

The material presented is presently insufficient to demonstrate environment as a strategic strength. It would be helpful to draw on such evidence as may be available concerning the role of the C&IS environment in:

- the projection of the sub-region's tourism offer.
- the motivation of inward migration.
- the attraction of investment.

The sectoral analysis on Page 30 showing the relative productivity and employment in the environmental technology sector is helpful, but more detail on the composition

of the sector is needed to substantiate the proposed focus on environmental technology and renewable energy.

#### **2.4.12 Spatial Characteristics**

Spatial characteristics are discussed under the heading 'Rural Areas, Towns and Settlements'. The material presented here in part duplicates and reiterates issues presented in Section 3.5 on key towns. In general, it provides a useful description of the spatial diversity within C&IS and the challenges presented by demographic, economic and environmental pressures.

We note that reference is made to the Index of Multiple Deprivation for the purposes of exploring rural disadvantage. IMD is notoriously weak as a tool for this purpose as the relative absence of social segregation in rural areas tends to mask rural deprivation.

#### **2.4.13 Overall Assessment**

Following discussion with the Steering Group in December 2006, the evaluators had understood that further development of the evidence base would follow the summary of conclusions and detailed annex model that is implied in the Commission's internal guidance.

Apart from some recent additions and useful stylistic changes, some of which have been made in response to the ex-ante evaluators' recommendations, the evidence base is substantially similar to the draft reviewed in November 2006. Instead of developing as a summary of conclusions supported with a detailed annex, the evidence base is of middle-weight.

In the judgement of the evaluators, the socio-economic analysis provides a fairly good overview of conditions in Cornwall and the Isles of Scilly. It provides a reasonably good diagnosis, but tends to lack the depth required to justify the choice of remedy. Accordingly, The evaluators would recommend the further strengthening of the analysis with particular reference to material that substantiates the rationale and proposed actions under the Programme.

## 3 EVALUATION OF THE SWOT ANALYSIS

### 3.1 Evaluation Questions

The purpose of a SWOT analysis is to form a bridge between the evidence base and the strategy. Its preparation involves:

- firstly, interpretation of strategic issues identified from the evidence base as strengths, weaknesses, opportunities and threats.
- secondly, consideration of the implication of these issues and their interaction for the shape of the programme and the relative weight of its Priority Axes.

Accordingly, the main questions in evaluating a SWOT analysis are:

- are the main strategic issues affecting the Programme area accurately identified as strengths, weaknesses, opportunities and threats?
- is the relevance of the strategic issues demonstrated in the evidence base?
- does analysis of the strategic issues lead to justified conclusions on the Priorities for the Programme and their relative weighting?

### 3.2 Evolution of the SWOT Analysis

Review of the November draft of the SWOT analysis identified the need for a substantial reworking. Initially, numerous strategic issues were mis-identified and there was an absence of actual analysis leading to conclusions on the shape of the Programme. As a result, a Guidance Note was prepared in December 2006.

Review of the April 2007 draft found that there had been some considerable re-appraisal of the strategic issues since November but, in the judgement of the evaluators, several issues remained mis-identified. Further continuing shortcomings were:

- the limited connection between the strategic issues identified and the evidence base.
- the absence of any systematic analysis of the strategic issues leading to conclusions on the identity of the Priorities and their relative weighting.

### 3.3 Evaluation of the May 2007 Draft

#### 3.3.1 General

In reviewing the May 2007 draft, we found very marginal changes had been made to the SWOT Analysis itself from the April 2007 version. However, some useful additions had been made to the evidence base which provided greater justification for some of the strategic issues identified.

#### 3.3.2 Identification of Strategic Issues

Our detailed assessment is set out in Table 3.1. Most but not all of the strategic issues highlighted are accurately identified as Strengths, Weaknesses, Opportunities or Threats, for example:

TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED			
	Strategic Issue Identified	Correctly Identified by Class (Strength, Weakness, Opportunity, Threat)?	Justified in Evidence Base?
	<b>Strengths</b>		
1	Strong and long established enterprise culture	Yes.	Probably. The term 'enterprise culture' does not appear in the Socio-Economic Analysis. The closest indicator is probably the relative proportion of VAT-registered businesses and self-employed people in the population. Sufficient benchmarked evidence on these indicators is on Pages 23-24.
2	Some strong sectoral performance	Yes.	Yes. This is considerably assisted by the comparative analysis of sectoral employment and productivity now added on Page 30, although trend data would be helpful in reinforcing this. Other data on "key sectors" is provided on Pages 26-29 but is inconsistent in its content.
3	Emerging niche specialist companies and sectors	Possibly. Can a niche companies and sectors represent a strategic strength?	Not clearly.
4	HEI and Knowledge Base - Combined Universities in Cornwall, Peninsula Medical School	Potentially.	Not clearly. The only available indicators for Higher and Further Education are the number of jobs and HE places created by the CUC (Page 39). Page 39, Paragraph 2 gives information about changes in migration patterns of young people and links them, without further evidence, to the development of the CUC.
5	Broadband take-up and awareness	Possibly. The specification of the strategic issue has lost reference to broadband infrastructure which (at present) is probably a strategic strength. However, we can see that to argue this would not be consistent with the aspiration for further investment. It remains unclear to the evaluators that current levels of broadband take-up and awareness constitute a strategic strength.	Not clearly. The high level of broadband penetration is evidenced by benchmarks on Page 33. However, there is little evidence provided concerning its commercial application.

<b>TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED</b>			
	<b>Strategic Issue Identified</b>	<b>Correctly Identified by Class (Strength, Weakness, Opportunity, Threat)?</b>	<b>Justified in Evidence Base?</b>
6	Strong Cornwall brand, increasingly linked to quality	Possibly.	Only partially. That the tourism sector in C&IS is strong is clear from the material on Page 26 that reports that 25% of the total workforce can be attributed to tourism. There is no direct evidence (in the form of market research, for example) to support the claim of "a strong Cornwall brand" or its basis in quality.
7	Wide recognition of the quality of life and a strong cultural identity	Probably as far as quality of life is concerned. Less clear that cultural distinctiveness is widely perceived and / or represents an exploitable strength.	Only partially. There is indirect evidence on Page 16, showing the substantial increase of population. There is no direct evidence produced in the form of reasons given by migrants or similar methods. There is no evidence offered, e.g. survey material, on responses to cultural identity.
8	Outstanding coastal, natural and managed environment, including the Isles of Scilly	Probably.	Partially. Page 50 makes reference to the extent of AONB and SSSI designations, but this is tempered by observations on the extent of derelict land on Page 49. It would be helpful to draw on SEA baseline to strengthen statements on Page 49/50. Market research on visitor perceptions / reasons for visiting C&IS would also be helpful.
9	More positive external image, increasingly based on quality	Possibly but tends to duplicate Strength 6.	Not clearly. May be implicit in Information on population growth (Page 16) and visitor numbers (Page 26). However, no market or other research is produced to support the contention that the area has an improving external image linked to quality.
<b>Weaknesses</b>			
1	Peripherality and poor external connectivity	Yes.	Reasonable evidence of poor external connectivity in aggregate on Pages 39/40 but could be more fully developed. Page 41 now contains reference to a SWRDA study which

<b>TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED</b>			
	<b>Strategic Issue Identified</b>	<b>Correctly Identified by Class (Strength, Weakness, Opportunity, Threat)?</b>	<b>Justified in Evidence Base?</b>
			estimates the impact of peripherality on productivity although the meaning of the text is not entirely clear.
2	Low level of innovation, product and process development	Yes.	Partially. Some evidence presented: Figures on relative R&D spend (Page 32) and on patent applications (Page 33) are provided. Stronger exposition required to make the case for proposed interventions.
3	Low levels of business productivity	Yes.	Yes, on Page 19.
4	Structural bias towards low-value-added and seasonal economic activity	Yes.	Yes. This is considerably assisted by the comparative analysis of sectoral employment and productivity now added on Page 30, although trend data would be helpful in reinforcing this. Some indirect evidence is provided in the sector profiles on Pages 23-29.
5	Limited higher value-added service sector economy, and consequent lack of graduate and higher skilled jobs	Yes.	Yes. Comparative analysis of sectoral employment and productivity on Page 30 provides some of this. Table on Page 17 shows absolute scale of employment in banking, finance and insurance, but is not benchmarked.
6	Social, economic and environmental conditions in Camborne-Pool-Redruth	Possibly a strategic issue. However, may be symptomatic of other strategic issues.	Partially. Some very limited evidence is on Page 48-49, although forecast to experience employment growth on Page 37. From the limited material presented, it is not clear to the evaluators how these conditions represent a strategic weakness (i.e. a constraint on progress) in the sub-regional economy.
7	Comparatively weaker skills base of the workforce and persistent recruitment and skills shortages	Yes.	Yes, on Pages 42-43.
8	High levels of worklessness and pockets of severe deprivation	Not clearly a strategic weakness. More likely to be symptomatic of other strategic issues.	Partially. Evidence on worklessness is on Pages 47-48. Very limited evidence on

TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED			
	Strategic Issue Identified	Correctly Identified by Class (Strength, Weakness, Opportunity, Threat)?	Justified in Evidence Base?
			deprivation is on Page 49.
9	Poor transport connectivity between key centres, including public transport	Probably	Partially. Limited reference to public transport on Pages 40-42 now augmented by information on the extent of car use for commuting (Page 35) and reference to research concluding that public transport solutions are needed to address congestion on Page 41. Analysis of services, route network and regularity of services needed to build comprehensive case.
10	Limited provision and quality of business premises (property market failure)	Yes.	Yes. Fuller exposition of research findings now presented on Pages 37-38.
<b>Opportunities</b>			
1	The potential for SMEs in certain sectors to take advantage of growing global markets	Yes.	Not clearly. Some indication of opportunity evident in data on sectoral growth on Pages 26-29.
2	Opportunities arising from more widespread broadband and ICT adoption and application resulting in new business opportunities	Possibly. The strategic issue would perhaps more accurately be expressed as enhanced market access and reach arising from broadband infrastructure.	Not clearly. Material on Page 33 highlights take-up, not commercial exploitation.
3	Capitalising on Newquay Airport and its catalytic effect	Incorrectly identified. It is the corresponding market factors - trends in tourism, air services and international business that represent the opportunity to which developing Newquay Airport may be an appropriate response.	Partially on Pages 39-40. The evidence is not robust enough. There is no appraisal of potential investments that may accompany development of the airport.
4	Responding to business and product opportunities arising from concerns about and responses to climate change	Probably. Suggest delete "Responding to".	Partially. The evidence base could better identify the regulatory and market trends that favour expansion of business in this area. The material on the relative scale and productivity of the environmental technologies and renewables sector on Page 30 is helpful but further analysis needed to establish potential.

<b>TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED</b>			
	<b>Strategic Issue Identified</b>	<b>Correctly Identified by Class (Strength, Weakness, Opportunity, Threat)?</b>	<b>Justified in Evidence Base?</b>
5	Exploiting new and growing tourism markets based on quality	Probably.	No information provided on new / growing tourism markets and predisposition to pay for quality.
6	Opportunities around HEI growth and potential for spin out companies and business collaboration	Possibly.	No. (Information on Page 39 is not evidence of this).
7	Increasing markets and opportunities in the creative and cultural industries	Possibly.	No. (Information on Page 27 does not cover markets and growth potential).
8	Increasing interest in regional and distinctive brands	Possibly.	No evidence identified.
<b>Threats</b>			
1	Globalisation of trade, and potential effect on certain sectors, such as manufacturing	Probably.	Partially. Limited information on job losses is provided on Page 17, Paragraph 3.
2	Climate change and the need for transition to a low carbon economy, as reflected in the Stern Review.	Yes.	No. It would be helpful to draw out the economic consequences foreseen in the Stern Review.
3	Increasing energy prices and uncertainty of supply	Possibly.	No evidence of rising energy prices and uncertainty of supply (only a mention at the bottom of Page 52).
4	Competitive pressures on and restructuring of traditional industries – china clay, agriculture, fishing and tourism	Competitive pressures already captured under Threat 1. The specific effect on local industries a reflection of their strategic weakness.	No evidence produced of competitive pressures (only job losses on Page 17, Paragraph 3).
5	South East growth attracts higher skilled and highly qualified people	Plausible - might be better formulated as national and international competition for skills. Could also reflect weakness in terms of some dimensions of place competitiveness.	No. The evidence base does not include benchmarked trends in migration and migrants' skills and qualifications.
6	Outdated infrastructure constrains growth	Incorrectly identified as a threat. Reflects internal weakness as regards infrastructure - Weaknesses 1, 9 and 10.	N/A.



- it is not clear that all of the "strengths" identified represent levers of competitive advantage.
- It is not clear that all of the "weaknesses" identified represent a constraint on competitiveness rather than being concomitants of other strategic weaknesses.
- Newquay airport is identified as an opportunity; whereas the development of Newquay airport may be an appropriate response to underlying market opportunities which are not identified.
- outdated infrastructure is identified as a threat; it is an internal factor and is already identified reasonably in weaknesses 1,9 and 10.

Additions to the evidence base since April 2007 provides stronger justification for some of the strategic issues highlighted. Nevertheless the strength of linkage between the socio-economic analysis is still not as strong as it should be.

In the judgement of the evaluators, just over a third of the 33 issues identified (particularly opportunities and threats) are not demonstrated in the evidence base, while just under a third are only partially evidenced. Accordingly, the SWOT analysis is not clearly seen to flow from the evidence base.

### **3.3.3 Analysis of Strategic Issues**

Following identification of relevant strategic issues, there is no systematic analysis of their interactions and implications for the need for, or feasibility of, making progress in particular directions. There is no examination of the relative importance of issues or development of a hierarchy of strategic issues.

The accompanying text under the headings Business, People and Place goes some of the way in attempting to synthesise the strategic issues, but some passages of the text (particularly under People) do not clearly relate to the SWOT analysis. While an interesting and sometimes plausible discussion, the text on pages 56-58 does not lead to clear and well-justified conclusions on the shape of the Programme.

### **3.3.4 Overall Assessment**

There have been some improvements in the SWOT analysis as it has evolved over four iterations. In the judgement of the evaluators, most, but not all, of the strategic issues are now identified correctly as strengths, weaknesses, opportunities or threats. The majority of strategic issues identified are not well evidenced, however. Accordingly, it is not possible to assess the relative significance of the issues highlighted.

The absence of a systematic analysis of the interaction of the issues or consideration of their relative importance, including reference to evidence, means that the SWOT analysis adds limited value over the socio-economic analysis. It does not provide an effective bridge between the socio-economic analysis and the identification of Priorities and their weighting which is the primary function of a SWOT analysis.

## 4 EVALUATION OF OBJECTIVES AND STRATEGY

### 4.1 Evaluation Questions

The purpose of this area of the Programme Document is to set out the overall strategy for the Programme, what it aims to achieve, the Priority Axes of action that it will operate through and the consistency of the strategy with the policy context.

The main questions for the evaluation in this area are:

- is a sufficient rationale for the strategy presented and is it, and the choice of Priority Axes, consistent with the conclusions of the SWOT analysis and the underlying evidence base?
- is a hierarchy of Global and Specific objectives presented; are the objectives consistent and are they quantified; is their formulation consistent with SMART principles?
- is the reason for the choice of Priorities to be funded using ERDF resources explained and justified?
- is the basis for the relative financial weighting of the Priority Axes clearly set out and justified?
- are lessons from past Programmes that are relevant to the proposed strategy identified; is it explained how these are reflected in the strategy and its implementation?
- is the consistency of the strategy with the relevant EU and UK policy context demonstrated?

### 4.2 Evolution of the Strategy Text

Review of the November draft of the Programme Strategy found that:

- the global, operational and specific objectives were reasonably internally coherent but would benefit from specification in SMART terms, including quantification.
- the origin of the Priorities and their proposed financial weighting was unclear.
- there remained a lack of clarity as regards how the Programme would contribute to the relevant EU and UK policy context.

The April draft was found to be more fully developed and the changes and additions made to have addressed some of our observations on the earlier draft in part. The main continuing weaknesses identified were:

- the absence of clearly specified and quantified objectives.
- insufficient connection between the rationale and Priorities and the underlying analyses.
- the absence of explanation of how the experience of past Programmes had been taken into account.

## 4.3 Evaluation of the May 2007 Draft

### 4.3.1 General

It is clear that some work has been carried out to address several of the issues highlighted by the evaluators in the limited time between our review of the second draft and the final draft.

### 4.3.2 Rationale

Section 5.1 sets out in some detail the partnership process through which the strategy has been developed. It is apparent that the Priorities were selected to become a subset of the more broadly-based economic development strategy for Cornwall and the Isles of Scilly *Strategy and Action*.

Sections 5.2 and 5.3 outline the formulation of the strategy in a fairly clear manner, but there is very little in the way of explicit reference to the socio-economic analysis and the conclusions from the SWOT analysis. Indeed, several of the issues identified as shaping the strategy, for example, distinctiveness and the existence of a significant group of small, highly innovative companies, are not evidenced within the socio-economic analysis.

### 4.3.3 Objectives

Table 4.1 analyses the hierarchy of objectives identified. A single global objective is identified, plus four operational objectives are said to operate at the level of the strategy. A further ten objectives are identified at Priority level.

Commission Guidance expects a functional hierarchy of objectives to be presented and this is in line with general good practice in strategy development. Specific objectives (i.e. those at Priority level) should cohere with the Global objectives in qualitative and quantitative terms. Attainment of the Specific Objectives should lead to the attainment of the Global objectives.

TABLE 4.1: EVALUATION OF HIERARCHY OF OBJECTIVES		
Objective Level	Consistent With Global Objective	Consistent with Operational Objective
<b>Global</b>		
G1: To establish the momentum for transforming the economy to a high value-added economy where knowledge, environment and quality of life underpin sustainable economic growth. - By creating 11,000 net additional new jobs and £386.2m of net additional value-added, weighted towards high value jobs, equivalent to a five percentage point increase in employment.	N/A	N/A
<b>Operational</b>		
O1: Transforming the economy to a more knowledge based, high value-added economy with a broader range of sectors, and a reduced dependence on low paid jobs. - By creating 8,000 net additional new jobs and £280m of net additional value-added in knowledge based and/or higher value-added sectors.	Yes	N/A
O2: Increasing the range of employment opportunities available to the community; by creating 11,000 net additional jobs across a range of sectors and occupations.	Possibly, but not clearly	N/A
O3: Managing economic growth in a sustainable manner - By supporting over 250,000m <sup>2</sup> of new accommodation in sustainable locations, and developing knowledge networks and digitally connected communities.	Yes	N/A
O4: Take a leading role in investing in the drivers of a low carbon economy - By assisting 630 enterprises involved in environmental technologies and renewable energy and over 1,260 net additional jobs in these companies; and assisting 1,400 companies to be energy efficient.	Yes	N/A
<b>Specific</b>		
P1/1: Increase the intellectual capital of Cornwall and the Isles of Scilly through investments in the knowledge infrastructure and research capacity in higher education; increasing and where necessary supporting business investment in research and development and increasing HE/business collaboration.	Yes	Yes, O1
P1/2: Improve the productivity of companies through increasing the rate of innovation and the economic benefits arising from the pull through and exploitation of knowledge (research and development and other intellectual assets) including product and process improvements. Building understanding of drivers of innovation and using	Yes	Yes, O1

these to lever increased innovative behaviour by companies.		
P1/3: Increase the number of high value-added and innovative new start businesses.	Yes	Yes, O1 and O2
P2/1: Increase the proportion of businesses and employment in high value-added business activities.	Yes	Yes, O1 and O2
P2/2: Increase the quality of new starts through further developing the enterprise culture and supporting high growth and high value-added new starts.	Possibly, but not clearly	Possibly, but not clearly
P2/3: Increase the productivity of business through the provision of high quality support services in key areas including internationalisation, ICT take up and use, and investment support.	Probably, but not clearly	Yes, O1 and O3
P2/4: Increase the scale of investment and re-investment by the private sector in Cornwall and the Isles of Scilly.	Probably, but not clearly	Probably, but not clearly
P3/1: Accelerate the growth of the knowledge based economy through the development of transformational infrastructure.	Yes	Yes, O1 and O3
P3/2: Secure sustainable economic growth through higher value-added economic activity stimulated by the use of transformational economic infrastructure.	Yes	Yes, O3
P4/1: To develop in a sustainable manner, the capacity of key towns and locations to accommodate new investment critical to the development of a knowledge-based and higher value-added economy.	Yes	Yes, O3

Careful reading of the objectives finds that the hierarchy is reasonably consistent:

- all but one of the operational objectives clearly contributes to the realisation of the global objectives.
- coherence between the specific objectives and the global objective is reasonably clear for seven out of the ten specific objectives.
- coherence between the specific objectives and the operational objectives is reasonably clear for eight out of the ten specific objectives.
- none of the specific objectives clearly relates to the fourth operational objective: taking a leading role in investing in the drivers of a low carbon economy.

As specified, the Global Objective is reasonably global in scope and reflects the employment and growth objectives of the Lisbon Agenda. It could be strengthened through the clearer incorporation of the spatial and the equality and diversity dimensions of the Programme.

In the May 2007 draft, the Global and Operational Objectives have been juxtaposed with relevant performance indicators and targets, and their aggregates, from the quantification of the Priorities. This brings the formulation of the Global and Operational Objectives closer to a SMART (specific, measurable, achievable, realistic and timebound) formulation. Adding an achievement date (most logically 31 December 2015) would improve the formulation further. However, in Chapter 7, we raise a number of reservations concerning the targets presently proposed.

The specification of the Specific Objectives in the individual Priority texts remains as before. The specification of the Specific Objectives would benefit from some clarification (in particular, the second Specific Objective in Priority 1) and from development in line with SMART principles, notably by drawing upon performance indicators and targets for the relevant Priorities.

#### 4.3.4 The Priority Axes and their Weighting

In an amendment subsequent to the May 9 draft, the distribution of EU funds across the Priority Axes is identified as follows:

- |   |           |     |
|---|-----------|-----|
| • Innovation and Research & Development     | €105,013  | 23% |
| • Competitiveness and Investment            | € 90,011  | 20% |
| • Transformational Infrastructure           | € 105,013 | 23% |
| • Unlocking the Economic Potential of Place | € 140,017 | 31% |
| • Technical Assistance                      | € 18,002  | 4%  |

There is still no explanation of the relative financial weighting of the Priorities and its appropriateness. This might, for example, have made reference to the scale of resources being devoted to these agendas from the Single Programme and other domestic resources. This would also have helped to underscore the added-value represented by the EU funding.

In Section 5.10 it is estimated that the Programme is at least 80% Lisbon compliant. Although the non-Lisbon compliant elements are not identified and costed, these estimates appear intuitively reasonable. Indeed, it had been the evaluators' impression that the Programme may have been more Lisbon-focused.

#### **4.3.5 Integration with the Lessons from Past Programmes**

In an amendment subsequent to the May 9 draft, an exposition of lessons from past Programmes within the Priority texts is set out. The text now goes some way to explaining how these lessons will be applied in the implementation of the Programme, for example, by favouring more intensive interventions among businesses.

Evaluations have highlighted important lessons on other dimensions of Programmes that should also be borne in mind, notably relating to the cross-cutting themes and Programme implementation processes.

#### **4.3.6 Consistency with the Key Policy Context**

Section 5.4 provides a substantial exposition of the policy context and its relevance to the Programme. Much as recommended in our review of the first draft, this has been restructured and its clarity has greatly improved.

The somewhat complex alignment of the Community Strategic Guidelines, the Gothenburg Agenda and the Treaty of Amsterdam with the NSRF is shown quite effectively, together with an indication of how these will be reflected in the actions supported under the Programme.

In addition, the alignment of the Programme with regional and sub-regional strategies is also demonstrated.

#### **4.3.7 Overall Assessment**

In the limited time available between our review of the second draft and the production of the final draft, considerable useful work has been carried out which addresses many of the issues previously highlighted. Some aspects of this area of the Programme Document are now quite strong, notably the presentation of the policy context and the integration of lessons of past Programmes.

There remains a need to strengthen the connection between the Programme rationale, the Priorities, the evidence base and the SWOT analysis. The strategy needs to be seen to flow out of the evidence base and the SWOT analysis and to respond to clearly justified conclusions.

The hierarchy of Objectives is reasonably consistent and should be straightforward to improve. Although not wholly conforming with SMART principles, the objectives of the Programme have been considerably strengthened through their linking with performance indicators and targets for the Programme. It would be helpful to extend this approach to the Specific Objectives within the Priority texts.

It would be helpful to further justify the allocation of resources across the Programme. As suggested above, this might be done by reference to the scale of domestic funds available in the South West for these agendas, resource plans in the RDA Corporate Plan or RES Action Plan.

## 5 EVALUATION OF PRIORITY AXIS TEXTS

### 5.1 Issues for Evaluation / Guidance Provided

The purpose of this area of the Programme Document is to elaborate the strategy at Priority Axis level, the issues to be addressed, the scope of action to be supported and expectations surrounding achievements.

Good practice at this stage is to draw out the relevance of the cross-cutting themes of equal opportunities and environmental sustainability in the context of specific Priority Axes and how their integration will be ensured.

The main questions for the evaluation in this area are, for each Priority Axis:

- are Specific Objectives identified, are these consistent with the Priority Axis rationale and the Global Objective of the Programme?
- is a sufficient rationale for action set out; is it consistent with the evidence base and the conclusions of the SWOT analysis?
- is the range of actions proposed and its indicative weighting consistent with the Priority Axis objectives and rationale; do the actions add up to a coherent strategy for the Priority?
- are baselines relevant to the objectives and rationale available to support future evaluation?
- are performance indicators proposed; will these capture the main outcomes from the intervention; are they capable of monitoring?
- are relevant lessons from past Programmes identified; is it clear how these will be applied under the new Programme?
- is the relevance of the cross-cutting themes elaborated; are there clear proposals for their integration?

### 5.2 Evolution of the Priority Axis Texts

Review of the November draft of the Priority Axis texts found that they were sparsely developed at that time and, in particular:

- the objectives were stated as general aims and were not consistent with SMART principles.
- the rationale texts were scant and not well connected to the SWOT analysis and / or evidence base.
- there was no reference to the lessons of past Programmes.

In reviewing the April 2007 draft it was clear that there had been considerable development of the Priority texts since the November draft, including a substantial restructuring of the scope between Priorities 3 and 4. As part of this work, the rationale texts had been expanded but, otherwise, our observations on the November draft remained to be addressed.



## 5.3 Evaluation of the May 2007 Draft

### 5.3.1 General

Our review of the May 9 draft found that limited changes had been made to the Priority texts since the April draft had been examined. Some improvements were identified in coherence between the Priority rationales and the evidence base, as a result of additions to the evidence base. There had been some changes to the scheme of performance indicators proposed and targets had been added.

Each of the Priority texts is based upon the following structure:

- Context and Rationale.
- Lessons Learnt.
- New Opportunities.
- Aims and Objectives.
- Overall Description of Activities to be Supported.
- Key strands of Activity.
- Environment.
- Equal Opportunities and Diversity.
- Financial Resources.
- Outputs and Results.
- Categories of Intervention.

In an amendment subsequent to the May 9 draft, a subsection was added to each Priority summarising relevant lessons from past Programmes. This is helpful and addresses an outstanding omission. However, its location between the Context and Rationale section and the New Opportunities section breaks the narrative flow. The New Opportunities section appears to the evaluators to be an extension of the rationale and in some instances provides a better justified rationale.

### 5.3.2 Priority 1 – Innovation and Research & Development

#### Objectives

The specified aim of Priority 1 is to enable C&IS to compete as a centre for creativity, innovation and research and development.

The related strategic objectives are to:

- Increase the intellectual capital of Cornwall and the Isles of Scilly through investments in the knowledge infrastructure and research capacity in higher education; increasing and where necessary supporting business investment in research and development and increasing HE/business collaboration;
- Improve the productivity of companies through increasing the rate of innovation and the economic benefits arising from the pull through and exploitation of knowledge (research and development and other intellectual assets) including product and process improvements. Building understanding of drivers of innovation and using these to lever increased innovative behaviour by companies; and
- Increase the number of high value-added and innovative new start businesses.

As noted in Chapter 4, these Specific objectives are all consistent with the Global objectives. All are consistent with at least one of the four Operational objectives. In the judgement of the evaluators, they are consistent with the Priority rationale. They are not quantified or otherwise specified in line with SMART principles.

The specific objectives could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to the number of businesses involved in collaboration with the UK knowledge base and the impact on employment and GVA.

## **Rationale**

While in many respects intuitively reasonable, the Context and Rationale / New Opportunities texts remain overly reliant on assertions and require to be strengthened through tighter reference to evidence.

Page 76, Paragraphs 4 and 6: We found these claims not to be well supported by the evidence base and the SWOT analysis, for example 'a track record with regard to practical innovation and research', 'a group of innovation focused companies' and 'the continued attraction of highly skilled people to the region'.

Page 76, last Paragraph: The argument for a "major opportunity to build intellectual capital around environmental technologies and renewable energy" is not well developed, at present. As noted elsewhere, it is important to identify relevant research strengths among the CUC partner institutions and local R&D centres and capacity within the business base.

The constraints cited on Page 77, Paragraph 3 are not backed up by evidence in the socio-economic analysis.

The development of a strong rationale for the actions proposed under Priority 1 would be greatly assisted by the presentation of further material in the evidence base, including:

- information on numbers of businesses currently undertaking R&D activities.
- information on current numbers of businesses cooperating with HEIs.
- evidence on barriers to innovation.
- evidence of research strengths and technology transfer capacity, including those relevant to environmental technology and renewable energy (there is reference to a Wave Hub platform in the Priority rationale, for example, but nothing in the socio-economic analysis).

## **Scope**

The scope of activity is reasonably consistent with the issues raised in the rationale and objectives for the Priority. We would make the following observations:

- Strand 1: the Marine Renewable Energy Centre appears for the first time in the document, and the Peninsula Medical School is previously mentioned only in passing. It is important to develop an assessment of strengths and capacity among technology institutions in the Analysis Chapter.
- The differentiation of Strands 1 and 2, and Strands 2 and 3 could be clearer.
- Strand 3 proposes, among other things, support for university spin-out companies. However, the Analysis gives no indication of the record of C&IS

institutions on this matter. Also the nature of the support provided to university spin-out companies could be clearer. Does this, for example, extend to financial engineering?

- the scope of action under Strand 4 has very limited justification in the underpinning Analysis.

### **Performance Indicators**

The submission draft identifies performance indicators and targets at Priority level.

For the most part, the range of indicators appears relevant and capable of capturing the main economic outcomes from the interventions envisaged. However, in the judgement of the evaluators, the indicators:

- Number of patents granted and other IPRs and other IPR devices.
- Number of business within the region engaged in new collaboration with UK knowledge base.

are incorrectly identified as *outputs*. These appear to be *results*.

Furthermore, the Number of new businesses assisted is identified as a subset of the Number of businesses assisted to improve their performance. This is not consistent with how the target was derived in the quantification.

The quantification is analysed in Chapter 7.

### **Integration of Lessons Learned**

This is covered in Chapter 4.

### **Integration of Environmental Sustainability**

A very brief text comments on environmental integration both in a vertical sense through the activities supported under Priority 1 and in a horizontal sense. It would help to encourage horizontal integration if some practical examples were highlighted. The relevant elements in the action by Priority table in Section 7.1 could be more fully reflected here.

### **Integration of Equality of Opportunity**

We acknowledge the limited potential to apply equal opportunities in the context of an innovation Priority. The proposals put forward – placing an obligation on applicants to develop an access plan – are rather vague, however.

It would be good practice to set out expectations more clearly here, for example, through ensuring that services are projected as relevant to all EO target groups, by giving precedence to projects that will provide access to finance by under-represented groups, etc.

### **Identification of Lisbon Categories**

It is expected that at all of the funds will focus on Lisbon compliant activities. A total of 15 categories of intervention have been included, all of which appear consistent with Priority 1 objectives and activities.

## **Overall Assessment**

In the judgement of the evaluators, a Priority covering Innovation, Research and Development is potentially capable of justification, but that there are a number of unresolved issues.

These reflect the limited data and analysis in the evidence base, or the limited reference within the rationale text to that which is available from the evidence base.

More information is needed on the research strengths of the CUC and their related institutions and their track record in spinning out businesses and intellectual property.

A very substantial investment is proposed in research and innovation facilities, but there is a lack of information about the intended technology focus of these facilities and the potential scale of the business base they will be addressing. This applies generally and more specifically in relation to the environmental technology and energy sector.

### **5.3.3 Priority 2 – Competitiveness and Investment**

#### **Objectives**

The overall aim of Priority 2 is to restructure the economy to one with a higher proportion of high value-adding businesses, underpinned by more productive enterprises across the business base. There are four related objectives, which are to:

- increase the proportion of businesses and employment in high value-added business activities.
- increase the quality of new starts through further developing the enterprise culture and supporting high growth and high value-added new starts.
- increase the productivity of business through the provision of high quality support services in key areas including internationalisation, ICT take up and use, and investment support.
- increase the scale of investment and re-investment by the private sector in Cornwall and the Isles of Scilly.

As noted in Chapter 4, only the first of these is clearly consistent with the Global Objective, and only two clearly relate to one or more of the four Operational objectives. Some redrafting is necessary to make the inter-relationship of objectives clear. In the judgement of the evaluators, the Specific Objectives are probably consistent with the Priority rationale. They are not quantified or otherwise specified in line with SMART principles.

The specific objectives could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to the number of new businesses assisted and the impact on employment and GVA.

#### **Rationale**

The general rationale advanced is plausible but the text on Pages 82-83 makes virtually no reference to the underlying evidence.

Page 82, Paragraph 1: The first sentence makes a reference to business start-ups and employment in certain identified sectors but implies that increase in employment/start-up would be more desirable in other sectors. It would be helpful to identify these also. It is not clear how education, health and retail could account for "103% of net employment growth across all sectors".

Page 82, Paragraph 5: It would be helpful if this material on the productivity gap from this other Priority texts was developed more fully in the socio-economic analysis as well.

The development of a strong rationale for the actions proposed under Priority 1 would be greatly assisted by the presentation of further material in the evidence base, including:

- information on investment levels.
- evidence, sectoral or otherwise, on where high-growth new starts are likely to come from; it would be helpful to identify the current level of this activity.
- evidence on the asserted barriers to enterprise, notably concerning:
  - aspirations among young people - this entire strand of activity in Priority 2 lacks a foundation in the analysis.
  - leadership and management weaknesses.
  - constraints on access to finance.

## **Scope**

The scope is generally consistent with the rationale and Priority objectives, and, for the most part, the range of activities appears intuitively reasonable.

The rather general enterprise culture activity proposed here does not appear to sit very comfortably with the focus on high-growth starts and exclusion of generic new start and business support. We would also note that the evidence base identified enterprise culture as already being strong.

Strand 3, Productive Businesses, against which 40-60% of resources are earmarked appears fairly mainstream to the evaluators, notwithstanding the statement that generic new start and business support will not be funded.

Strand 4 mentions the 'Environmental Technologies and Renewable Energy Initiative', which appears for the first time in the document. As noted elsewhere, it will be important to develop material in the Analysis to support the contention that C&IS has potential to turn the opportunities in the market into a "major new industry".

It would help to clarify the differentiation from actions supported under other Priorities:

- there seems scope for overlap between the businesses supported under Priority 1 and the high-growth businesses supported under Priority 2.
- there appears scope for overlap between the support for business infrastructure proposed here and that in Priority 4, which is also focused on the needs of knowledge-based businesses.

## **Performance Indicators**

The submission draft identifies performance indicators and targets at Priority level. The range of indicators appears relevant and capable of capturing the main economic outcomes from the interventions envisaged. However, there is no output indicator to capture the work envisaged among young people in promoting enterprise culture.

The ratio of businesses supported in one way or another (7,210) to gross employment results (6,314) does not appear particularly consistent with the focus on high growth, notwithstanding that there may be a proportion of double counting of business beneficiaries.

The quantification is analysed in Chapter 7.

## **Integration of Lessons Learned**

This is covered in Chapter 4.

## **Integration of Environmental Sustainability**

A short but competent text deals with the integration of environment in Priority 2 in both a vertical and horizontal sense. The requirement for all supported activities to demonstrate how the cross-cutting theme has been implemented is supported with some illustrations. It would be helpful if these were a little more diverse from the primary focus on energy / carbon issues which are also highlighted in relation to the scope for projects addressing environmental issues under Priority 2.

## **Integration of Equality of Opportunity**

There is also scope to improve the integration of EO issues in the Priority text. Presently, the text on equal opportunities does not identify the relevant barriers that are likely to arise in a business development Priority, such as:

- ineffective projection of services as relevant to all groups.
- possible need for dedicated projects or working through specialist NGOs to address the needs of particular groups.
- the more limited assets of women and disadvantaged groups that restricts their access to finance.

## **Identification of Lisbon Categories**

It is expected that 90% of funds will focus on Lisbon compliant activities. A total of 16 categories of intervention have been included, all of which appear consistent with Priority 2 objectives and activities.

## **Overall Assessment**

Again, in the judgement of the evaluators, a Priority covering Competitiveness and Investment is potentially justifiable but needs to be better evidenced in terms of need and relevance.

At present, there is limited indication in the evidence base from where high-growth starts and high growth businesses are likely to come from.

As with Priority 1, the focus on environmental technology and renewable energy is supported to some degree by the information added on Page 30 showing the relative employment and productivity of this sector in C&IS. However, it is still a small sector. Rather more information is needed on its composition and the existence of relevant technology support capacity to corroborate the potential to develop a major industry that the text asserts.

The exclusion of generic start-up and business support from Priority 2 means that a significant resource is being targeted on a relatively narrow existing and potential business base. This implies a relatively high risk to absorption unless there is flexibility to dilute the focus.

### 5.3.4 Priority 3 – Transformational Infrastructure

#### Objectives

The Aim of Priority 3 is to upgrade sub-regional infrastructure that will facilitate a step-change in economic performance. There are two Specific Objectives:

- accelerate the growth of the knowledge based economy through the development of transformational infrastructure.
- secure sustainable economic growth through higher value-added economic activity stimulated by the use of transformational economic infrastructure.

As noted in Chapter 4, these Specific Objectives are consistent with the Global Objective and relate to two of the four Operational Objectives. The Specific Objectives for Priority 3 are consistent with the rationale advanced, but are not quantified or otherwise specified in line with SMART principles.

The specific objectives could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to the number of businesses using the new infrastructures and the impact on employment and GVA.

#### Rationale

The Context and Rationale sub-section makes no reference to the preceding analysis and conclusions from the SWOT analysis. Paradoxically, relevant rationale material is presented under the Opportunity sub-section. The material in these two sub-sections could be restructured advantageously.

Since the April draft, some material has been added on the potential market failure in the delivery of next generation broadband both to the Opportunities sub-section and to the evidence base. While plausible, the material presented mainly asserts that there may be delay or reduced delivery in rural areas. Very similar arguments were made in relation to first generation broadband yet the market did deliver in peripheral areas with limited delay. It would be helpful to draw out more clearly *the reasons* why there may be greater market failure where next generation broadband is concerned.

The information on Pages 89-90 concerning *the ambitions* of the Combined Universities in Cornwall is interesting as far as it goes. As noted elsewhere, to develop a solid rationale, more specific information is needed (in the Analysis) covering:

- what has actually been achieved from investment-to-date.
- CUC's approach to delivering community-based Higher and Further Education.
- the uplift in student numbers and their origins.
- graduate retention and placement.
- the research strengths and ratings of departments in Cornwall.
- the local track record in spinning out business and commercialisation of intellectual property.

Since the April draft, some additional material has been added on Page 89 (that is not yet reflected in the evidence base). In the context of the overall strategy for the Programme, the DfT findings on the high propensity to fly among knowledge intensive sectors is important and more could be made of this. The evaluators continue to believe that the case for this investment is being undersold.

### **Scope**

The potential scope of the investments under Priority 3 are fairly clear, particularly where Newquay Cornwall Airport and digital infrastructure are concerned. It would be helpful to have more information on the investment priorities and strategy for CUC.

### **Performance Indicators**

The submission draft identifies performance indicators and targets at Priority level. Output indicators are limited to a simple count of project activity.

It is helpful to have a result indicator capturing the extent of use, but this will have limited value unless it is broken down by the three classes of infrastructure supported.

Indicators covering effects on employment and value-added are relevant, but may prove difficult to operationalise other than through evaluation study. For example, employment effects arising from business use of air services and enhanced digital infrastructure will be very diffuse and will not be susceptible to regular monitoring.

The quantification is analysed in Chapter 7.

### **Integration of Lessons Learned**

This is covered in Chapter 4.

### **Integration of Environmental Sustainability**

The horizontal integration of environmental sustainability is well described where Newquay Cornwall Airport is concerned, but no pointers are provided to the application of the horizontal theme where other infrastructure is concerned. This could cover construction good practice, high design standards, incorporation of green infrastructure within built development among other issues.

### **Integration of Equality of Opportunity**

In the context of an infrastructure priority, the short text on the scope for integrating equal opportunities and diversity is reasonably well developed.



## Identification of Lisbon Categories

It is expected that at least 75% of funds will focus on Lisbon compliant activities. A total of 16 categories of intervention have been included. It is not clear why Category 75, Education Infrastructure, is not included.

## Overall Assessment

As part of the overall strategy, the investments proposed under Priority 3 appear logical and potentially capable of justification.

As elsewhere, the main shortcoming in the Priority text relates to weakness in the underlying evidence base and the limited reference to the evidence base and SWOT analysis in the development of the rationale.

Where CUC is concerned, a clearer appraisal of potential and investment priorities would be helpful.

The experience of first generation broadband roll-out suggests that the Structural Fund support under the Objective 1 Programme may have produced limited temporal additionality where the basic infrastructure is concerned. Against this background, greater clarity is needed on the reasons why the market may fail to deliver second generation infrastructure.

### 5.3.5 Priority 4 - Unlocking the Economic Potential of Place

#### Objectives

No clear aim is set out for Priority 4. A single Specific Objective is identified:

- to develop in a sustainable manner, the capacity of key towns and locations to accommodate new investment critical to the development of a knowledge-based and higher value-added economy.

As noted in Chapter 4, this Specific Objective is consistent with the Global Objective and relates to the third Operational Objective. It is consistent with the rationale advanced, but is not quantified or otherwise specified in line with SMART principles.

The Specific Objective could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to floorspace and the impact on employment and GVA.

#### Rationale

The Context and Rationale and the New Opportunities sections contain a wide ranging discussion on place competitiveness and the challenges of securing development that takes account of the distinctive environment in C&IS. There is scant reference to the evidence base, although some relevant material has recently been added.

There are a number of apparent tensions in the narrative in these Sections. There is, on one hand, the aspiration to secure regeneration and the development of a knowledge-based economy that has been associated with concentrated place-based investments - Manchester and Cambridge are cited. On the other hand there is a proposal to do so in C&IS through a dispersed approach to development.

There are similar tensions in the discussion in the evidence base. Page 36, Paragraph 4 notes that research commissioned by the Partnership concludes that: "achieving sustainable development will depend upon concentrating new investment in the key towns" whereas Paragraph 6 advances the seemingly contrary argument that "it is neither possible nor desirable to focus the majority of this (projected) growth in a select number of areas".

It is not clear to the evaluators that a dispersed approach to development will produce the desired outcome. There is more to the development of a knowledge-based economy than providing attractive places to live and work. There is a need to facilitate a functioning knowledge labour market. The literature on the knowledge economy points to competitive locations being able to draw large numbers of people together efficiently to exploit economies of agglomeration.

Against this background, the evaluators would have anticipated a greater concentration of investment in more limited number of centres, with related investment in public transport to mitigate the environmental effects. As a result of the diversity of knowledge-based organisations and the specialisation of skills, it is conceivable that a dispersed approach to development will produce more and longer distance commuting rather than less.

At the same time, €186m will not go very far in terms of physical regeneration, suggesting a need for concentration, although the latest version of the Programme document suggests that this might be extended through use of the JESSICA model.

In the May draft, a fuller exposition of the Employment Space Strategy has been provided (within the socio-economic analysis) highlighting the segments where market failure is most prevalent. This is useful. However, it would be helpful if this were complemented by a fuller analysis of public transport efficiency and accessibility than is presently provided.

## **Scope**

Three strands of activity are proposed involving development of differing intensities and levels of integration. Initial choices are made regarding the locations under the first two designations. Three locations are earmarked to benefit from Integrated Place Regeneration and five locations are identified under the Realising Place Potential strand.

The indicative weighting of the three strands is fairly even. Combined with the relatively large number of locations identified under Strands 1 and 2 and the absence of spatial targeting for the third strand, it appears that the limited resources available under this Priority are likely to be quite dispersed.

## **Performance Indicators**

The submission draft identifies performance indicators and targets at Priority level. Fairly standard output indicators are proposed for physical development - land and floorspace. There are no output indicators for public realm or public transport, although these might be captured in the catch-all *major investment projects*.

The range of results indicators appears relevant and capable of capturing the main economic outcomes from the interventions envisaged.

The quantification is analysed in Chapter 7.

### **Integration of Lessons Learned**

This is covered in Chapter 4.

### **Integration of Environmental Sustainability**

In a short text, there is a reasonable illustration of the potential application of the cross-cutting theme in the context of a regeneration Priority.

### **Integration of Equality of Opportunity**

The text on integrating equal opportunities and diversity is rather standard and the concept could have been more fully interpreted in the context of Priority 4 and illustrated with examples.

### **Identification of Lisbon Categories**

It is expected that at least 60% of funds will focus on Lisbon compliant activities. A total of 9 categories of intervention have been included. It is not clear why some of the transport items are not included given that the rationale and scope makes reference to public transport and to sustainable access to the Scilly Isles.

### **Overall Assessment**

The general need to regenerate business infrastructure in C&IS and to accommodate an expanding business base justifies a place-based investment Priority.

The evaluators appreciate the partners desire to retain the spatial distinctiveness of C&IS and the political challenges in securing commitment to spatial concentration of resources. However, it is not clear that the patterns of development in C&IS, which reflect a largely historical economic rationale, represent the basis for a competitive knowledge economy. In the evaluators' judgement, this favours a greater concentration of investment in regeneration, business space and public realm than is presently proposed. Greater concentration will also improve the viability of public transport as a means of managing environmental impacts and will also help to protect the distinctiveness of the hinterlands.

#### **5.3.6 Priority 5 - Technical Assistance**

A Priority Text has been added to the May draft covering Technical Assistance. The strategy takes account of the changes to administrative arrangements from the 2000-06 Objective 1 Programme and the challenges that this represents in terms of the maintenance of capacity and partnership input.

The proposed range of actions covers capacity building, management information, evaluation, partnership and communications. The scope demonstrates serious intent and is rather more fully developed than the evaluators have commonly encountered.

The financial allocation to Technical Assistance is 4%, in line with the maximum EU contribution. In the context of the C&IS Convergence Programme, this will represent a substantial resource in absolute terms and should allow for significant value to be added to the Programme.

## 6 EVALUATION OF THE CROSS-CUTTING THEMES

### 6.1 Evaluation Questions

The purpose of this area of the Programme is to establish the rationale and relevance of the cross-cutting themes of equal opportunities and environmental sustainability to the Programme and how these will be carried through in practice. Evaluations of 2000-06 Programmes highlighted the amputation of the cross-cutting themes from the Priority Axis texts as weak practice, so it is important that the themes are adequately integrated at that level also.

The Equalities Impact Assessment process requires that the implications of the Programme for a broad range of equal opportunities target groups should be taken into account, while the NSRF includes a commitment to treating environmental sustainability as a cross cutting theme for all Structural Funds Programmes.

The main questions for the evaluation in this area are, for each theme:

- is there an adequate analysis of baseline and trends?
- is the relevance of the cross-cutting themes in the context of the Programme effectively drawn out?
- are the lessons of the 2000-06 Programmes identified and is it clear how these will be applied in the new Programme?
- are clear proposals for integrating the cross-cutting themes advanced?

### 6.2 Evolution of Draft

#### 6.2.1 Environmental Sustainability

Review of the November draft noted that some work had been carried out on extending the environmental baseline within the Analysis Chapter and also within the Cross Cutting Theme Chapter, but that some dimensions were either not covered or were covered in limited depth.

It was noted that while an innovative and radical approach was proposed, the integration of the environmental sustainability theme throughout the Document did not live up to the high environmental aspirations for the Programme.

The evaluators counselled caution as regards the proposed *carbon neutral* approach, notably in relation to practicality of the monitoring requirements, and the suggestion that carbon reductions should become a precondition of support. The evaluators also expressed concern that the focus on climate change was displacing other environmental interests.

In reviewing the April 2007 draft, the evaluators found that the environmental sustainability Section had expanded considerably, notably through the addition of a sub-section detailing the response to the SEA, a sub-section on the drivers of a low carbon economy and reworking of the material that previously dealt with a carbon neutral approach. Some of the issues we had raised in relation to the November draft had been addressed in part. The overall structure of the Section was unclear, however, and lacked a continuous narrative thread.

## 6.2.2 Equality and Diversity

In November 2006, our observations on Equal Opportunities were limited on the basis that work was noted as being underway on this theme. We highlighted the need for a much more thorough analysis of baseline and trends affecting EO target groups.

Our review of the April 2007 draft found that the analysis of baseline and trends was still weak and that a fuller appreciation of equal opportunities issues would have been helpful. However, a useful table had been developed identifying issues that are likely to be relevant in the context of each Priority and proposed responses.

## 6.3 Evaluation of May 2007 Draft

### 6.3.1 Environmental Sustainability

#### Baseline and Trends

A limited presentation of environmental baselines and trends is provided between Section 3.7 within the evidence base and the Key Facts sub-section within the Cross-cutting Themes Chapter. Collectively, these cover only a portion of the standard themes within an Environmental Profile. While providing a reasonable overview, in the judgement of the evaluators, they do not do as much as they might to substantiate the outstanding quality of the C&IS environment which is asserted at various points in the Programme Document.

A summary of the environmental baseline prepared for the SEA Scoping Report, plus other evidence highlighting the significance of the environment in relation to migration and tourism trends would have been helpful.

#### Assessment of Issues

There have been some changes to the text since the April 2007 draft, notably the removal of a section on carbon emissions which caused confusion on whether the Programme was pursuing a carbon neutral or a low carbon approach. It is now clear that the strategy favours the latter approach as the evaluators (and many consultees) had recommended. The removal of this section also helps to improve the balance of environmental issues addressed in the Section.

Notwithstanding these changes, this is still a lengthy, complex and somewhat repetitive text. It would be helpful if an indication of its structure was set out in the introduction sub-section and some editing would also be beneficial.

The Section summarising the issues identified for the Programme by the SEA is helpful. This identifies the key issues as:

- Energy Use and Climate Change.
- Transport.
- Resource Use in Buildings.
- Construction.
- Biodiversity and Landscape.

The subsequent section on investing in the drivers of a low carbon economy follows up only a limited number of these issues.

The material presented is largely of a very good standard. However, the discussion does not differentiate clearly between environmental sustainability will operate within the Programme as a vertical and as a horizontal concept. The strong horizontal focus only becomes clear in once the Actions by Priority Table is reached on the 9th page of the section. It would be helpful if a short explanatory text were inserted ahead of this Table. This will help the average reader to better appreciate the relationship between the left hand column and the rest of the Table.

### **Lessons from Past Programmes**

The text notes that there was relevant learning in the previous Programme but is not explicit concerning these lessons and how these will be reflected in the 2007-13 Programme.

### **Integration of Proposals**

Integration of the theme at Priority level has now been improved through the insertion of Environment sub-sections in the texts of individual Priorities. As discussed in our observations on the Priority texts above, these are useful but in the case of Priorities 1, 2 and 3 would benefit from greater and more diverse illustration of the principles. This could usefully draw on the material in the Actions by Priority Table within Section 7.1.

### **Overall Assessment**

This is a complex Chapter that, in the judgement of the evaluators, would benefit from a clearer signposting of its structure and logic and which could better differentiate discussion of environmental sustainability as a vertical and as a horizontal issue.

The evaluators acknowledge that the treatment of environmental issues has become more balanced and the text on responses to climate change has become rather more moderate. This is welcome and, in the judgement of the evaluators, will help to ensure that an enhanced emphasis on climate change does not jeopardise the broadly-based progress in relation to environmental stewardship that was achieved in the South West in the 2000-06 period.

## **6.3.2 Equal Opportunities**

### **Baseline and Trends**

The baseline material remains substantially as per the April draft and comprises a 'key facts' summary covering:

- Gender.
- Age.
- Ethnicity.
- Disabilities.

There is no discussion sexual orientation or religion.

In an amendment issued subsequent to the May 9 draft, an Annex has been prepared including a very extensive analysis of the position of equal opportunities target groups. This Annex is of high quality.

### **Assessment of Issues**

EO issues are not assessed in any depth within Section 7.2. However, the new Annex does provide a useful illustration of the issues confronting different groups. It would be beneficial if this source was used as a basis for a fuller discussion in Section 7.2.

The table with legislation pertaining to different aspects of equality (Page 117) may or may not be included in the section. We would see Article 16 of the General Regulation and provisions listed in the NSRF as more relevant to the Convergence Programme than the list of the UK equality legislation. If the present table is included, it should be stated how the legislation is relevant to the Convergence Programme. In that case, we would suggest the following amendments. Under race, we suggest referring both to the 2000 Amendment of the Race Relations Act and to the 2003 Regulations. The reference to gender equality legislation is incorrect: the stated legislation refers to reassignment of gender, which is a separate aspect of equality, different from the prevention of discrimination based on gender.

### **Lessons from Past Programmes**

The lessons from the past Programme period are not highlighted. This would be useful insofar as Programme Managers have conceded that the approach to equal opportunities in the 2000-06 Programmes in the South West was less strong than that to environmental sustainability.

### **Integration of Proposals**

A useful and generally competent table is included on Page 119 summarising the relevance of Equal Opportunities to each of the Programme Priorities. This should be reflected clearly in the relevant sub-sections in the Priority Texts. The texts in Priorities 1 and 2 are in most need of reinforcing. As regards the Enterprise and Investment Priority in particular, there is a need to convey a greater appreciation of the need for projects to reach out to underrepresented groups. For example, between 30 and 40% of businesses are started by women. However, they make much less than proportional use of business support services and formal sources of finance. Unless agencies are achieving an appropriate level of penetration of under-represented groups, they need to question the adequacy of their approach.

There are no partnership oversight proposals as advanced for the environmental sustainability theme.

### **Overall Assessment**

The availability of a comprehensive analysis of the position of equal opportunities target groups, albeit in an Annex, represents a substantial improvement and meets the Commission's clear expectations in this regard.

A fuller exposition of equal opportunities issues within Section 7.2 and better illustration of the potential for integration in the texts for Priorities 1, 2 and 4 would bring the Section closer into line with good practice.

## 7 EVALUATION OF THE QUANTIFICATION OF THE PROGRAMME

### 7.1 Evaluation Questions

The purpose of this area of the Programme is to set out, in quantified terms, the proposed allocation of resources and the consequent outcomes that are expected to accrue at the level of *outputs*, *results* and *impacts*, with the last two categories being particularly important. *Results* represent the observable intermediate economic outcomes from spending Programme resources, whereas *impacts* represent the net economic outcome at the level of the Programme area. While it is important to set *impact* targets at the outset of the Programme, the out-turn can only be estimated using evaluation data for *results*.

The main questions for the evaluation in this area are:

- are the performance indicators proposed meaningful, and capable of capturing the main outputs, results and impacts that can be expected to arise from the implementation of the Programme?
- do the targets at Priority Axis level aggregate to those set at Programme level?
- do the targets set appear to be realistic and achievable given the allocation of resources across the Programme?
- do the targets set represent value-for-money?
- what are the main risks to achievement of the targets?

### 7.2 Evolution of the Quantification

In the November draft, the public sector cost per net additional job was seen to range from around £33,000 in Priority 4 to around £45,500 in Priority 1. Even allowing for inflation over the life of the Programme, the public sector cost per job seemed high overall and in Priorities 1 and 2. In the case of Priority 2 it was close to twice what the evaluators would expect from a mix of business development interventions, including financial engineering. Accordingly, the evaluators asked for more information on the interventions proposed and the benchmarks used to derive the targets.

No targets were included in the April draft.

### 7.3 Evaluation of the May 2007 Draft

#### 7.3.1 Financial Table

An amendment to the Financial Table was issued subsequent to the May 9 draft. The Tables appear to conform with the required format.

It is noted that the proposed EU:UK public contribution is 75:25 in Priorities 1,2,4 and 5 and 72:28 in Priority 3. The latest version of the Financial Table shows UK private contributions in Priorities 2 and 4 which relate to the development of business premises. It is apparent that the EU contribution to total eligible costs will be well below the 75% maximum allowed for under the Regulations in these Priorities.



### 7.3.2 Suitability of Performance Indicators

No definitions are provided to accompany the performance indicators proposed.

With the exception of two *results* indicators, identified as *outputs* in Priority 1:

- Number of patents granted and other IPRs and other IPR devices.
- Number of business within the region engaged in new collaboration with UK knowledge base.

our examination suggests that the remainder are correctly allocated as *outputs*, *results* and *impacts*, respectively.

Within a limited suite of indicators for each Priority, they appear to cover most of the main types of output to be supported and to capture the main economic outcomes and some environmental outcomes.

Indicators to capture the equal opportunities dimension of the Programme are identified in the cross-cutting themes Chapter. Evaluation of 2000-06 programmes found that this approach which effectively amputated the cross-cutting themes from the mainstream actions was unhelpful.

### 7.3.3 Quantification Process

We have had sight of the assumptions used in the quantification and it is clear that, for the most part, the targets are the product of a rational and systematic process. However, we identified a number of inconsistencies that have a significant effect on the targets set.

### 7.3.4 The Realism of the Assumptions and Targets Set

#### Priority 1

The interventions proposed are heavily skewed towards intensive interventions. The costs per business assisted, in the £7,000 to £30,000 range appear generous notwithstanding the innovation focus. In the evaluators' judgement, achieving this level of absorption, given the current scale and sectoral structure of the C&IS economy will be quite challenging. The cost of the interventions targeted comes to £96.5m (based on £=€1.47), slightly over the financial allocation to the Priority.

The basis of the different assumed public sector cost per gross new and safeguarded job is not clear. However, the average of c.£14,900 is getting close to 20% more than the evaluators would anticipate from revenue activities in this field.

The public sector cost per net additional job is c.£57,600, even higher than the November quantification which was noted as high. However, the target for net additional employment is based only on the adjustment of the figure of 2,187 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment in the Programme area. If this were included, net additional employment would be 2,286 and the public sector cost per net additional job would reduce to c.£41,600, still very high by normal standards.

The reason for the very high cost per job is that the quantification assumes that 53% of the Priority resources will be invested in 6 research institutes which are further assumed not to be employment bearing. The evaluators had not anticipated this

insofar as the scope of the Priority and the indicative weighting of interventions reads as primarily revenue interventions.

The Gross increase in GVA is based on the number of new jobs only. The evaluators would argue that employment safeguarded will also contribute to an increase in GVA over the counterfactual position i.e. that the GVA associated with these jobs may have been lost in the absence of the intervention.

In the judgement of the evaluators, the assumed average GVA is too conservative under this Priority. Average GVA per manufacturing job in the UK already exceeds £45,000. Allowing for inflation over the life of the Programme and the focus on adding value in this Priority, the evaluators consider that a benchmark of at least £55,000 would be appropriate.

The indicators "net additional GVA" and "net safeguarded GVA" would better be replaced with a combined indicator "net additional value-added". Reference to Gross (Value-Added) should be lost in the gross-net translation. Furthermore the distinction between new and safeguarded jobs is not meaningful at the net level, given the complex process through which a net change in employment at the Programme area level arises. This applies to the other Priorities also.

The calculation of net additional value-added is flawed. The figure derived from gross employment / GVA is correct. However, the figure of £29.3m associated with safeguarded employment is derived by applying the assumed GVA of £35,000 per job to the target of 837 gross jobs safeguarded. The gross-net adjustments have not been applied.

The assumptions for deadweight and displacement appear reasonable. The multiplier of 1.35 to take account of supply linkage and induced income appears reasonable given the limited spatial scale and market diversity of a NUTS 3 economy with a significant rural component.

## **Priority 2**

The interventions proposed are mostly of moderate intensity and range from £3,000 to £20,000. The average is perhaps slightly below what the evaluators would expect for enterprise and growth actions. The cost of the interventions targeted comes to £65.25m (based on £=€1.47), £16.35m less than the public sector financial allocation to the Priority. As a result the output targets presently underestimate the potential from the financial allocation to the Priority. The source of the error appears to be that the assumed private sector contribution to property investment of £16.5m has not been treated as separate from the public sector cost of £81.6m.

The basis of the different assumed public sector cost per gross new and safeguarded job is not clear. However, the average of c.£8,590 is perhaps rather less than the evaluators would anticipate from revenue activities. However, the resultant over-estimation of gross employment results from the revenue activities is compensated by the fact that there is no explicit stream of gross employment attributed to the property interventions.

The public sector cost per net additional job is c.£31,900. However, the target for net additional employment is based only on the adjustment of the figure of 3,866 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment in the Programme area. If this were

included, net additional employment would be 4,176 and the public sector cost per net additional job a more realistic, but still quite high £19,540.

The Gross increase in GVA is based on the number of new jobs only. The evaluators would argue that employment safeguarded will also contribute to an increase in GVA over the counterfactual position i.e. that the GVA associated with these jobs may have been lost in the absence of the intervention.

In the judgement of the evaluators, the assumed average GVA is too conservative under this Priority. Allowing for inflation over the life of the Programme and existing level of GVA per job outside of the public sector, the evaluators consider that a benchmark of £40-45,000 would be appropriate for C&IS.

The calculation of net additional value-added is flawed. The figure derived from gross employment / GVA is correct. However, the figure of £85.6m associated with safeguarded employment is derived by applying the assumed GVA of £35,000 per job to the target of 2,448 gross jobs safeguarded. The gross-net adjustments have not been applied.

The assumptions for deadweight, displacement and multiplier effects appear reasonable in the context of Cornwall and the Isles of Scilly.

### **Priority 3**

There is no clear basis reported for the costing of actions under this Priority. Three strands of intervention are envisaged:

- the development of an airport at Newquay.
- upgrading the sub-regional digital infrastructure.
- investment in "knowledge infrastructure" over and above the very large investment envisaged under Priority 1.

Given that the focus of this Priority is limited to a small number of large infrastructure investments, the absence of any assumptions in project costing raises questions about the appropriateness of the overall financial allocation to this Priority.

Gross employment targets are set on the basis of "the minimum required to ensure value for money" rather than any realistic assessment (although the public sector cost per gross job is about half of that in Priority 1). It is fair to observe that in other regions of England (e.g. the North West and North East of England), airport and related development has accounted for significant employment growth. Other research by IBM suggests that many businesses have not been able to internalise the benefits of ICT developments and that the gains from improved efficiency have mainly been passed onto customers. Investments in Universities and in research facilities have typically brought modest numbers of jobs. Overall, the evaluators consider the estimate of 6,000 gross jobs as somewhat ambitious, in the absence of further information on the potential projects.

The public sector cost per net additional job is c.£33,580. However, the target for net additional employment is based only on the adjustment of the figure of 4,000 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment in the Programme area. If this were included, net additional employment would be 4,252 and the public sector cost per net additional job would be £22,342, fairly modest for investment in infrastructure.

The Gross increase in GVA is based on the number of new jobs only. The evaluators would argue that employment safeguarded will also contribute to an increase in GVA over the counterfactual position i.e. that the GVA associated with these jobs may have been lost in the absence of the intervention.

In the judgement of the evaluators, the assumed average GVA is too conservative under this Priority. Allowing for inflation over the life of the Programme and existing level of GVA per job outside of the public sector, the evaluators consider that a benchmark of £40-45,000 would be appropriate for C&IS.

The calculation of net additional value-added is flawed. The figure derived from gross employment / GVA is correct. However, the figure of £70.0m associated with safeguarded employment is derived by applying the assumed GVA of £35,000 per job to the target of 2,000 gross jobs safeguarded. The gross-net adjustments have not been applied.

While the displacement and multiplier effects appear reasonable in the context of Cornwall and the Isles of Scilly, in the judgement of the evaluators, the assumed deadweight of only 25% appears low for employment effects associated with infrastructures for which there is a high potential for substitution.

#### **Priority 4**

Unlike Priority 2, the target for floorspace created, correctly deals with the private sector contributions. The benchmark cost of £1,000 per m<sup>2</sup> is close to that which the evaluators would use as an average for standard office floorspace over the 2007-13 period. However, the cost of R&D and other high quality premises would be substantially greater.

The ratio of land developed to floorspace is close to 4:1. This is reasonable for business park development with substantial green infrastructure. A much lower ratio, reflecting reduced public realm and multi-storey development would be anticipated in town centre locations. It is not made clear whether this target relates to brownfield or greenfield land.

A quarter of the resource is devoted to "iconic projects" but there are no physical or employment outcomes associated with these. As a result, the targets for the Priority will tend to be conservative.

The public sector cost per net additional job is c.£31,700. However, the target for net additional employment is based only on the adjustment of the figure of 5,280 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment in the Programme area. If this were included, net additional employment would be 6,653 and the public sector cost would reduce to c.£19,100.

The gross-net employment ratio is 75.6%. While the assumptions for displacement and multiplier effects appear reasonable, the evaluators believe that the assumption for displacement is too low. The evaluators' experience of investment in business infrastructure has included examples where the gross-net employment ratio has been as low as 15%, where a large proportion of occupiers have relocated from inferior premises but had alternative property options including remaining where they were. Thus, with this type of investment, it is perfectly possible to have a high level of *project additionality* combined with relatively *low additionality of economic outcomes*. Deadweight is likely to be lower in segments of the market that are most affected by

market failure, notably incubators and other premises suitable for start-ups and for occupation on flexible terms.

The Gross increase in GVA is based on the number of new jobs only. The evaluators would argue that employment safeguarded will also contribute to an increase in GVA over the counterfactual position i.e. that the GVA associated with these jobs may have been lost in the absence of the intervention.

In the judgement of the evaluators, the assumed average GVA is too conservative under this Priority. Allowing for inflation over the life of the Programme and existing level of GVA per job outside of the public sector and the hotels and restaurants sector, the evaluators consider that a benchmark of at least £45,000 would be appropriate for C&IS.

The calculation of net additional value-added is flawed. The figure derived from gross employment / GVA is correct. However, the figure of £123.2m associated with safeguarded employment is derived by applying the assumed GVA of £35,000 per job to the target of 3,520 gross jobs safeguarded. The gross-net adjustments have not been applied.

### **7.3.5 Consistency of Priority and Programme Targets**

The Priority Specific Objectives have now been related to the quantified targets set at Priority level. These have been aggregated and set against the Global and Operational targets at Programme level. The Global Targets appear to be consistent with the targets prepared at Priority level. However, as will be apparent from Section 7.3.4, the evaluators have numerous reservations about the targets as presently set.

### **7.3.6 Overall Assessment**

The overall approach to the quantification is systematic. However, the evaluators have identified numerous inconsistencies in the application of the assumptions.

The quantification exercise has considerably increased the transparency of the intended distribution of resources. It is now clear that, between Priorities 1 and 3, it is intended to invest a very significant proportion of the total Programme resources in Higher Education and other research facilities.

Among the inconsistencies identified are systematic underestimations of the employment impacts and both systematic overestimations and underestimations of net additional value-added. These are straightforward to rectify. However, when these inconsistencies are ironed-out, the evaluators believe the net additional employment targets produced for Priorities 3 and 4 will prove to be over-ambitious due to weaknesses in other underlying assumptions.

Overall, review of the quantification reinforces our impressions from examination of the strategy of the relatively risky nature of the proposed Programme.

## 8 COMMUNITY ADDED VALUE

### 8.1 Evaluation Questions

The purpose of this area of the Programme is to identify the value-added that will accrue to Community support. The main questions for the evaluation in this area are:

- does the Programme Document explicitly identify the forms and scale of Community Added Value (CAV) that is expected to arise?
- in the absence of such identification, what, in the judgement of the evaluators are the main forms of CAV that are to be expected to arise?

### 8.2 Evolution of Text on Community Added Value

Neither the November 2006 nor the April 2007 texts made explicit reference to Community Added Value. The ex-ante evaluators highlighted the importance that the Commission places on the visibility of the Funds and the need for them to add value over domestic interventions pointing out that CAV may take a variety of forms, including:

- additionality of the activities supported and outcomes achieved, in terms of scale, quality and process added value, such as the subsidiarity arising from the regional partnership process, multi-annual planning, monitoring and evaluation culture, etc.
- any particular EU policy initiatives that have been added to domestic policy in the area to the Programme e.g. the formalisation of the cross-cutting themes.
- support for innovation and risk-taking under the Programme that may not be supported under domestic regimes.
- added value from exchange of good practice and from networking at a regional, national or international level, for example, through participation in the Regions for Economic Change Initiative.

### 8.3 Evaluation of the May 2007 Draft

Section 5.10 of the May 2007 draft now contains two sub-sections:

- Programme Added Value.
- Community Added Value.

The evaluators consider that issues captured under both sections are consistent with the conventional definition of CAV.

The material under Programme Added Value relates the Programme Global and Operational Objectives with the relevant impact targets. Essentially this represents the volume and additionality of outcomes that are forecast to accrue to EU support for the Programme.

Under Community Added Value, the Programme authors highlight some of the main qualitative outcomes from the Programme, notably:

- the opportunity afforded to pilot the development of a knowledge-based economy in a peripheral and largely rural sub-region.

- the opportunity to build an internationally competitive environmental technology and renewable energy sector.
- the scope afforded to reintegrate the Programme area with national and international markets through enhanced digital and physical connectivity and through trading networks.

In the judgement of the evaluators, this is a valid and particularly strategic perspective of Community Added Value. However, it is not exhaustive, and the evaluators would point to other dimensions of CAV in the proposed Programme, including:

- the formal integration of the cross-cutting themes which goes beyond corresponding processes in mainstream economic development.
- the proposed piloting of approaches to a lower carbon economy as a specific focus.
- the inter-regional co-operation and networking benefits from the envisaged participation in the Regions for Economic Change initiative (also highlighted by the Programme authors).
- partnership participation in the Convergence Programme that is wider and deeper than commonly encountered under domestic initiatives.

### **Overall Assessment**

The text added provides a valuable is somewhat understated perspective on the very considerable Community Added Value that will result from the Structural Funds contribution to the Cornwall and Isles of Scilly Convergence ERDF Programme 2007-13.

## 9 IMPLEMENTATION ARRANGEMENTS

The implementation arrangements for the 2007-13 Programmes are being negotiated at national level, separate from the development of ERDF Programmes. A standard text, agreed with the Commission will be inserted in each Programme and will cover:

- management arrangements, including delegation of management and the commissioning approach.
- State Aid.
- proposals for monitoring and evaluation.
- complementarity with and demarcation between other forms of Community Support.
- publicity for the Programme.
- Technical Assistance.

The proposals are not yet agreed and available for comment by the ex-ante evaluators.



## 10 CONSULTATION

### 10.1 Evaluation Questions

Structural Funds Programmes are required to be developed in partnership and Regulations require that stakeholders should have the opportunity to contribute to the development of the Programme and to comment on the proposals. This dimension to Programme development has been reinforced as a result of the particular consultation requirements that go along with Strategic Environmental Assessment, which has become an integral part of the Programme development process for the first time.

The main questions for the evaluation in this area are:

- what opportunities have been afforded to partners to contribute to Programme development or to comment on the proposals?
- what were the main issues raised in the consultation process?
- to what extent have the results of consultation influenced the strategy and proposals for its implementation?

### 10.2 Opportunities for Consultation

The South West Convergence Programme is distinctive in the particularly intensive involvement of Partners in the Programme preparation process. This has variously involved:

- opportunity to participate in various stakeholder events.
- development of the Programme through numerous Task and Finish Groups involving representatives from stakeholder organisations.
- a formal consultation on the draft Programme Document.

The evaluators attended two of the formal promotional events. These were well attended and enjoyable. Participants clearly appreciated the opportunity to contribute their views, even though the level of understanding of the Programme among participants was variable.

### 10.3 Outcome of Consultation

#### 10.3.1 Issues Identified

The Plan Development Team report that the outcome of the consultations has largely been supportive of the proposed approach. Nevertheless, it appears that the main changes to the Programme Document arising from the various consultative processes are as follows:

- the reinforcement of actions dealing with enterprise culture and young people in Priority 2.
- a restructuring of Priorities 3 and 4 which has created the possibility for greater support for public transport and some dilution of the spatial focus of the physical investment now under Priority 4.
- adjustment to the approach to the environmental sustainability cross-cutting theme to reflect a low carbon approach as opposed to a carbon-neutral approach.

- there was some change in allocation of resources, most clearly a redistribution from Priority 2 to Priority 1.

While the evaluators consider that the Plan Development Team's assessment can be argued to be a fair and consensual one, our impression from reading the consultation responses and attending consultation events includes the following:

- some felt that clarity where the overall aims were concerned were not matched in the detail of the actions proposed.
- some felt that the Priorities were not well grounded in the evidence base.
- while the vast majority agreed that a focus on high-growth businesses and the knowledge economy should be significant feature of the Programme a significant number believed that it should be more broadly based.
- while there was overwhelming support for integration of environmental sustainability throughout the Programme, there was less support for a specific sectoral focus on environmental technology and renewable energy.
- the proposal to develop Newquay Cornwall Airport was controversial, mainly on environmental grounds.

### **10.3.2 Overall Assessment**

The evaluators conclude unreservedly that the Programme development approach has provided a substantial opportunity for partner participation and consultation. There have been numerous adjustments to programme content, particularly where infrastructure and physical development proposals are concerned. However, on the basis of the event and consultation responses, the evaluators would have been unsurprised had the focus of Priorities 1 and 2 also been widened.

## 11 CONCLUSIONS AND RECOMMENDATIONS

With the exception of the Chapter on Implementation Arrangements, a complete draft of the Programme Document for the Cornwall and the Isles of Scilly Convergence ERDF Programme 2007-13 has now been assembled. In the judgement of the evaluators, the document contains the elements prescribed in DCLG's template and represents a viable basis upon which to commence negotiations.

There are a number of strengths to the draft Programme Document and its process of preparation. We would highlight in particular:

- it is well grounded in the relevant EU and UK policy contexts and this is effectively demonstrated.
- it is predisposed towards innovation, both in thematic content and in overall approach.
- it contains a very bold strategy involving a strong focus on developing a significant knowledge economy in a location that lacks major urban centres, a critical mass of academic and technology institutions and a rich endowment of higher level skills.
- there is a useful, if somewhat understated, appraisal of the very considerable Community Added Value offered by the Programme.
- there is a generally strong approach to the cross-cutting themes, environmental sustainability, in particular, although some clarification and improvement to detail is still required.
- there has been a very full consultation process the results of which have, in part, influenced the content of the draft Programme.
- there has been a substantive and participative SEA process that has clearly informed the integration of environmental sustainability.

The evaluators are essentially comfortable with the diagnosis of the weaknesses in the C&IS economy. However, we believe that there is a need to demonstrate more clearly that the prescribed remedy is both feasible and appropriate. The evaluators recommend work to strengthen the evidence in six main areas:

### **Technology Infrastructure**

Between Priorities 1 and 3 it is proposed to devote a very large resource towards the development of research centres and technology infrastructures. A fuller analysis is needed to strengthen the case for this investment. There is also a need to articulate a clear strategy for this investment covering such issues as:

- the extent to which the focus will be on pre-commercial research and on application of technology.
- the technologies to be followed.
- the existing research strengths in C&IS and how the proposed developments will build on these.
- the extent to which the technology focus will reflect existing strengths in the business base.
- the existing track record of C&IS academic and technology institutions in spinning out businesses and intellectual property.

## **Environmental Technologies and Renewable Energy**

The evaluators are confident that a combination of consumer trends and regulation will give rise to increased local demand for environmental services. However, further analysis is needed to demonstrate the potential for C&IS to significantly grow activity and employment in the higher value-added and higher technology end of the environmental sector. This should include the presentation of more information on:

- the composition, ownership and growth trends in the C&IS environmental sector.
- the existence of relevant technology support capacity.

## **Focus on High Growth Businesses**

Priorities 1 and 2 have a very strong focus on the creation of knowledge-intensive high growth start businesses and supporting other businesses with significant growth potential. Given the relatively low base of knowledge intensive businesses in the Programme Area, further analysis is required to demonstrate that it will be feasible to sustain the proposed focus and that there is a good prospect of the funding allocation being absorbed. Further work should endeavour to clarify:

- where high growth starts are likely to come from; what sectors are they most likely to be in; what has been the recent history of high growth starts?
- what is the present structure of the knowledge economy in C&IS; how many businesses are there; what segments are growing; what factors are driving growth?
- given the scale and structure of the knowledge economy in C&IS, what penetration rate would be necessary to secure take-up of the intensive support on offer?

## **Second Generation Broadband**

In spite of widespread concerns that remote and rural areas would be a low priority for investment, first generation broadband infrastructure was delivered by the market in a relatively short period. In several Programme areas, resources earmarked for a co-investment approach were not required. Against this background there is a need to explore more fully the reasons why the market may not deliver second generation broadband also.

## **Development of the Combined Universities**

Between Priorities 1 and 2, a very significant investment is proposed in the further development of the Combined Universities in Cornwall. The case for this investment should be strengthened by setting out a fuller appraisal of potential covering:

- what has been achieved to date.
- the increase in student numbers and their origins.
- the research strengths and ratings of CUC departments in Cornwall and their track record in spinning out business and commercialisation of intellectual property.
- the priorities for further investment in CUC.

## **The Spatial Targeting of Investment in Business Infrastructure**

Priority 4 proposes a modest investment in business infrastructure to support the transition to a knowledge economy. The proposed distribution of this investment largely reflects the existing dispersal of urban areas. It is not clear to the evaluators that this is consistent with the development of an effective labour market in knowledge skills. The evaluators recommend that consideration is given to greater concentration of the limited resources and the potential of public transport solutions to mitigate environmental concerns.

The evaluation has also identified a number of technical issues that require to be addressed:

- the connection between the evidence base, the SWOT analysis and the Priority rationales is weak. Some Priority rationales make scant reference to the underlying analysis.
- the SWOT analysis does not lead to clear conclusions concerning the identity and weighting of the Priorities. The evaluators believe that a more robust approach to the SWOT analysis would have highlighted the need to strengthen the evidence base as is recommended above.
- there is a need to explain the allocation of resources across the Programme; this might be done by reference to the scale of domestic funds available in the South West for the agendas supported through the Programme.
- the specification and quantification of objectives has recently been significantly improved where the Global and Operational Objectives are concerned; the evaluators recommend the extension of this approach to the Specific Objectives.
- recent work has improved the treatment of the cross-cutting themes; only detailed strengthening is required:
  - in the case of equal opportunities, a good analysis of gender and other target groups is now provided; proposals for addressing these groups need to be more strongly integrated in the Priority texts.
  - in the case of environmental sustainability, the absence of a strong baseline could be overcome by cross referencing that in the SEA Scoping Report. It would be helpful to present further material drawing out the significance of the environment as a strategic asset. Some editing and signposting of the structure of the section on environment within the cross-cutting themes Chapter would be beneficial as would strengthening the illustration of horizontal integration in some of the Priority texts.
- the general approach to programme quantification is sound, but there are a number of inconsistencies in the production of the targets. The resolution of these is likely to produce a significant shift in some targets.

As with the justification of the strategy and actions, the evaluators believe that most of these shortcomings can be addressed fairly easily given time and a resolve to work through the issues thoroughly. Appreciating the need to submit the Programme Document imminently, we recommend that the Partners continue to work on the areas highlighted ahead of negotiations.