

# **Programmes Review of European Regional Development Fund in the South West**

Competitiveness and Employment  
Programme - Final Report Annexes

October 2010

## Contents

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Annex A: Review Methodology	A-1
Annex B: Research Tools	B-1
Annex C: Stakeholders consulted	C-1
Annex D: Review of European Policy Developments	D-1
Annex E: Review of UK Policy Developments to May 2010	E-1
Annex F: Update on Baseline Conditions	F-1
Annex G: Case Study Reports	G-1
Annex H: Assessment of reasonableness of targets	H-1

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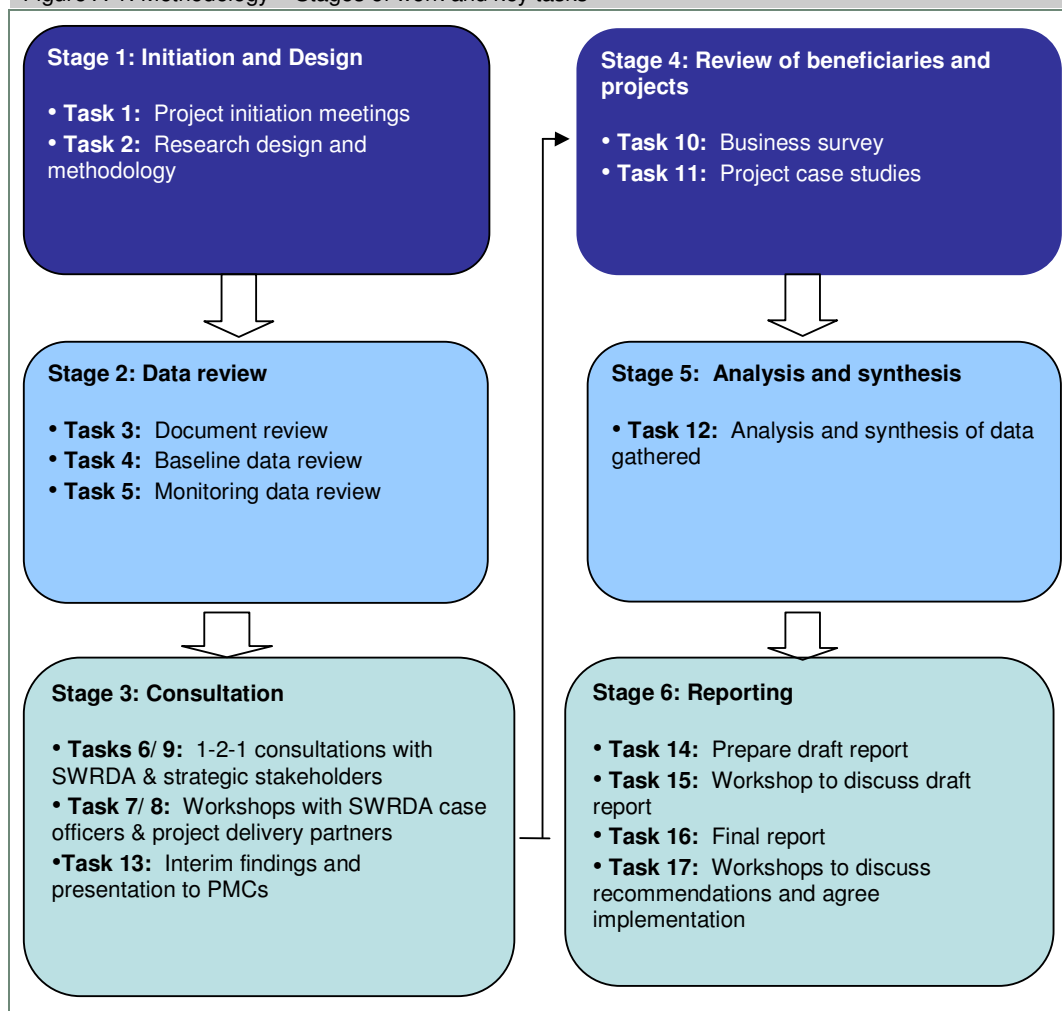
<b>Approved by:</b>	Gareth Jones	Date:	October 2010
	Director		

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## Annex A: Review Methodology

- A.1 The 2010 review of the ERDF Competitiveness and Convergence programmes followed a standard methodology for both programmes. The methodology was developed to meet the objectives and scope of the review, as described in Chapter 1.
- A.2 Full details on the methodology were provided in the Project Initiation Document (PID) which was agreed with the client group. The figure below summarises the stages to the review and the tasks involved.

Figure A-1: Methodology – Stages of work and key tasks



Source: SQW

- A.3 The programmes review was undertaken in six main stages:
- Stage 1 included two project initiation meetings, the design of research tools (see Annex B) and the development of the PID. Due to the tight timetable for the initial stages of the review, the PID was agreed at a later stage in the review process

- Stage 2 involved the comprehensive review of strategic documents for both programmes, an update on baseline conditions for both programmes and the review of key developments in the UK (national, regional and local) and European policy landscape. Given major changes in the macro-economic and political context, the baseline conditions update and policy review was updated for a second time in stage 5
- Stage 3 involved in-depth consultations with a range of strategic, programme management and project stakeholders for both programmes, through one to one consultations and half-day workshops with SWRDA case officers and project delivery partners. Due to slippage in the original timetable, Task 13, the presentation of interim findings to the two PMCs, took place in this stage
- Stage 4 encompassed a survey of businesses that had received business assistance through one of the programmes, and a series of short project case studies
- Stage 5 involved the analysis and synthesis of the review evidence, and updates to some of the previous tasks, including the baseline conditions and policy review
- Stage 6 saw the preparation of two separate draft final reports and their presentation to the evaluation sub-group (the Steering Group for the review). This was followed by a presentation to the Convergence joint PMC of the findings of the review of the Convergence programme. Members of the Competitiveness joint PMC were invited to provide written comments on the Competitiveness report. These comments, and others from a range of stakeholders, were taken on board in finalising the final reports.

## Annex B: Research Tools

### Stakeholder Consultation Questionnaire

<b>Consultee details</b>
Name and position of consultee
What has been your involvement to date with the programme(s)?
<b>Rationale, focus and objectives</b>
What is (are) the programme(s) seeking to achieve? What problems or opportunities is the programme(s) seeking to address/ take advantage of? [Focus on consultee's role in programme(s) and their policy/ organisational interest]
Are the programme objectives clear and widely understood? What about the objectives of the Priority Axis you are most familiar with - are they clear and widely understood?
Does the rationale and focus of the programme(s)/ Priority Axis/ activity that you are involved in continue to be relevant? What changes are needed and why?
Has the programme's strategy been adapted to respond to recent changes in a) economic conditions (e.g. recession, public finances), b) policy developments (local, regional, national, European), c) other factors? What changes are required now to respond to these developments? What is likely to happen if the programme/activity is not adapted?
What are the key ways in which the programme(s) is contributing towards the Lisbon agenda and EU Cohesion Policy? Is the programme on track to meet its target for supporting the Lisbon agenda? [Provide context on Lisbon agenda if required and probe understanding in relation to the programme(s)]
<b>Programme governance/ processes</b>
Do the programme managers and Programme Monitoring Committee (PMC) have the requisite skills/ capacity to manage the programme effectively? If not, what is lacking?
Is the PMC and programme sub-groups operating effectively?
How effective and efficient is the programme's project development/ appraisal/ contracting processes? E.g. pre-commissioning stage; the commissioning of projects; the appraisal of projects including the decision-making of the Endorsement Advisory Group; project contracting
What are your views on the quality of the projects contracted to date or near to contracting? What explains any differences between the Priority Axis?
How has the programme sought to manage risk, and particularly the risks around delivery, poor performance and match funding? How effective has this risk management been?
Have delivery partners encountered any major difficulties with programme management? If so, in what areas?
How effective is the programme's communication strategy? How effectively is this being implemented by projects?
<b>Programme engagement and joint working</b>
Who have been the programme's key delivery/ strategic partners? How effective has the programme engaged them? Are these the right partners, or should others be involved?
How successfully is the programme collaborating with the ESF programme? How has this been reflected in management, delivery and impacts?
How successfully is the programme collaborating with other programmes or initiatives? E.g. Solutions to Business, policy initiatives. How has this been reflected in management, delivery and impacts?
Has there been any communications/collaboration/joint working between the Convergence and Competitiveness programmes? If so, has this been effective and useful? If not, is there a need for joint working? Which areas of the programmes may benefit from joint working?

<b>Programme performance</b>
For those parts of the programme(s) that you are most familiar with, which aspects have worked well to date and contributed to the delivery of the outputs and outcomes (results)? Which activities (Priority Axis, projects) have been more and less successful? What explains this? [Probe delivery in rural areas for both programmes]
Has the programme/ project delivery been different to what was originally intended? Why is this?
What have been the outcomes/ results achieved by the programme to date? What types of impacts are expected in the future?
How confident are you that the programme/ Priority Axi/s/ projects are on track to reach their output/ result and financial (N+2) targets? If not what can be done to improve current performance? [Probe answers in relation to experience of previous European/ UK programmes, evidence to explain answers]
Is there a need to review any of the original targets, either in scale or type (e.g. in light of recent performance or changing conditions)?
[For C&E only] How successfully is the programme delivering its objective to tackle intra-regional disparity? Is this a help or hindrance to meeting targets?
Are the SIF areas the right geographical areas? If not, which areas should be included?
What are the main risks to the programme securing its objectives? What impediments may exist to future progress?
How successfully is the programme meeting its objectives for the equal opportunities cross-cutting theme? What progress has been made in embedding equal opportunities throughout the programme? How has this been reflected in management, delivery and impacts?
How successfully is the programme meeting its objectives for the environmental sustainability cross-cutting theme? What progress has been made in embedding environmental sustainability throughout the programme? How has this been reflected in management, delivery and impacts?
How successfully is the programme supporting the transition to a low carbon economy? What opportunities does this present for the programme? What more needs to be done?
<b>Investment and value for money</b>
Is the programme delivering (or on track to deliver) value for money? Why do you say this? How do you think vfm could be improved? [VfM is obtaining the maximum benefit with the resources that are available - the economy with which resources are used, the efficiency with which benefits are achieved and the overall effectiveness of the activity. Probe for evidence and benchmarks for comparison]
What are the priorities for investing future resources? What should the programme do more of and what should the programme do less of? [Probe potential uses for headroom in Priority Axis and areas of under performance]
<b>Strategic added value</b>
Has the PMC provided strategic leadership to partners and stakeholders in relation to: (a) articulating and communicating long term development needs, opportunities and solutions? (b) articulating the programme's role and inspiring confidence in its capacity to deliver? (c) defining the roles for partners and stakeholders?
Has the PMC provided coordination or networking opportunities that have: (a) promoted intelligence sharing between partners (b) encouraged greater strategic alignment or consistency of approach (c) facilitated mutual trust, innovation and adoption of best practice, or reduced duplication
Has the PMC influenced: (a) the development of knowledge and intelligence (b) partners' strategic priorities (c) the scale and nature of partner funding, activities and outputs

Good practise and lessons
From your experiences to date, what lessons can be learned for the future design and implementation of the programme or other similar programmes?
Are there examples of genuine good practice? Why do you say this?
Is there anything else you would like to discuss that we have not covered?

## Business Survey Questionnaire<sup>1</sup>

Good morning, afternoon, evening. My name is ... from QA Research, an independent research agency. SQW Consulting and ourselves are carrying out a review of activities that have been funded through the European Regional Development Programme in the South West.

We understand your business benefitted from the [insert project name] project. You may know this project as [insert type of support received and/or project description]

Anything you say will be in the strictest of confidence. Any information collected will be anonymous and you will not be identified in the analysis. QA is an MRS registered company and is MRQSA accredited.

We would like to ask you about your involvement with this support. The survey will take about 20 minutes. Can we conduct the survey now or would it be better to call back later.

Now – CONTINUE

Later – ARRANGE CALLBACK

To start I have some details that I'd like to check are correct.

(PRE-POPULATE, AND AMMED IF NEEDED)

Name of Company:

Contact Name:

Project benefiting from:

### **1. Which of the following would you describe your business as? READ OUT. SINGLE CODE**

Sole trader

Partnership

Private limited company

Public limited company

Voluntary sector organisation

Social enterprise

Other (please specify)

IF CODES 1-4 AT Q1 ASK Q1a. OTHERS GO TO Q2.

#### **1a And is your business a subsidiary of a larger company or group?**

Yes

No

DK

### **2. In which of the following sectors does your business operate? READ OUT**

Environmental goods and services sector

Agriculture and fishing

Energy and water

Manufacturing

Construction

Distribution, hotels, restaurants

Transport and communications

Banking, finance and insurance, etc

Public admin, education, health

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<sup>1</sup> The questionnaire did not have questions 4, 5, 7 and 25 as they were not included in the final questionnaire.



Other services (please specify)

**3a. What services/products does the business provide?**

OPEN

**3b. Do you consider your business to be high-technology or knowledge intensive?**

Yes

No

DK

**6. How long has the business been located in <Cornwall & Isles of Scilly> <South West>?**

ENTER IN YEARS

**8a. What is the full postcode of this site?**

ENTER POSTCODE

**8b. Does your business operate from one or more premises** PROBE FOR CODE

One site

More than one, but all in <Cornwall & Isles of Scilly> <South West apart from Cornwall & Isles of Scilly>

More than one, with at least one site outside of <Cornwall & Isles of Scilly> <South West apart from Cornwall & Isles of Scilly>

**9a.) If the business has been trading for over 1 year (otherwise skip to Q11), what was the value of sales in the last financial year for the whole business?**

Up to £64k

£65k – £250k

£251k – £500k

£501k - £1million

£1,000,001 - £2.5 million

Over £2,500,001

N/A business not yet trading

DK (BEFORE ACCEPTING DK, PLEASE REMIND RESPONDENT THAT WE ARE AFTER A 'BEST ESTIMATE')

DO NOT ASK 9B IF BUSINESS NOT YET TRADING OR DK OR IF Q8 CODED 'ONE SITE'.

**9b.) Approximately what proportion of this was generated by your business sites in <Cornwall & Isles of Scilly> <South West apart from Cornwall & Isles of Scilly>?**

ENTER %

DK

**10. By what percentage do you think sales will increase over the next three years?**

0 – 10%

11 – 25%

26% or more

Stay the same

Decrease

DK (BEFORE ACCEPTING DK, PLEASE REMIND RESPONDENT THAT WE ARE AFTER A 'BEST ESTIMATE')

**11a . How many full-time employees does your business employ (including owner/proprietor) (IF MORE THAN ONE SITE AT Q8 – CODES 2 OR 3: at this site?**

ENTER NUMBER

**11b . How many part-time employees (ie working less than 30 hours a week) does your business employ (IF MORE THAN ONE SITE AT Q8 – CODES 2 OR 3: at this site?**

ENTER NUMBER

IF CODE 2 OR 3 AT Q8 ASK 11c. OTHERS GO TO Q12.

**11c . How many full-time employees does your business employ (including owner/proprietor) in total, that is across all sites or premises?**

ENTER NUMBER

**11d . How many part-time employees (ie working less than 30 hours a week) does your business employ in total, that is across all sites or premises?**

ENTER NUMBER

**12. By what percentage do you think overall employment will increase over the next three years?**

0 – 10%

11 – 25%

> 26%

Stay the same

Decrease

Don't know (BEFORE ACCEPTING DK, PLEASE REMIND RESPONDENT THAT WE ARE AFTER A 'BEST ESTIMATE')

**13a. What proportion of this site's sales by value are made within the following areas?**

READ OUT. ENSURE THE ANSWER TO ALL THREE AREAS = 100%

Within <Cornwall & Isle of Scilly> <South West apart from Cornwall & Isles of Scilly> ENTER %

Elsewhere in the UK ENTER %

Abroad within the European Union ENTER %

Abroad Elsewhere Enter %

**13b. What proportion of this site's purchases by value are made within the following areas?** READ OUT. ENSURE THE ANSWER TO ALL THREE AREAS = 100%

Within <Cornwall & Isle of Scilly> <South West apart from Cornwall & Isles of Scilly> ENTER %

Elsewhere in the UK ENTER %

Abroad ENTER %

Abroad Elsewhere Enter %

**14. If the business were to cease its operation at this site, roughly what proportion of the site's sales, by value, would be taken by competitors located within the following areas?**

READ OUT. ENSURE THE ANSWER TO ALL THREE AREAS = 100%. DK ALLOWED (but not read out)

Within <Cornwall & Isle of Scilly> <South West apart from Cornwall & Isles of Scilly> ENTER %

Elsewhere in the UK ENTER %

Abroad ENTER %

Abroad Elsewhere Enter %

**15a. In which year did you first start to participate in the project?** REMINDER  
CONSULTEE OF THE PROJECT NAME, TYPE OF SUPPORT RECEIVED AND/OR  
DESCRIPTION OF SUPPORT

ENTER YEAR

**15b. How old was your business when you first participated in the project?**

NEW BUSINESS/ LESS THAN ONE YEAR OLD  
ESTABLISHED BUSINESS (SPECIFY NUMBER OF YEARS OLD)

**15c. Is your business a black or minority ethnic owned business, female owned  
business, or disabled owned business?**  
**PERMIT MULTICODING**

Black or minority ethnic owned business  
Female owned business  
Disabled owned business

**16a. What issues was your firm facing that prompted interest in the project? PERMIT  
MULTICODING (NOT PROMPTED)**

Wanted information / knowledge  
Staff skills gaps  
Wanted to improve management practices  
Wanted loans, equity or other sources of funding  
Networking / linkages (e.g. supply chain, collaborations)  
Improve links to research organisations (e.g. University)  
Wanted access to workspace / facilities  
Wanted to improve technical efficiency (e.g. equipment utilisation)  
Wanted to test / develop new product or process  
Wanted to improve ability to adopt new technologies  
Wanted help reducing costs  
Support to help start-up the business/increase survival chances  
Support to help improve productivity  
Support as a means to help improve profitability  
Support to help improve overall competitiveness  
Support to improve environmental performance  
Other (please specify)

IF MORE THAN ONE AT Q16a ASK Q16b. OTHERS GO TO Q17.

**16b. What was the most important issue?** SINGLE CODE. READ OUT ISSUES BELOW  
IF NECESSARY.

DISPLAY ONLY ISSUES FROM Q16a.

**17. What types of support did you receive through the project?** IF NECESSARY READ  
OUT

General support on management (marketing, design, finance, production)  
Business coaching  
Proof of concept funding support  
Support on commercialisation  
Access to specialist facility  
Access to workspace for business location  
Networking with other businesses / organisations  
Start-up / post-start support  
Investment readiness support  
Training/development for staff  
Signposting to other forms of support

Advice on improving environmental performance/ resource efficiency  
Other (specify)

**18. How satisfied were you with the project support in terms of the following factors**  
(Very satisfied, fairly satisfied, neither, fairly dissatisfied, very dissatisfied, not applicable)

Understanding of needs  
Appropriateness of solutions to needs  
Ease of application for grant / support  
Speed of response to application  
Regular contact with you  
Value of financial support received  
Value of non-financial support received  
Provision of follow up advice / support / guidance / signposting  
Overall satisfaction

**19. Do you have any further comments regarding your satisfaction with the project?**

OPEN

**20. On a scale of 1 to 5 (where 1=no impact, 5=extensive impact), how has the project impacted on your business in terms of** READ OUT

New information or knowledge  
Improved staff skills  
Management practices  
Access to appropriate funding  
Networking / linkages (e.g. supply chain, collaborations, clusters)  
Access to appropriate workspace / facilities  
Technical efficiency (e.g. better equipment utilisation)  
Developing new products or processes  
Innovation performance  
Ability to adopt new technologies  
Reducing costs  
Improve start-up prospects or survival chances  
Improving productivity  
Profitability  
Overall competitiveness  
Improved environmental performance  
Improved approach to promoting equality of opportunity

**20a Has the project has any other impacts**

**21. How long after the support did you start to realise benefits (or if benefits have not yet been experienced, how long after the support do you anticipate to start to realise benefits)?**

Straight away  
Within 1 year of support  
Within 3 years of support  
Within 5 years of support  
5+ years following support  
None expected (GO TO Q29)

**22. For how many years do you expect the benefits to last from the time benefits were first realised/are expected to be realised?**

One year

Two-three years

Four-five years

Six-ten years

More than 10 years

DK (BEFORE ACCEPTING DK, PLEASE REMIND RESPONDENT THAT WE ARE AFTER A 'BEST ESTIMATE')

**In the next questions we want to establish the impact of the changes that have been brought about on the performance of the business at this site. First I will ask about changes to date, and then about expected overall changes, including those anticipated into the future. May I stress that we are after your best estimate if you are not aware of the exact figure.**

**23. Which of the following have happened to this business at this site to date as a result of your involvement with the project? READ OUT. CODE ALL THAT APPLY.**

Turnover increased

Full-time employees (30+ hrs per week) increased/safeguarded

Part-time employees (less than 30 hrs per week) increased/safeguarded

Costs reduced

Profit increased

Other (specify)

N/A – too early for impacts to be realised (DON'T READ OUT)

IF TURNOVER INCREASED

**24a On average how much has your annual turnover increased to date as a result of the project?**

Per annum increase ENTER AMOUNT IN £ (ALLOW DK)

ASK ALL

**24b By how much, including any increase you have experienced already, do you expect your average annual turnover to increase as a result of your involvement in this project?**

Per annum increase ENTER AMOUNT IN £ (ALLOW DK)

IF FULL-TIME EMPLOYEES INCREASED

**24b How many more full-time employees work here to date because of your involvement in the project, include jobs safeguarded that otherwise may have been lost?**

ENTER NUMBER (ALLOW DK)

ASK ALL

**24c how many full-time employees do you expect will work here in total as a result of your involvement with this project?**

ENTER NUMBER (ALLOW DK)

IF PART-TIME EMPLOYEES INCREASED

**24d How many more part-time employees work here to date because of your involvement in the project, include jobs safeguarded that otherwise may have been lost?**

ENTER NUMBER (ALLOW DK)

ASK ALL

**24e How many part-time employees do you expect will work here in total as a result of your involvement with this project?**

ENTER NUMBER (ALLOW DK)

IF COSTS REDUCED

**24f On average how much have your costs reduced on an annual basis to date?**

Per annum reduction ENTER AMOUNT IN £ (ALLOW DK)

ASK ALL

**24g By how much, including what has happened already, do you expect your average annual costs to decrease as a result of your involvement in this project?**

Per annum reduction ENTER AMOUNT IN £ (ALLOW DK)

IF PROFIT INCREASED

**24h On average how much has your annual profit increased to date as a result of the project?**

Per annum increase ENTER AMOUNT IN £ (ALLOW DK)

ASK ALL

**24i By how much, including what has happened already, do you expect your average annual profit to increase as a result of your involvement in this project?**

Per annum increase ENTER AMOUNT IN £ (ALLOW DK)

**26. On a scale of 1 to 5 (where 1=no impact and 5=extensive impact), how would rate the impact of the project in on your overall business?**

(IF CODED AT Q24) Increased turnover to date

Expected increase in turnover in total

(IF CODED AT Q24) Increase/safeguarding of full-time employees to date

Expected increase/safeguarding of full time employees in total

(IF CODED AT Q24) Increase/safeguarding of part-time employees to date

Expected increase/safeguarding of part-time employees in total

(IF CODED AT Q24) Reduced costs to date

Expected reductions in cost in total

(IF CODED AT Q24) Increase in profits to date

Expected increase in profits in total

(IF CODED AT Q24) Other (from Q24)

**ASK IF CODE 2 or 3 AT Q8. IF CODE 1 AT Q8 GO TO Q28.**

**27. What proportion of the overall benefits to the business have been generated a) at this site, b) other sites in <Cornwall & Isles of Scilly> <South West apart from Cornwall & Isles of Scilly> c) outside of <Cornwall & Isles of Scilly> <South West apart from Cornwall & Isles of Scilly>?**

0%

1-25%

26-50%

51-75%

76-99%

100%

DK

ASK ALL

**28. In the absence of the support you received, would these performance benefits (e.g. increase turnover, profit, employees) have still occurred? If yes, prompt into code.**

**Single code 1 or 5, others can be multicoded**

SINGLE CODE 1 OR 5. OTHERS CAN BE MULTICODED.

Yes – in full

Yes but later (specify months later)

Yes but on a smaller scale (specify how much smaller as %)

Yes but in a different way (specify)

No, not at all

*IF YES AT Q28. OTHERS GO TO Q30.*

**29. If you would have implemented changes without the support of this particular project, from which of the following would you have found the resource or support to do so? READ OUT MULTI CODE**

Internal resource

Private sector professional service providers (e.g. accountant, lawyer)

Private sector consultants

Public sector funded support – regional-based support

Public sector funded support – other public support

Other (specify)

ASK ALL

**30. Did your participation in this project mean that you could not engage in other business development activities? IF YES PROBE FOR CODE**

Yes - substantially

Yes – a little

No

Don't know

*IF YES AT Q30. OTHERS GO TO Q32*

**31. How do you think these other business development activities would have compared, in terms of their benefits, to this project? READ OUT**

Other business development activities would have achieved more than 100% of scale of benefits that this project has brought about

Would have achieved 76-100%

Would have achieved 51-75%

Would have achieved 26-50%

Would have achieved 1-25%

Would have achieved 0%

**32. What, if any recommendations do you have on how the project could be improved?**

OPEN

**33. Would you be happy to be contacted for future research regarding the issues we have just talked about?**

Yes

No

## Project Case Studies Aide Memoire

### **Introduction**

Name & position of stakeholder.....

What is their role/involvement with the project?

### **Underlying conditions, rationale for the project and its objectives**

Please can you confirm the rationale for the project, in terms of the problems and opportunities the project is trying to address?

What is the rationale for delivering the project in this form rather than in any other way?

Why was Convergence/Competitiveness funding required to support the project rather than other sources? Was an option appraisal undertaken?

Please can you confirm the project's overall objectives? Are these SMART?

How well do these fit with the objectives of the Programme and Lisbon agenda?

### **Inputs (intended spend/actual spend) and activities**

What are the project's main activities? How were the activities identified, prioritised and selected – for example, was an options appraisal undertaken?

How is the project working alongside other projects and initiatives? [Probe other ERDF projects, ESF projects, other initiatives]

Please can we confirm our understanding of project spend to date? [Read out from monitoring data]

Where has the match been accessed from?

Is the project where it expected to be by now in terms of project spend?

How confident are you that you will spend your allocation in full? Why do you say this?

### **Challenges experienced in delivery**

What have been the main challenges experienced in delivering the project? What impact have these had?

What has been done to mitigate these?

### **Outputs and results – achieved and anticipated**

Please can we confirm our understanding of project outputs and results to date? [Read out from monitoring data]

How were the targets set?

Is the project where it expected to be by now in terms of achieving outputs and results?



What have been/ will be the outcomes of your project? [changes in behaviour, capacity or performance resulting from the project] What difference will this make to the economy of the Convergence or Competitiveness area?

How confident are you that you will achieve your output and result targets? What are the main risks or barriers to the project achieving the targets? How are these being mitigated?

### ***Additionality***

In the absence of the project, what would have happened?

- All actions and changes would have taken place anyway
- Actions and changes would have taken place at a reduced scale
- Actions and changes would have taken place at a later date
- Actions and changes would have taken place at a lower quality?
- Nothing would have happened without the project

Probe the additionality of the achieved or expected outputs and results, in terms of perceptions on leakage, displacement and substitution, where appropriate.

Has the project had any positive or negative unintended benefits?

What additional spin offs (multiplier effects) are likely as a result of the project? (For example, more people employed, impacts on sectors, supplier chains etc)

### ***Value for money***

In terms of value for money, how has the project achieved the following three elements:

- Economy – how has the cost of activities been minimised? What is the cost per gross output?
- Efficiency – how have outcomes been maximised from the lowest given costs?
- Effectiveness – how well have outputs and outcomes (results) been achieved against targets? How well is the project meeting its objectives?

### ***Cross cutting themes***

How were the two cross-cutting themes addressed during the project development process? What challenges did you face? [Probe each CCT individually]

How well are the two cross-cutting themes being met through the delivery of the project? To what extent have the CCTs aided the delivery of economic outcomes and stimulated the development of new market opportunities? [Probe each CCT individually]

### ***Future risks to the project***

What are likely to be the biggest future risks to the project achieving its goals? And what would be the implication of the risks being realised?

What is being done to mitigate against these?

***Good practice/hindsight lessons***

Is the project an example of good practice? If so why?

Is there anything that should have been done differently?

Are there lessons that have been learned which can be applied in the second half of the project?

## Annex C: Stakeholders consulted

### List of strategic and programme management stakeholders

Table C-1: Programme management and strategic stakeholders list (for review of both ERDF Competitiveness and Convergence programmes)

Stakeholder	Title	Organisation
Chris Kirby	Head of Structural Funds Implementation and Twinning	Department for Business Innovation and Skills
Ian MacDougall	Head of Economic Development	Bristol City Council
Wendy Jarvis	Deputy Director European Policy and Programmes and Emergency Management	Communities and Local Government
Thelma Sorensen	Chairman	Cornwall Business Partnership
Sandra Rothwell	Head of Economic Services	Cornwall Council
Blair Thomson	Chairman	Cornwall Strategic Partnership (Third Sector)
Tom Flanagan	Corporate Director for Environment, Planning and the Economy	Cornwall Council
Cllr Caroline Rule	Councillor	Cornwall Council
Paul Stephens	Principle Officer - External Relations	Environment Agency
Vivienne Rayner	SW Policy Development Manager	Federation of Small Business
Jon Bright	Regional Director	GOSW
Philip Johnson	Deputy Director European Programmes	Government Office for the South West
Sarah Beeson	ESF Manager	Government Office for the South West
Diana Monpoloki	Economic Development Manager	Isle of Scilly Council
Christopher Grace	Economic Development	Plymouth City Council
Paul Hickson	Group Manager, Economy and Europe	Somerset County Council
Trevor Smale	-	South West Forum
Nigel Hutchings	Chief Executive	SW Chamber of Commerce
Nigel Howells	Head of Competitiveness Programme	South West Regional Development Agency
Gareth Grimshaw	Head of Convergence Programme	South West Regional Development Agency
Phil McVey	Director of European Policy & Programmes	SWRDA
Lorelei Hunt	Director of Innovation / HE	South West Regional Development Agency

Stakeholder	Title	Organisation
Suzanne Bond	Executive Director, European Programmes and People & Skills	South West Regional Development Agency
Ian Durston	Head of Business Link Operations	South West Regional Development Agency
Ian Piper	Director of Development & Regeneration	South West Regional Development Agency
Theo Leijser	Area Director - Cornwall & IoS	South West Regional Development Agency
Lisa Sandercock	E&D CCT Advisor	South West Regional Development Agency
Alex Huke	Environmental CCT Theme Manager	South West Regional Development Agency
Alan Denby	-	Torbay Development Company
Robin Bower	Project Manager - Business Relations	Universities South West
Jeremy Filmer-Bennet	Chief Executive	Devon and Cornwall Business Council
Suzy Wright	EU Co-Coordinator	South West Regional Employment and Skills Board

*Source: SQW Consulting*

## Attendance at workshops with case officers and project delivery partners

**Table C-2: Attendance at Competitiveness & Employment workshops**

### **Attendees**

#### *Case officers workshop*

Nigel Howells – SWRDA (Head of Competitiveness Programme)

Peter Holden - SWRDA

Les Roper - SWRDA

Alastair Brown - SWRDA

#### *Delivery partner workshop*

Simon Howes - SWMAS – Representing Arthur Richardson

Robin Bower - University SW

Rory Uniacke - UKTI SW

Jo Watson - Bristol College

Derek Gribble - SWIAP

Amanda Ratsey - BL Peninsula

Nick Weaver - Managing Director of Northern Arc Ltd

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**Attendees**

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Dr Jan Bennett - Plymouth University (on behalf of Julian Beer)

Russell Jones - UKTI Regional Director

Clive Ray - UKTI General Manager (GWE Business West)

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*Source: SQW Consulting*

## Project Case Study Stakeholders

Table C-3: Competitiveness case study contacts

Project	Organisation	Project Contact Name	SW RDA/ERDF Case Officer
PRIMaRE	University of Plymouth	Steve Schlemmer	Bob Tarbuck
Plymouth SIF	Plymouth Chamber of Commerce	David Parlby, Chief Executive	Les Roper, Innovation and Enterprise Commissioning Manager
Finance for Business	South West Investment Group Capital Ltd	John Berry	Robin Edwards

*Source: SQW*

## **Annex D: Review of European Policy Developments**

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### **Introduction**

- D.1 This annex presents the findings of a review undertaken of European policy developments since the ERDF programmes were launched in 2007 and considers the implications for the strategy of both programmes. Further analysis, including a review of developments at a UK level, are provided in a separate annex and in the main body of the report.

### **Background**

- D.2 The new European Structural Funds Programmes were designed for the period 2007-2013 to run concurrently with the period of the EU's Multi-Annual Financial Framework – the budgetary framework for the EU. In response to widespread criticisms, the Structural Funds were designed to be more flexible to local and regional needs than the previous programme period (2000-06). This means that in the current programming period, there is scope to take into account new developments in the political and economic landscape. The section therefore examines some of these key developments, in respect of:

- EU climate change agreement
- The impact of and policy response to the financial and economic crisis
- The ongoing review of the EU budget and of cohesion policy
- The Europe 2020 agenda (the successor to the Lisbon Agenda).

- D.3 To set these developments into context, it is first necessary to examine the starting point of the current programmes.

### **Starting point of the 2007-2013 Programmes**

- D.4 The EU strategic direction for the programmes is summarised in the 'Community strategic guidelines on economic, social and territorial cohesion, 2007-2013'<sup>2</sup>. They note in order to support growth and jobs under the Lisbon agenda the programmes should focus on three priorities:

- improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving the environment
- encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies

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<sup>2</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/osc/index\\_en.htm](http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/index_en.htm)

- creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.
- D.5 The strategic guidelines also emphasise a number of key principles:
- the renewed Lisbon agenda
  - pursuing the objective of sustainable development and synergy between its economic, social and environmental dimensions
  - promoting equality between men and women
  - taking appropriate steps to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation.
- D.6 Given this emphasis at the outset of the 2007-2013 programme, there is a need to review the impact of any major EU policy developments in the economic, social and environmental fields to consider any implications for the ERDF programmes in the South West.

## Climate change policy

- D.7 The most significant development in environmental policy in recent years has been the agreement of the EU climate and energy package that aims to combat climate change and to increase the EU's energy security while strengthening its competitiveness. The package became European law in June 2009<sup>3</sup>, including a series of climate and energy targets to be met by 2020 (known as the 20-20-20 targets):
- a reduction in EU greenhouse gas (GHG) emissions of at least 20% below 1990 levels
  - 20% of EU energy consumption to come from renewable resources
  - 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency<sup>4</sup>.
- D.8 Having the legally binding targets is a new level of commitment at the EU level. However, the economic crisis and the changing structure of the EU energy supply (away from carbon-intensive sources such as coal to lower carbon sources such as gas) might mean that the 20% reduction in GHG emissions might not be a very stretching target. A more ambitious 30% reduction is proposed only if there is an international agreement, which failed to materialise in Copenhagen in December 2009.
- D.9 However, arguably the targets on renewable energy and energy efficiency should provide a renewed emphasis on these areas in the Structural Funds programmes. This can take advantage of the recent changes to Cohesion Policy rules that support investments in energy efficiency and renewable energies in the residential sector, which the South West programmes are currently exploring. Overall, while Cohesion Policy is planned to invest €48 billion (out

<sup>3</sup> NB The energy efficiency target is not legally binding.

<sup>4</sup> [http://ec.europa.eu/environment/climat/climate\\_action.htm](http://ec.europa.eu/environment/climat/climate_action.htm)

of €347 billion) over 2007-13 to promote the fight against climate change, most of this is focused on transport. So far programmes across Europe have only allocated €4.8 billion in renewable energy and €4.2 billion in energy efficiency.

## The financial and economic crisis

- D.10 The major economic change in Europe has been the financial and economic crisis. The impact quickly spread from the financial sector to the real economy, causing a deep recession and a deterioration in labour markets across the EU. In addition, as EU countries used public spending to cushion the impact, public finances have deteriorated and are forecast to further suffer.
- D.11 At EU level, the Commission endorsed the European Economic Recovery Plan at the end of 2008. The EERP contained three EU-level measure of particular importance for cohesion policy:
- The frontloading of cohesion funding, to protect and enhance so-called "smart investment" in areas of high long-term growth potential.
  - The flexibility to revise programmes to take account of changed circumstances
  - The accelerated expansion of lending activity of the European Investment Bank (EIB).
- D.12 Flexibilities continue to be introduced to Structural Funds:
- The European Parliament has recently backed new rules on the "de-commitment" of funds (for funds committed in 2007) to give Member States more time to spend EU funds and relaxed commitments for major projects
  - Support has been provided for multi-instrument financing, which energy efficiency and the use of renewable energies in housing will also be encouraged to make use<sup>5</sup>.
- D.13 In 2009, around 80 formal decisions were taken to modify Operational Programmes<sup>6</sup>. Modifications can be made to take account of
- significant socio-economic changes
  - major changes in Community, national or regional priorities
  - evaluation findings (Article 48(3))
  - implementation difficulties (Art 33)<sup>7</sup>.
- D.14 The changes to Operational Programmes can include revising targets, not least because the process across European programmes lacked benchmark values (apart from those derived from previous programmes) and the indicator framework was difficult to apply.

<sup>5</sup> [http://www.europarl.europa.eu/news/expert/infopress\\_page/059-74104-125-05-19-910-20100504IPR74101-05-05-2010-2010-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/059-74104-125-05-19-910-20100504IPR74101-05-05-2010-2010-false/default_en.htm)

<sup>6</sup> [http://ec.europa.eu/dgs/regional\\_policy/document/aar2009\\_en.pdf](http://ec.europa.eu/dgs/regional_policy/document/aar2009_en.pdf)

<sup>7</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0025:0078:EN:PDF>



## Integration of ERDF and ESF

- D.15 The 2007-2013 programmes have attempted to improve the integration between ERDF and ESF. In the new programmes, it is now possible (under Art 34, 2) for ERDF and the ESF to fund actions falling within the scope of assistance from the other fund, providing that they are necessary for the satisfactory implementation of the programme and are directly linked to it. The assistance must not exceed 10 % of Community funding for each priority axis<sup>8</sup>. Neither of the ERDF funds in the South West has taken up this option to date.
- D.16 It is also now easier to finance projects jointly. For example, in the West of Scotland one of the ESF Programme priorities will be delivered jointly with one of the priorities in the ERDF programme. Joint awards of funding under Priority 1 of the ESF Programme and Priority 3 (Urban Regeneration) of the ERDF Programme will be made to projects making linked separate applications under each priority. However, this is not a simple process, as applications need to be made to each programme and be specific in allocating distinct activities, expenditure and outcomes to each Fund<sup>9</sup>. Nevertheless, in responding to the economic crisis and securing the successful implementation of the Operational Programmes, there may be further potential to build links between ERDF and ESF in the South West.

## Changes to EU spending and cohesion policy

### ***Increased role for the European Investment Bank***

- D.17 The previous section highlighted the expansion of the role and lending of the EIB as part of the European Recovery Plan. The EIB has been expanding its lending portfolio prior to the Economic Recovery Plan, for example, with the aim of increasing the supply of venture capital.
- D.18 The integration of the EIB is part of a longer term development of EU cohesion policy, prompted by the need to focus available EU spending on the new member states with low per capita GDP/incomes. There are currently two specific routes for EIB support in Cohesion Policy which, arguably, are better suited to the member states / regions with significant experience of working with Cohesion funding for competitiveness objectives: JEREMIE (based on access to finance for SMEs) and JESSICA (for sustainable urban development)<sup>10</sup>. It is likely that Cohesion Policy in the future will see further development of these concepts.<sup>11</sup>
- D.19 Under the auspice of 'financial engineering', these funds are usually managed by the EIB and constitute joint initiatives, which will include the region, the EIB and other partners (such as venture capitalists and banks). With the 2008 EU Recovery Package, the scope of JESSICA became significantly enlarged and included expenditure on energy efficiency and the use of renewable energy in existing housing. With JEREMIE the significant 'holding fund' partner

<sup>8</sup> <http://www.scotland.gov.uk/Publications/2008/07/29142711/8tp://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0025:0078:EN:PDF>

<sup>9</sup> <http://www.scotland.gov.uk/Publications/2008/07/29142711/8>

<sup>10</sup> For further details of the main funding mechanisms please see:

[http://ec.europa.eu/regional\\_policy/funds/2007/jjj/index\\_en.htm](http://ec.europa.eu/regional_policy/funds/2007/jjj/index_en.htm)

<sup>11</sup> For further detail please see <http://www.eib.org/projects/events/jeremie-and-jessica-conference.htm>

is the EIF (the European Investment Fund<sup>12</sup>, which provides risk financing to SMEs for entrepreneurship and innovation).

- D.20 With JEREMIE in place for longer than JESSICA, there are more lessons to be learned from previous experiences. For example, JEREMIE provides strong scope for a strategic approach to venture capital interventions. The 'Holding Fund' status also allows for flexibility in re-allocating finances between funds and incorporating new funds. Creating one 'single pot' of funds also means that EIB loans can be incorporated with ERDF finances.<sup>13</sup> This combination of resources is not automatic and the right set of circumstances and conditions apply to make this possible – i.e. making clear what each separate component of funding is for. As such, the exact nature of such a combination of funds must be reviewed on a case-by-case basis.
- D.21 The EIB has also increasingly moved into providing finance for SMEs. Due to the long term impact of the crisis on financial markets, firms' access to capital through the EIB and other mechanisms could be a crucial and cost-effective intervention in many programmes in future. However, it depends on uptake by commercial financial intermediaries and more needs to be done to encourage their involvement in a number of countries, including in the UK.

### ***The future of cohesion policy***

- D.22 At the EU level, the Commission published in April 2009 an expert report on future regional policy, *An Agenda for a Reformed Cohesion Policy*<sup>14</sup>. It assesses the effectiveness of cohesion policy as well as setting out a range of policy recommendations for the post 2013 period. DG REGIO has initiated the formation of an informal high level reflection group on the future cohesion policy (HLG) to develop the main building blocks of post-2013 Cohesion policy.
- D.23 Some of the key questions under consideration for the future of Cohesion Policy are:
- Whether it should be a policy for all European regions
  - There is need for reinforced territorial dimension and co-operation in providing common solutions to shared problems
  - Whether there should be a stronger focus on core-priorities
  - There should be stronger integration between cohesion policy and other Community policies
  - More focus on sustainable development and opportunities of a low carbon economy
  - More differentiated approaches to policy delivery: more focus on results and performance, greater scope for experimentation, enlarged role for financial engineering
  - Adaptation of transition mechanisms (phasing in and phasing out) towards an overall sliding support mechanism

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<sup>12</sup> <http://www.eif.europa.eu/>

<sup>13</sup> <http://www.eib.org/attachments/mitchell.pdf>

<sup>14</sup> [http://ec.europa.eu/regional\\_policy/policy/future/barca\\_en.htm](http://ec.europa.eu/regional_policy/policy/future/barca_en.htm)

- Greater effectiveness of additionality<sup>15</sup>.
- D.24 The key question for the South West ERDF programmes and others is whether they will provide the evidence to illuminate some of the questions noted above and whether they will, and desire to, be involved with cohesion policy in future.
- D.25 This review of cohesion policy should be seen in the context of a more general review of EU spending and the EU budget. The review was supposed to be carried out between 2008 and 2009 but at the time of writing (May 2010) nothing officially has been published. The review has the potential to further influence the direction of cohesion policy when it is published.<sup>16</sup>

## Post-Lisbon Agenda - Europe 2020

- D.26 Potentially the biggest influence on current and future programmes is the successor of the Lisbon Agenda - Europe 2020. The current Structural Funds programmes were designed around meeting the key objectives of the Lisbon Agenda, which has led to a substantial increase compared to the previous programming period in investments supporting the growth and jobs agenda, especially in the areas of innovation, research, skills and human capital. Convergence programmes such as Cornwall and the Isles of Scilly are required to direct 65% of funds to Lisbon- related expenditure, and Competitiveness programmes 82% of funds, although both programmes in the South West have set higher targets.
- D.27 The Lisbon Agenda was designed to run for a decade, ending in 2010. The European Commission has consulted on its successor. Recent proposals explicitly note that, “economic, social and territorial cohesion will remain at the heart of the Europe 2020 strategy to ensure that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities. Cohesion policy and its structural funds, while important in their own right, are key delivery mechanisms to achieve the priorities of smart, sustainable and inclusive growth in Member States and regions<sup>17</sup>.”
- D.28 At the heart of the proposed new strategy were five “headline targets”:
- 75 % of the population aged 20-64 should be employed
  - 3% of the EU's GDP should be invested in Research and Development
  - The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right)
  - The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree
  - 20 million less people should be at risk of poverty.
- D.29 However, while the subsequent European Council broadly endorsed the agenda<sup>18</sup>, the support for the targets was less clear. The R&D target has been criticised both in terms of whether it

<sup>15</sup> [http://ec.europa.eu/dgs/regional\\_policy/document/aar2009\\_en.pdf](http://ec.europa.eu/dgs/regional_policy/document/aar2009_en.pdf)

<sup>16</sup> [http://ec.europa.eu/budget/reform/index\\_en.htm](http://ec.europa.eu/budget/reform/index_en.htm)

<sup>17</sup> [http://ec.europa.eu/eu2020/index\\_en.htm](http://ec.europa.eu/eu2020/index_en.htm)

<sup>18</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/113591.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/113591.pdf)

can be achieved and whether it is the right objective. The education target ran into difficulties due to devolved responsibilities for education. Finally, the appropriateness of using the poverty target was questioned. As a result, these targets are now being revised. However, the higher emphasis on cohesion, education and climate change is likely to remain, potentially requiring an adjustment in current programmes if the wish is to remain close to the EU strategy.

D.30 In the meantime, the Commission has published Integrated Guidelines<sup>19</sup> to provide direction to Member States concerning the necessary reforms for economic change and growth which underpin the strategy. Europe 2020's headline targets are supported by seven "flagship initiatives"<sup>20</sup>

- 'Innovation Union' to improve framework conditions and access to finance for research and innovation
- 'Youth on the move' to enhance the performance of education systems and to facilitate the entry of young people to the labour market
- 'A digital agenda for Europe' to speed up the roll-out of high-speed internet
- 'Resource efficient Europe' to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise the transport sector and promote energy efficiency
- 'An industrial policy for the globalisation era' to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally
- 'An agenda for new skills and jobs' to modernise labour markets and better match labour supply and demand, including through labour mobility.
- 'European platform against poverty' to ensure social and territorial cohesion such that the benefits of growth and jobs.

D.31 All Member States will be required to adopt reform packages to support the emerging agenda and develop national targets as part of their National Reform Programmes. There are ten guidelines to support this, ranging from ensuring the quality and sustainability of public finances (through budgetary consolidation) to improving resource efficiency and reducing greenhouse gases (through market-based instruments and "green procurement. Europe 2020 may imply that far-reaching reforms are necessary across Europe to set the right conditions for future economic growth. The Structural Funds will be one of the key instruments to implement these guidelines and might need to be revised to take full account of the changed strategic direction.

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<sup>19</sup> <http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf>

<sup>20</sup> <http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf>

## Annex E: Review of UK Policy Developments to May 2010

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### Review of United Kingdom Policy Context

#### Introduction

- E.1 This annex presents the findings of a review undertaken of UK policy developments since the ERDF programmes were launched in 2007 and considers the implications for the strategy of both programmes. It focuses on key developments in UK national policy up until the May 2010 general election. For the Convergence programme, key developments in local economic policy are also considered.
- E.2 Further analysis of the implications of the policy developments includes a review of developments at a European level set out in a separate annex, and details on the national and regional political and economic landscape under the new coalition government are provided in the main body of the report.
- E.3 The policy developments considered in the remainder of the annex are:
- Industrial and sector policy responses to the recession
  - Reform of business support
  - Knowledge and innovation
  - Climate change
  - Cornwall and Isles of Scilly local economic policy.

#### Industrial strategy and enterprise

- E.4 2009 saw a number of policy announcements by the former labour government and government institutions to support the recovery of the economy from the recession. Four of the key documents are summarised below.

##### **'New Industry, New Jobs' (HM Government, 2009)**

The strategy sets out that in the face of growing competitive pressure, British businesses will need to develop high skills levels and bring about creativity and technological change. This can most easily be achieved by prioritising areas where the UK holds – or realistically can gain – lasting advantages.

The strategy identifies the following key sectors as priorities to support:

- British science and technology
- low carbon technologies
- high levels of skills and creativity
- advanced manufacturing
- Life Sciences and pharmaceuticals.

##### **'Going for Growth' (HM Government, 2010)**

Going for Growth builds on the analysis set out in 'New Industry, New Jobs' and focuses on "equipping people and

businesses to return the economy to growth" through:

- supporting enterprise (e.g. making it easier to start a business; finance for business growth)
- fostering knowledge (e.g. investment in higher education and cutting edge technology)
- helping people develop skills
- investing in low carbon infrastructure
- ensuring open and competitive markets
- building on industrial strengths (e.g. plastic electronics, biotechnology, low carbon)
- employing the right strategic role for the government in markets.

**'BIS Enterprise Strategy' (2008)**

The Enterprise Strategy centres on the unlocking of talent to realise the UK's full business potential. Its vision is to make the UK the most enterprising economy in the world and the best place to start and grow a business, focusing on five key areas which can enable this vision to be realised:

- creating a **culture of enterprise**
- developing **knowledge and skills**, starting at primary school
- providing better and clear **access to finance**
- changing the **regulatory framework** to minimise interference with businesses
- developing and encouraging **business innovation**

**Advanced manufacturing support (BIS, 2009)**

As part of the New Industry, New Jobs strategy BIS launched a £151m package of measures to support advanced manufacturing. It aims to 'expand access to information, encourage take up of new and emerging technologies and address challenges faced by specific manufacturing sectors.' A number of sectors have been targeted including composite materials, the low carbon supply chain, and plastics.

- E.5 The Competitiveness and Convergence programmes both have a strong alignment with the agenda set in the policy strategies. Both programmes are seeking to promote innovation, exploit potential new economic markets, build links between business and research, and encourage greater enterprise. There is an argument that the recession has added a greater sense of urgency to ensure that the ERDF priorities for innovation and enterprise are met.
- E.6 The ERDF programmes are seeking to support high-growth, high value added activities and businesses across a range of sectors. The programmes have not picked sectors they will support, other than the environmental goods and services sector (and environmental technologies and renewable energy in particular). *New Industry, New Jobs*, and *Going for Growth*, both have a sectoral strategy. Although the ERDF programmes are *sector blind*, implicitly there is good alignment between the objectives of both programmes and the sectors promoted in the national strategies, for example with low carbon technologies, British science and technology, advanced manufacturing and life sciences and pharmaceuticals. The national priorities also match many of the priority sectors in the South West Regional Economic Strategy, namely advanced engineering (with a focus on aerospace and defence-related), ICT (especially semi-conductor design and wireless), marine, creative industries (especially digital media), environmental technologies (particularly renewable energy and waste) and bio-medical.
- E.7 There are other parallels between the national strategies and the ERDF programmes. Both recognise the importance of raising skills and creativity, something the ERDF programmes are seeking to promote through working alongside the respective Convergence and

Competitiveness ESF programmes and through building links between business and research institutions and organisations.

## Reform of business support

- E.8 When the Operational Programmes for both programmes were being developed, the Business Support Simplification Programme (BSSP) was an emerging strategy and not yet finalised. Since the launch of the ERDF Programmes, the BSSP and the Solutions for Business product range have been published. These, and other key recent business support policy/ strategy documents, are highlighted below:

**'Business Support Simplification Programme' (BIS- Budget 2006 and pre-Budget report 2007)**

BSSP involved reducing 3,000 business support schemes to 100 or less by 2010. The review confirmed the role of Business Link to be the 'primary access route for individuals and businesses seeking support.' Its primary goal is that any business or individual contacting Business Link for advice will receive 'personalised, targeted, useful support.' Business Link in turn would also refer customers to appropriate products from the public, private and third sectors. BSSP transferred all Information Diagnosis and Brokerage activity to Business Link including Train to Gain, UKTI and DEFRA services.

**'Solutions for Business' (BIS, 2009)**

Solutions for Business is the government's streamlined portfolio of business support products accessible via Business Link. 29 opening products became available to businesses under the Solutions for Business banner between October 2008 and March 2009. Products are available to help with accessing finance, innovation, research and development, training and skills, exporting and overseas trade and resource efficiency, including low carbon. The products are to be provided by a range of respected public sector providers such as government departments and their agencies, Regional Development Agencies and Local Authorities.

- E.9 The review of business support activity has simplified the range of products available to business, and provided a portal through the Business Link network to receive advice and onward support through delivery organisations. The Solutions for Business products now fall under seven main areas:
- Starting Up: Information on starting and running a business
  - Grow your Business: Practical help and advice on growing a business
  - Finance and Grants: Information on sources of finance and access to finance support
  - Developing People: Skills training under the banner of 'Train to Gain'
  - Environment and Efficiency: How to save money through energy efficiency, and support to exploit opportunities in low carbon energy generating technologies
  - Exploit your ideas: How to innovate and make the most of new ideas
  - International Trade: Help and support for starting or increasing international sales.
- E.10 The business support provided by the ERDF programmes must be aligned with, and support, the BSSP strategy for simplified business support. Moreover, ERDF-funded activities should support or extend the Solutions for Business products and use the standard approaches for branding these products. The question for the ERDF programmes is whether the review has restricted the types of business support activity that the programmes wished to support. The alignment between products available through Solutions to Business and the business support



activities envisaged in the ERDF Operational Programmes suggests this is not the case. The prioritisation given to the environment and efficiency in Solutions to Business is particularly welcome given the aspiration of both ERDF programmes to support the transition to a low carbon economy. As all business support programmes should use Business Link as the primary access route, the ERDF support will need to work closely with Business Link to make the most effective use of resources and to limit the duplication of existing activities.

- E.11 Within the Competitiveness Programme, the aim of providing internationalisation and investment support (in Priority Axis 2 Enterprise and Growth) suggests that the Programme should seek to encourage specific Solutions for Business products, for example the 'Developing Your International Trade Potential' and 'Accessing International Markets' products.

## Knowledge and innovation

- E.12 The key recent policy announcements relating to knowledge and innovation are summarised below.

### **'Digital Britain' Report (2009)**

Digital Britain sets out how the state of British businesses and industries can be improved through a digital revolution. Its main priority is to end the 'digital divide' within the country by:

- tackling digital exclusion by addressing the geographical disparities
- providing universal second generation broadband coverage
- enhancing the UK's 'soft infrastructure' (regulation, piracy, supporting businesses).

### **'Higher Ambitions: The future of universities in a knowledge economy' (BIS, 2009)**

There is a need to sustain the strength of UK higher education in an increasingly demanding and competitive environment. This can be achieved by:

- expanding new types of higher education programmes
- HEFCE to encourage development programmes that deliver higher skills levels
- identifying areas where university supply does not meet demand for skills
- increasing partnership working between universities and businesses.

### **'Innovation in a Recession' (UK Trade and Investment, 2010)**

Innovation in a Recession stresses the importance of continued spending on innovation to help reduce costs in the short run, and to help exploit emerging markets in the upturn. Particular attention is placed on building on the UK's existing strengths in this field but also ensuring that only projects that will generate real pay-back are pursued.

### **'Innovation Nation' (DIUS, 2008)**

Stresses the importance of creating innovative organisations, something that can be achieved by producing 'highly skilled people with excellent technical, business and life skills.' Key elements include:

- implementing the Leitch agenda
- establishing National Skills Academies
- a cross-government project to ascertain the demand for STEM skills
- a careers and communications campaign by DCSF.

### **'Skills for Growth' (BIS, 2009)**

The strategy assets a need for a stronger vocational element in education to generate transferable job skills (especially through an advanced young apprenticeship system). The aims are to ensure that the education system better meets the demands of employers and to raise recognition among businesses of the value of investing in workforce skills.



- E.13 For both ERDF programmes, these recent strategy developments have a good alignment with what the programmes are seeking to achieve. Innovation and knowledge is fundamental to the strategy of the Convergence and the Competitiveness programmes. The *Innovation in a Recession* strategy of UK Trade and Investment<sup>21</sup> sets out the importance of continuing to invest in innovation to help reduce costs in the short run, and to help exploit emerging markets as the economy recovers.
- E.14 There is a particularly good fit between the strategies and the ‘Transformational Infrastructure’ priority of the Convergence programme which is developing the knowledge infrastructure at the Cornwall Combined Universities and seeking to support broadband digital infrastructure (higher bandwidths and speeds).
- E.15 The ERDF programmes have less clear direct links to the skills agenda, as neither programme has skills outputs or outcomes in their performance framework. The Operational Programmes do set out the need to raise skills in the South West to realise the full potential of the economy and support the transition to a low carbon, knowledge intensive and high value added economy. To achieve this, the programmes are working alongside the ESF Convergence and Competitiveness programmes, and it will be crucial that support is available through ESF and other routes to raise skills, particularly in the less productive parts of the region.

## Climate Change

- E.16 Since the Operational Programmes were launched, climate change has become a higher priority in national policy. Key developments are summarised in the box below.

### **‘UK Low Carbon Transition Plan’ (DECC, 2009)**

Sets out a target of emission cuts of 18% on 2008 levels by 2020, with 40% of electricity coming from low-carbon sources.

£405 million is to be invested into research and development of low carbon technologies with help also to businesses to help manage the costs of climate change (e.g. insulation and energy efficiency).

It also strives to make the UK a centre of green technology by supporting the development and use of clean technologies (this includes up to £120 million investment in offshore wind and an additional £60 million to cement the UK’s position as a global leader in marine energy.)

### **EU renewable energy targets**

Under the EU’s renewable energy target, the UK is required to provide 15 per cent of all its primary energy from renewable sources. This will require an adequately qualified and educated supply chain of young people to provide a relevant future workforce.

### **‘Low carbon industrial strategy’ (HM Government, 2009)**

This strategy stresses the importance and potential of moving to the low carbon economy. Three key principles are identified:

- the government setting stable frameworks for businesses
- encouraging intelligent intervention and low carbon innovation
- ensuring British-based companies and people are sufficiently well-equipped to meet the increased low-carbon demand.

### **‘Low Carbon Industrial Strategy’ (HM Government, 2009)**

This strategy defines an industrial policy to support the transition to a low carbon economy. The document identifies the need for business to achieve greater energy and resource efficiency and the ambition to make Britain a global leader in the development and production of low carbon vehicles. Investment is expected under the industrial strategy in the following low carbon projects:

<sup>21</sup> Innovation in a Recession, UK Trade and Investment, 2010

- £120 million – offshore wind
- £60 million – wave and tidal power
- £15 million – civil nuclear power
- £10 million – ultra-low carbon vehicles
- £6 million – renewable construction materials
- £12 million – renewable chemicals
- £4 million – low carbon manufacturing

- E.17 Since the programmes were launched, there has been a heightened interest amongst policy makers, politicians and the public in understanding, mitigating and adapting to the threats of climate change. As noted above, the EU and UK have introduced carbon emission targets; a greater number of government publications have been released on the issue of climate change; and an entirely new government department has been introduced to take responsibility for tackling energy and climate change. The new coalition government of May 2010 has reiterated the need to keep climate change issues at the heart of government policy.
- E.18 For Competitiveness and Convergence in the South West, this is welcome, as responding to climate change is a defining feature of both ERDF programmes. As regulation changes, new environment standards are introduced and demand for environmental action intensifies, this may open up new opportunities for the ERDF programmes. For example, the *UK Low Carbon Transition Plan* and the *Low Carbon Industrial Strategy* highlight investment in research and development of low carbon technologies, low-carbon innovation and significant funding for wind, wave and tidal power (amongst other renewable sources). This planned investment complements the priorities of the ERDF programmes and the South West's existing strengths in marine renewable energy.

## Cornwall & Isles of Scilly policy priorities

- E.19 Cornwall council was awarded unitary authority status in December 2007. Since the new authority was formed, a number of strategies have been published on the priorities of the council and its partners for economic development. These are outlined below.

### **'Economic priorities and strategic intent: Towards a distinctive, high-value, knowledge-based green Cornwall with opportunity for all (Cornwall Council Green Paper, 2009)**

Outlines how the area's "economic strategy should be founded upon a vision of Cornwall moving towards a distinctive, high value, knowledge-based, 'green' Cornwall with opportunity for all." Five key strategic issues are focussed upon:

- Business and Innovation (world class skills, innovation)
- 'Green' Agenda (council capacity, energy and environmental technologies, business and domestic resource productivity)
- Connectivity (next generation broadband, airport development, rail and road, ports infrastructure)
- Enhancing quality of life (place shaping, enhanced rural development)
- Leadership (council capacity and development, council outreach)

It is hoped that all of this will lead to the development of a resilient economy that has 'positive outcomes of people' but does so by strengthening and not eroding existing natural assets.

### **'The Cornwall Council Economic Ambition White Paper' (Economy and Regeneration, date unknown)**

Sets out the plans for "the immediate and medium term future of Cornwall's economy" with an ultimate vision of creating a "confident, resilient Cornwall that is a leader in innovative business and low carbon technologies" over the

next three years. Emphasis is placed on five key issues:

- leadership in the economy – will require a clear strategic focus led from the Cornwall Council cabinet and the establishment of the Cornwall Development Company
- business transformation leading to high productivity – focus will be placed on improving progression from further to higher education, developing more effective business support, fostering research and development, and promoting a culture of enterprise
- Cornwall connectivity – to be achieved through the development of Cornwall's airport and harbours, and through the delivery of next generation broadband
- place shaping – through 'transformational regeneration' and the promotion of 'rural and coastal vitality'
- low carbon economy – through the provision of support to energy and environmental technologies, encouraging carbon reduction and business efficiency, and using low carbon as a business growth catalyst.

**Strategy and Action Plan<sup>22</sup>**

This is the economic development strategy for Cornwall and the Isles of Scilly, 2007 – 2021) which helped inform the development of the Operational Programme.

- E.20 In policy terms, there is a good alignment of the Cornwall economic Green and White papers with the Convergence programme, with their shared objectives for greater innovation, research and enterprise and support for the low carbon economy. Likewise, the emphasis on improving Cornwall's connectivity through the development of physical infrastructure and next generation broadband ties in the transformational infrastructure Priority Axis of the Convergence programme.
- E.21 Nonetheless, there are some areas where the Convergence programme and the new strategies do not align as effectively. Both the Green paper and the White paper point to the need for effective and efficient leadership from Cornwall Council in order to improve business support. It for instance suggests a reform of the management structures that underpin the process through which such business support is devised and then delivered.

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<sup>22</sup> <http://www.economicforum.org.uk/economic-development-strategy.htm>

## Annex F: Update on Baseline Conditions

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### Introduction

- F.1 This Annex presents the findings of an update to baseline conditions in the Competitiveness programme area since 2005, the base year for much of the socio-economic analysis in the Competitiveness Operational Programme.
- F.2 The baseline conditions update considers changes in national macro-economic conditions before considering the impacts of the recession in the South West. The analysis then provides an update on changes in key socio-economic and environmental indicators by area, including by sub-areas within the Competitiveness programme where data is available, including for the Western Peninsula area. A summary of the findings is presented at the end.
- F.3 It is not possible to see the full implications of the recession in the baseline conditions update, as data are mostly only available up to 2008 or before. The programme should continue to monitor changes in socio-economic conditions as data are released.
- F.4 The update has not had the resources to undertake a full update to the socio-economic baseline in the Operational Programme or to construct a macro-level reference case for the programme. Given the relatively small number of outputs and results to date, it will not be possible to observe any influence of the programme on changes in socio-economic conditions.
- F.5 Further analysis on the implications for the programme of changes in socio-economic conditions is provided in the main body of the report.

### Macro economic conditions

#### ***The impact of the recession at the national level***

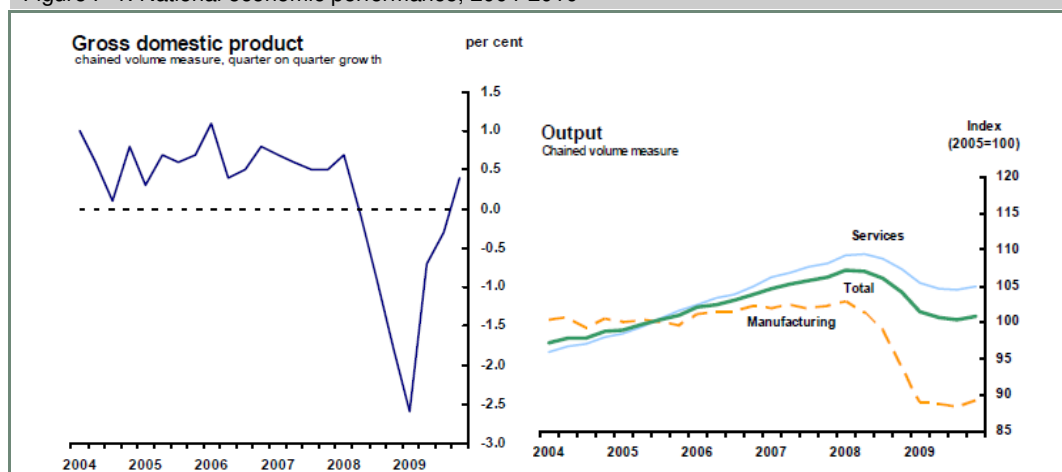
- F.6 The UK recession has largely been a product of the global credit crunch, where a cut in the availability of credit and loans restricted consumption and business growth. The credit crunch itself was largely a product of inflated house prices, combined with over-extended credit and leverage in the financial system, together with unsecured lending and so-called 'toxic' debts.
- F.7 The global recession started in America in December 2007<sup>23</sup>. The UK officially entered recession in the last three months of 2008, as GDP fell by 1.5% following a 0.6% drop in the previous quarter (thus two consecutive quarters of negative growth).<sup>24</sup> Figure F-1 illustrates the national economic conditions, showing the recession and recovery to date, as set out in the Office of National Statistics Q4 2009 Statistical Bulletin.

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<sup>23</sup> National Bureau of Economic Research, 2008, *Determination of the December 2007 Peak in Economic Activity*, <http://www.nber.org/cycles/dec2008.html>

<sup>24</sup> BBC, 2009, *UK in recession as economy slides*, <http://news.bbc.co.uk/1/hi/business/7846266.stm>

Figure F-1: National economic performance, 2004-2010



Source: ONS, 2009, Statistical Bulletin: Quarterly national accounts – 4<sup>th</sup> quarter 2009

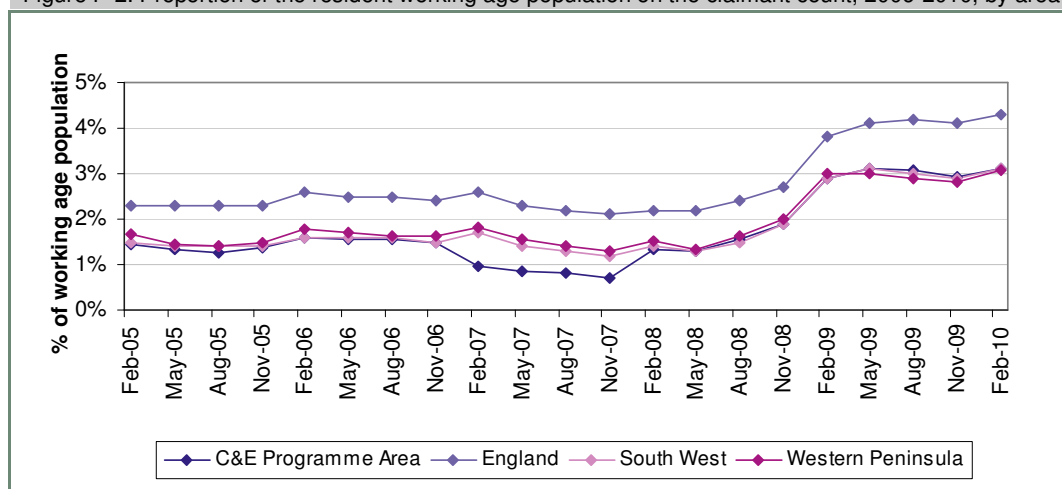
### ***The impact of the recession in the South West and the Competitiveness area***

F.8 The South West Regional Development Agency (2009) sets out that:

*The same loss of confidence and momentum was experienced in South West England [as in the UK]. According to purchasing managers, who tend to look forward more than most, South West England's output and employment expectations started to drop at the same time as the United Kingdom as a whole.<sup>25</sup>*

F.9 Figure F-2 illustrates the proportion of the working age population claiming Job Seekers Allowance (JSA) between February 2005 and February 2010 by area – tracking unemployment through the recession.

Figure F-2: Proportion of the resident working age population on the claimant count, 2006-2010, by area



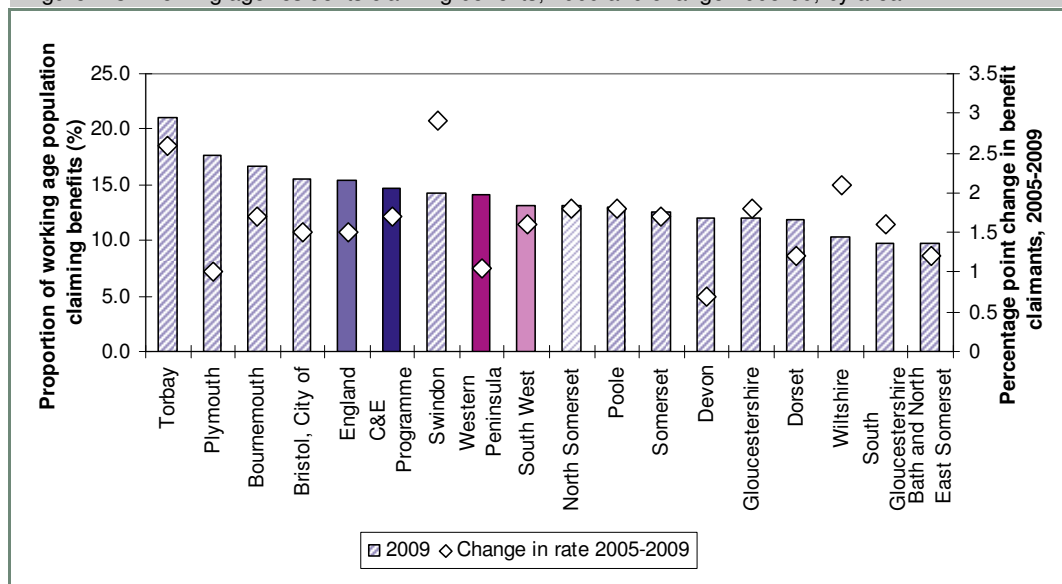
Notes: Rates for 2009 onwards are calculated using the mid-2008 resident working age population.

Source: Claimant Count. Accessed via Nomis

<sup>25</sup> South West Regional Development Agency, 2009, *Regional Economic Profile: Recession Special*

- F.10 Unemployment in the South West by each of the geographies remained fairly constant until mid 2008, before increasing from November 2008. The rate then levelled off between May 2009 and November 2009, before rising again to February 2010 as the recession spread to the real economy. Since February 2008, the unemployment rate has been very similar by each of the geographies of the South West, and has generally mirrored the England pattern. The rate for the Competitiveness programme as a whole did jump up between November 2007 and February 2008.
- F.11 SWRDA's *Regional Economic Profile: Recession Profile*<sup>26</sup> reported that the effects of the recession have spread from the northern arc of the South West throughout the peninsula. However, there remains a great deal of variation in the level of unemployment within areas of the region. In February 2010, the worst hit areas were Torbay (5% of working age residents claiming JSA) and Plymouth (4.2%) in the Western Peninsula, and Swindon (4.6%), Gloucester (4.5%) and Bournemouth (4.2%) in the non-Western Peninsula area. In contrast, Dorset has been less badly hit, with an unemployment rate of 1.8%-1.9% in February 2010.
- F.12 Figure F-3 illustrates the proportion of working age residents claiming all benefits.

Figure F-3: Working age residents claiming benefits, 2009 and change 2005-09, by area



Notes: Figures taken in November each year.

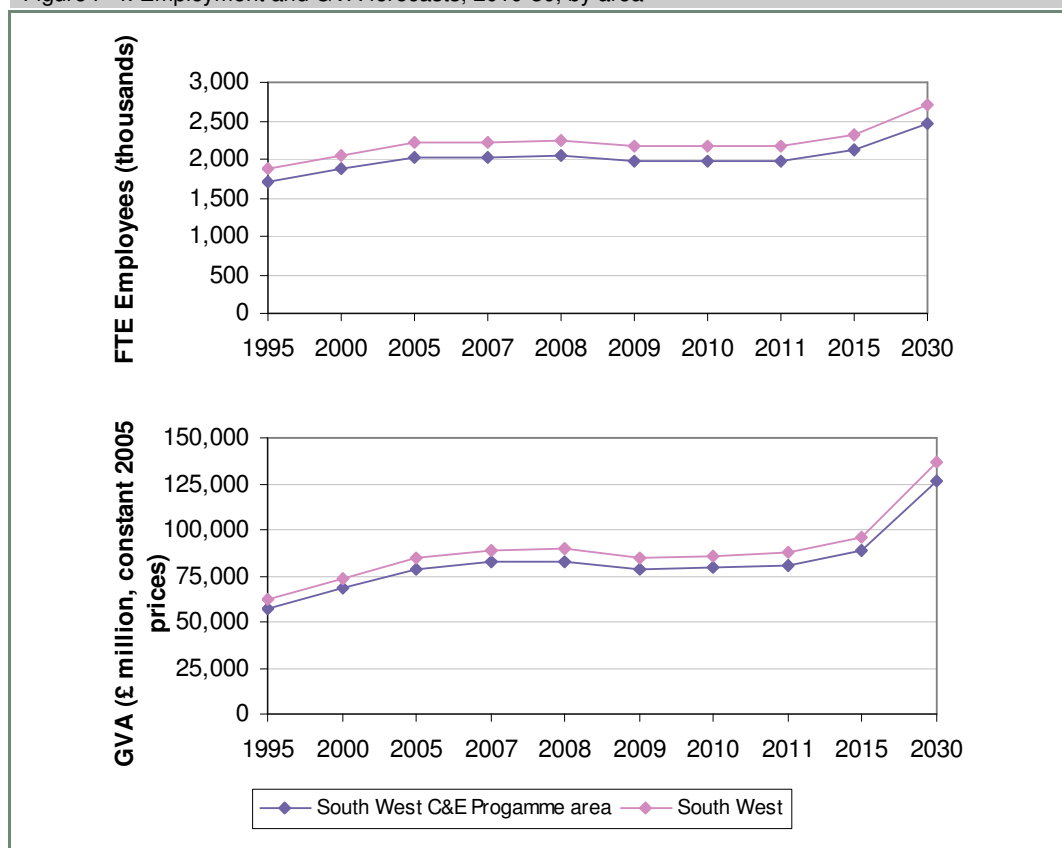
Source: DWP Benefits, Accessed via Nomis

- F.13 In November 2009, a slightly higher proportion of C&E programme area residents were claiming benefits than Western Peninsula residents, although both were below the national average.
- F.14 The urban areas had the highest proportion of residents claiming all benefits (Figure F-3). Swindon and Torbay have experienced particularly large increases in benefit claimants between 2005 and 2009 – an increase of 2.9 percentage points in Swindon and 2.6 percentage points in Torbay. Some parts of the Western Peninsula have fared well – for example the percentage point increase in Devon was only 0.7.

<sup>26</sup> SWRDA, 2009, *Regional Economic Profile: Recession Special*

- F.15 According to the *Regional Economic Profile: Recession Profile*<sup>27</sup>, the South West economy, and employment in particular, are not expected to improve significantly until 'well into 2010'. The Experian forecasts, illustrated in Figure F-4, seem to confirm this.

Figure F-4: Employment and GVA forecasts, 2010-30, by area



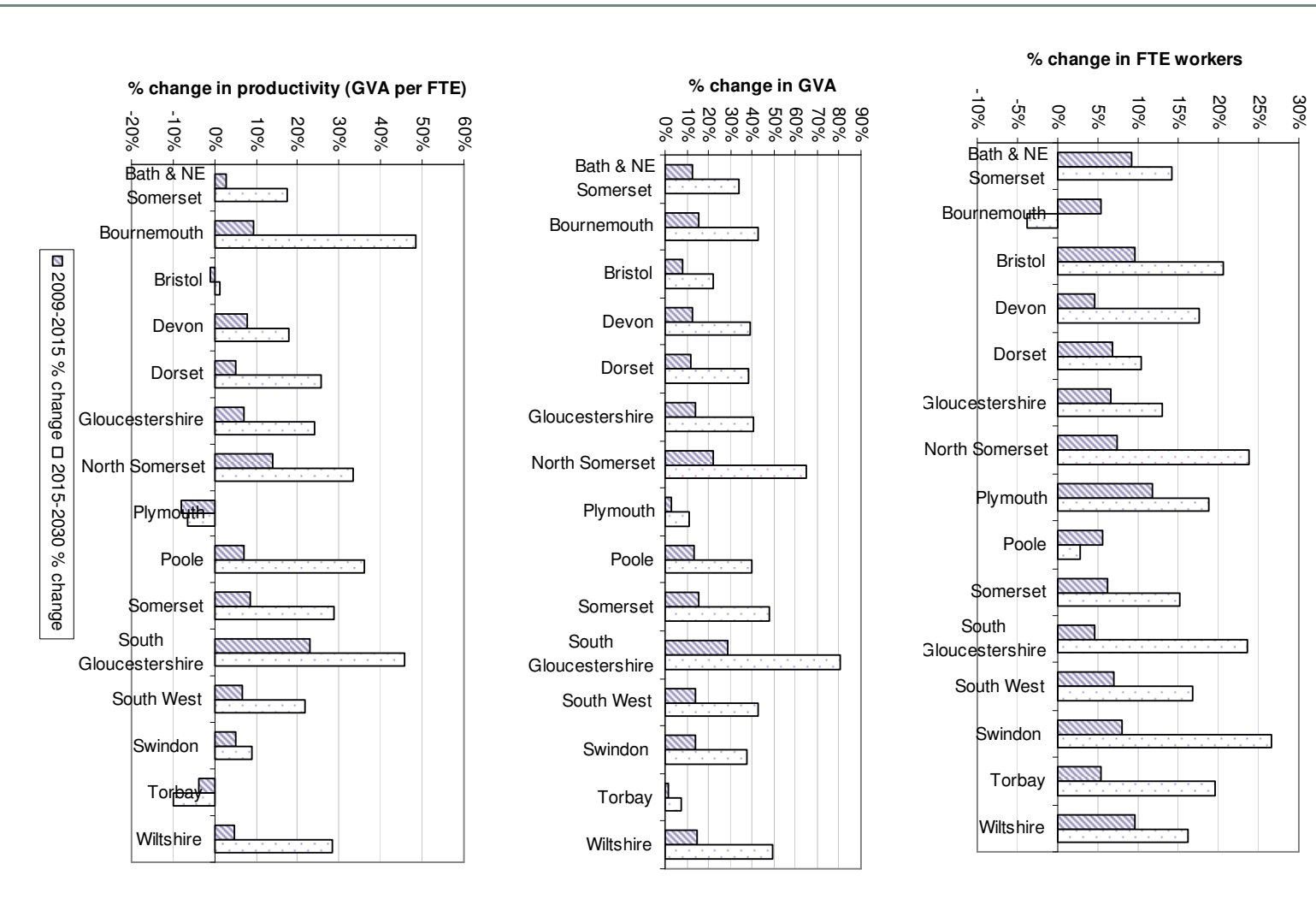
Notes: Projections from Spring 2010

Source: Experian

- F.16 Annual growth rates in FTE workers are forecast to rise slowly between 2010-15 and increase at a faster rate from 2015. GVA is forecast to grow at a faster pace than employment from 2015. The picture varies by local area, as illustrated in Figure F-5.

<sup>27</sup> SWRDA, 2009, *Regional Economic Profile: Recession Special*

Figure F-5: Forecasts of percentage change in FTE workers, GVA and productivity, 2009-2030, by area





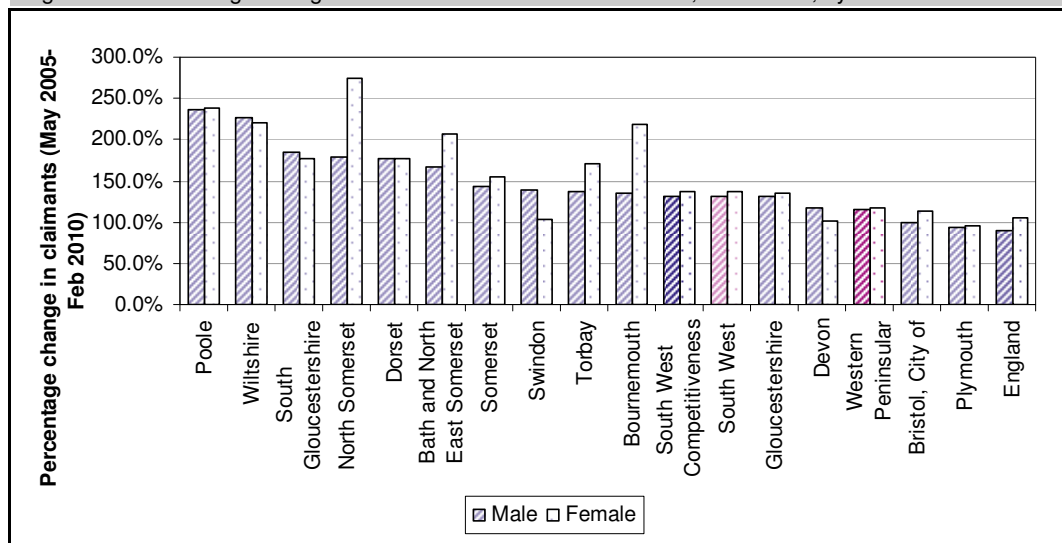
F.17 Key points of interest include:

- The number of FTE workers in Bournemouth is expected to fall by 4% between 2015 and 2030, perhaps as a result of an ageing population and the decline in back-office service functions
- Swindon, North Somerset, South Gloucestershire and Bristol are expected to see increases of FTE workers of 27%, 24%, 24% and 21% respectively in the same period
- Productivity is forecast to fall between 2009-15 and 2015-30 in Plymouth and Torbay, despite increases in FTE workers, and will be stagnant in Bristol. All three areas are priorities for the programme
- Productivity is forecast to increase fastest in the north east counties of the region, including by more than 15% in North Somerset and South Gloucestershire over the next 5 years.

#### Equalities in the recession

F.18 Figure F-6 shows the percentage change in the number of individuals on the claimant count, by gender.

Figure F-6: Percentage change in individuals on the claimant count, 2005-2010, by area



Source: Claimant count. Accessed via Nomis.

F.19 Across most areas in the South West, women do not appear to have been considerably worse (or less badly hit) by the recession than men, apart from in North Somerset, Bournemouth and Bath and North East Somerset.

F.20 Residents aged 18-24 appear to have been worse hit by the recession than the general working age population (and over 50s subgroup), in terms of being unable to find employment. The number of 18-24 year olds on the claimant count in the Competitiveness Programme area increased by 153% between May 2005 and February 2010 – a larger increase than was experienced in the Western Peninsula or in England.

F.21 Table F-1 sets out the number and proportion of working age residents claiming all out of work benefits in November 2009, and how this has changed since November 2005.

Table F-1: Working age residents claiming out of work benefits, 2009 and change 2005-2009, by area								
	Total claimants		Male Claimants		Female Claimants		Under 25s	
	Nov-2009	% change 2005-9	Nov-2009	% change 2005-9	Nov-2009	% change 2005-9	Nov-2009	% change 2005-9
<b>England</b>	<b>1,236,940</b>	<b>77%</b>	<b>901,270</b>	<b>74%</b>	<b>335,670</b>	<b>87%</b>	<b>792,430</b>	<b>37%</b>
<b>South West</b>	<b>85,780</b>	<b>101%</b>	<b>62,810</b>	<b>100%</b>	<b>22,970</b>	<b>104%</b>	<b>62,790</b>	<b>44%</b>
<b>Competitiveness Programme area</b>	<b>76,790</b>	<b>80%</b>	<b>56,270</b>	<b>80%</b>	<b>20,540</b>	<b>83%</b>	<b>55,750</b>	<b>28%</b>
<b>Western Peninsular</b>	<b>22,310</b>	<b>75%</b>	<b>16,390</b>	<b>76%</b>	<b>5,910</b>	<b>71%</b>	<b>18,370</b>	<b>41%</b>
Gloucestershire	10,910	112%	8,040	108%	2,860	123%	6,430	37%
Bristol, City of	10,110	96%	7,490	92%	2,620	106%	7,120	33%
Devon	9,290	71%	6,650	73%	2,640	66%	7,730	40%
Somerset	7,030	112%	5,130	111%	1,910	115%	5,910	52%
Wiltshire	6,410	185%	4,670	188%	1,740	181%	4,450	66%
Plymouth	5,700	71%	4,340	74%	1,360	62%	4,700	31%
Swindon	5,140	153%	3,750	159%	1,400	141%	2,950	57%
Dorset	4,650	100%	3,370	97%	1,280	113%	3,810	48%
Bournemouth	3,740	116%	2,740	103%	990	161%	2,230	46%
Torbay	3,240	76%	2,420	75%	810	76%	2,380	56%
South Gloucestershire	3,210	143%	2,270	136%	950	164%	2,480	59%
North Somerset	2,960	157%	2,170	147%	790	182%	2,210	50%
Bath and North East Somerset	2,230	123%	1,630	114%	600	150%	1,790	57%
Poole	2,170	138%	1,600	132%	570	159%	1,560	43%

*Note: Percentage change calculated between November 2005 and November 2009.*

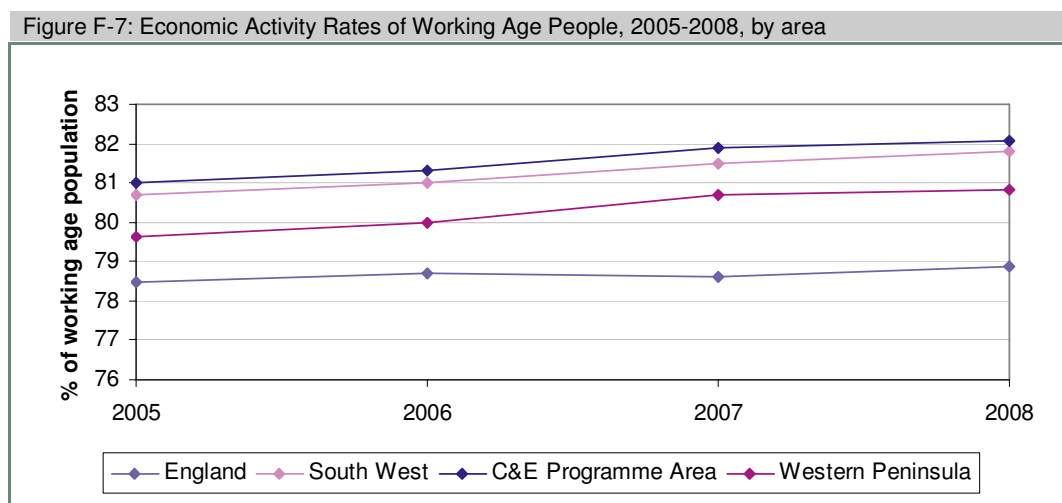
*Source: DWP. Accessed via Nomis*

## Baseline conditions update

### ***Employment and economic activity***

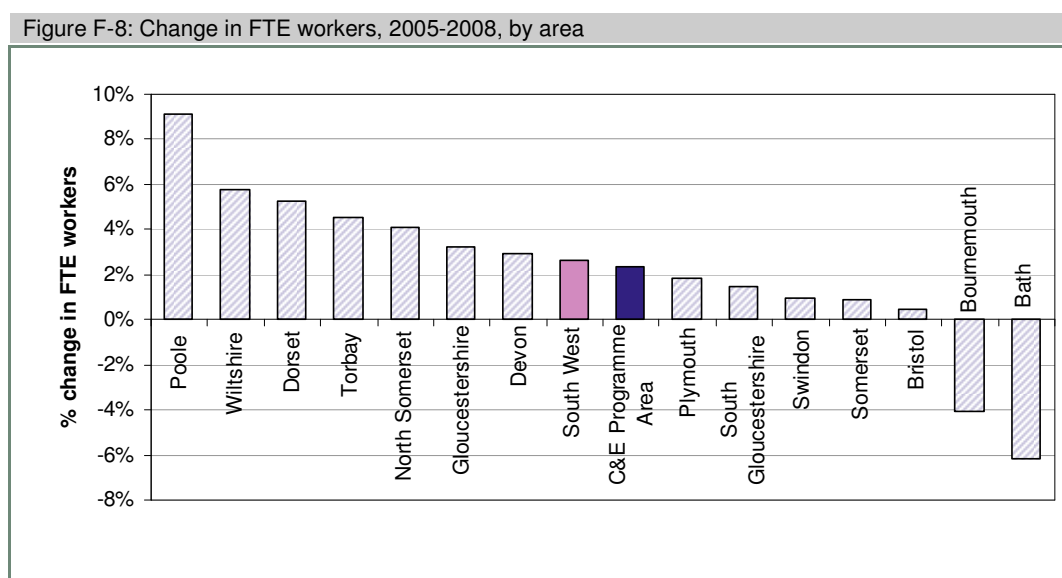
F.22 Employment figures are crucial to our understanding of the labour market in the South West, and to our understanding of the intra-regional disparities. . It is not possible to see the full implications of the recession in data as yet, as often data are only available up to 2008.

F.23 Figure F-7 sets out trends in economic activity since 2005.



F.24 The economic activity rates across the C&E Programme Area and the Western Peninsula have been consistently higher than the English average between 2005 and 2008, with the gap widening slightly over this period. However, there remain disparities across the programme area. Forest of Dean, Bristol, West Somerset and Plymouth had the lowest levels of economic activity in 2008. These areas had amongst the lowest levels of economic activity in 2005. On the other hand, economic activity in Torridge (one of the lowest performing local authorities in 2005) increased by 10.6 percentage points in the period.

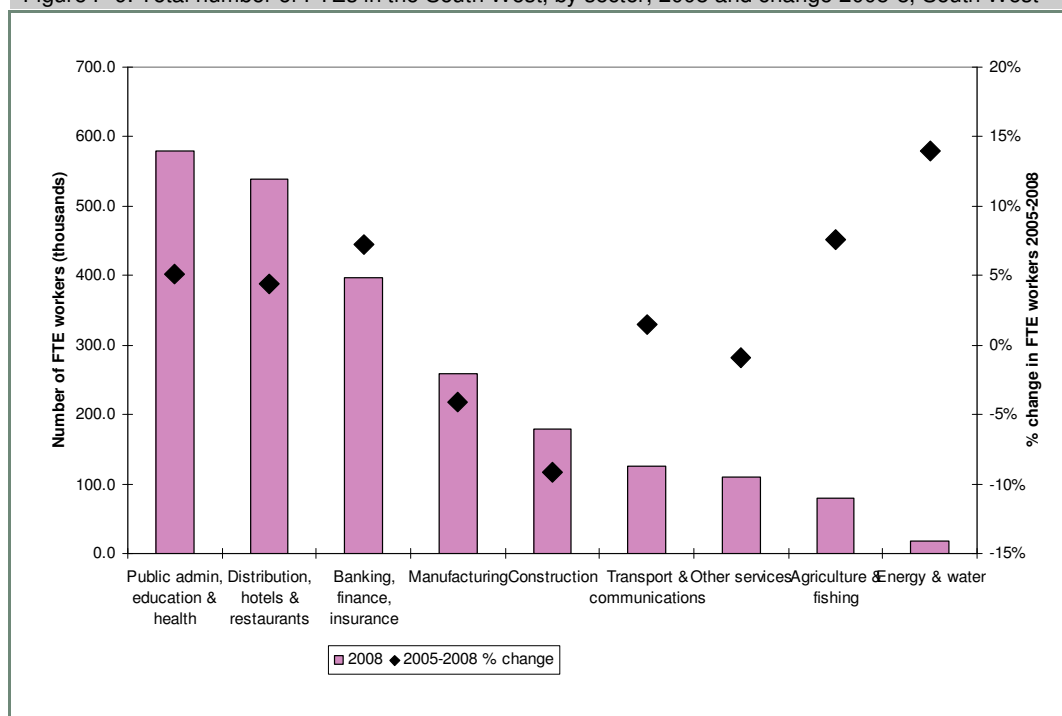
F.25 Figure F-8 sets out the change in FTE workers between 2005 and 2008 (FTE workers includes employees and self-employed). The Western Peninsula geography is not available in the data.



F.26 The majority of upper tier authorities experienced an increase in FTEs, with neighbouring areas Poole, Wiltshire and Dorset leading the way. Bournemouth and Bath saw contractions of 4.1% and 6.2% respectively.

F.27 Figure F-9 provides a sectoral split of FTE workers.

Figure F-9: Total number of FTEs in the South West, by sector, 2008 and change 2005-8, South West



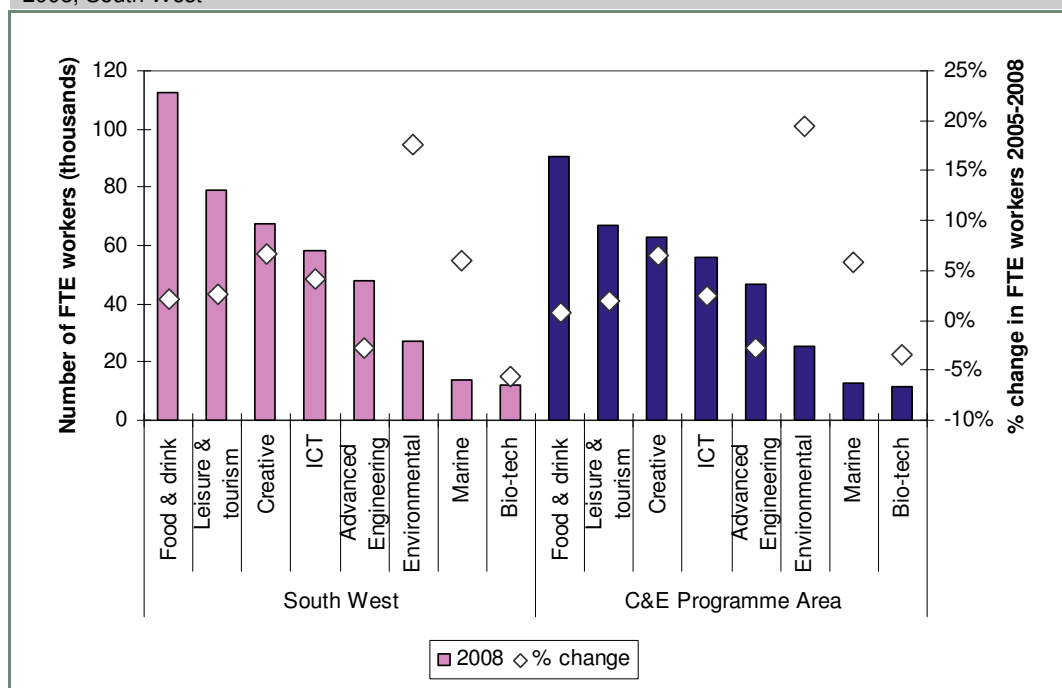
Source: Econ I - South West Regional Accounts Online

F.28 Public administration, education & health and distribution, hotels & restaurants remain the biggest employers in the region, between them employing 49% of FTEs. Employment in the energy and water sector increased by 14% in the period, from employing 15,000 people in 2005 to 17,100 workers in 2008.

F.29 Employment declined in the construction and manufacturing sectors, which employed 9% and 4% less FTEs in 2008 than in 2005. These sectors were hard hit by the recession.

F.30 Figure F-10 provides a break down of FTE workers employed in the RES priority sectors in 2008 and change over the period 2005-08.

Figure F-10: FTE Workers in Regional Development Agency Priority Sectors, 2008 and change 2005-2008, South West

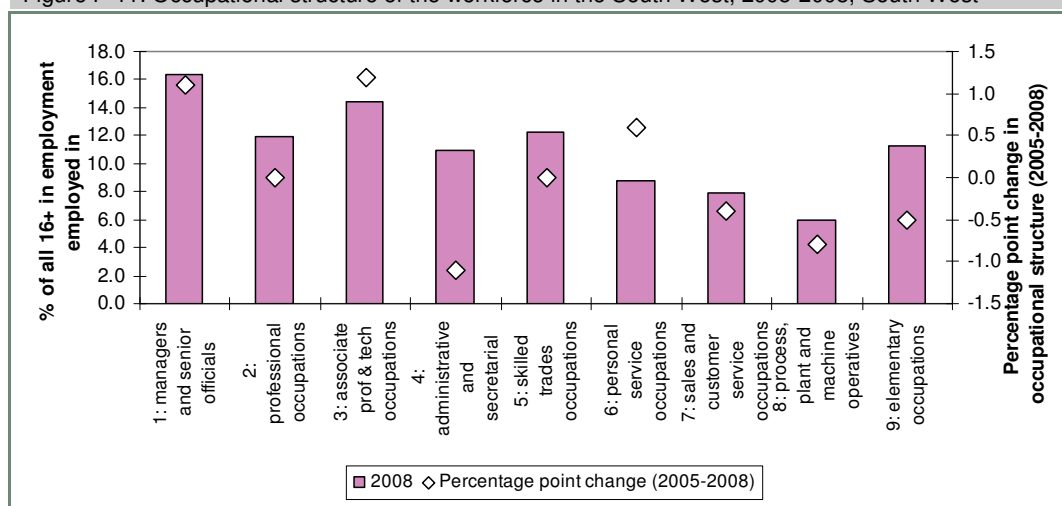


Source: Econ I - South West Regional Accounts Online

F.31 In the C&E area (and the South West region), the largest priority sectors in employment terms remain the food & drink, leisure & tourism and creative sectors – employing 90,700, 67,100 and 62,800 FTE workers respectively. However, the biggest percentage change in employees between 2005 and 2008 was an increase of 19.4% in the environmental sector. The biggest increases in FTE workers in the environmental sector were in Wiltshire (60.0 percentage increase in the period), Dorset (46.2 percentage increase) and Bath (45.5 percentage increase). This is positive given the objectives of the programme to develop the environmental sector.

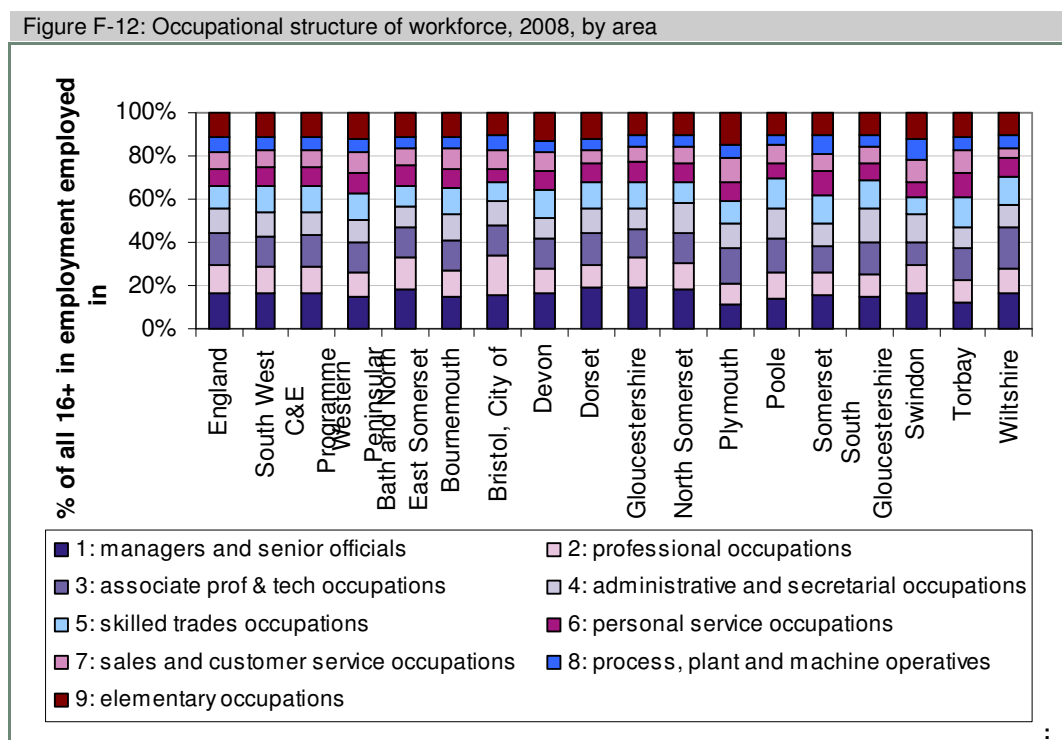
F.32 Figure F-11 sets out the occupational structure of the workforce in the South West.

Figure F-11: Occupational structure of the workforce in the South West, 2005-2008, South West



Source: Annual Population Survey

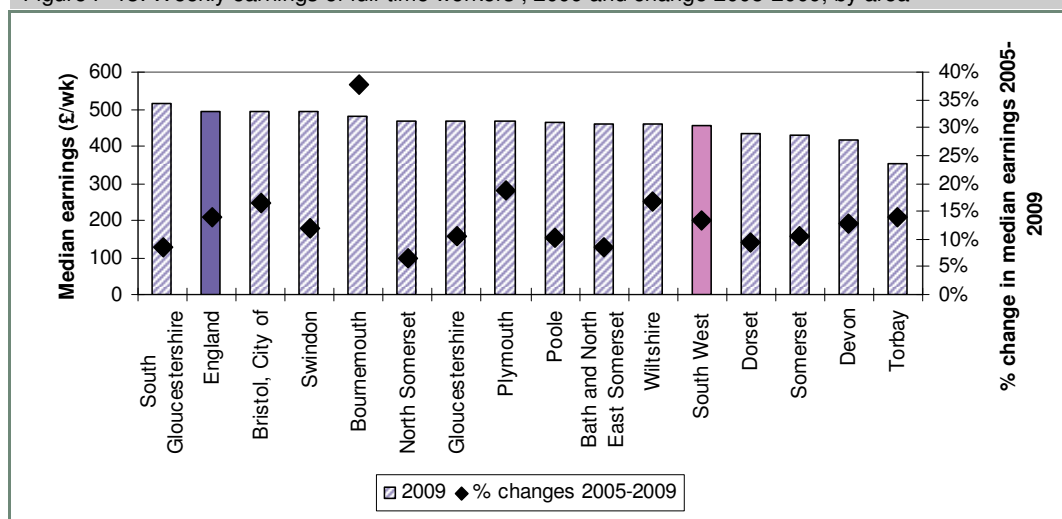
- F.33 Broadly, ‘managers and senior officials’, ‘associate professional and technical’ and ‘skilled trades’ occupations are the most common occupations in the South West, between them employing 43.1% of 16+ employees. With the exception of ‘skilled trades’ occupations, these sectors have become increasingly prominent – with the proportion of the 16+ workforce in managerial and senior official positions increasing by 1.1 percentage points and the proportion in associate professional and technical occupations increasing by 1.2 percentage points between 2005 and 2008. The proportion of 16+ employees in administrative and secretarial occupations and lower skilled occupations has fallen in the same period.
- F.34 The organisational structure does vary across the South West, reflecting the sectoral structure of local economies, as illustrated in Figure F-12.



Source: Annual Population Survey, 2008

- F.35 This shows that Bristol, Wiltshire and Bath & North East Somerset had the highest proportion of the workforce in the higher skilled occupational groups (1-3). Plymouth and Torbay had the lowest proportion of workforce in these occupational groups.
- F.36 Median weekly earnings for 2009 and percentage change in earnings between 2005 and 2009 are set out in Figure F-13.

Figure F-13: Weekly earnings of full-time workers , 2009 and change 2005-2009, by area



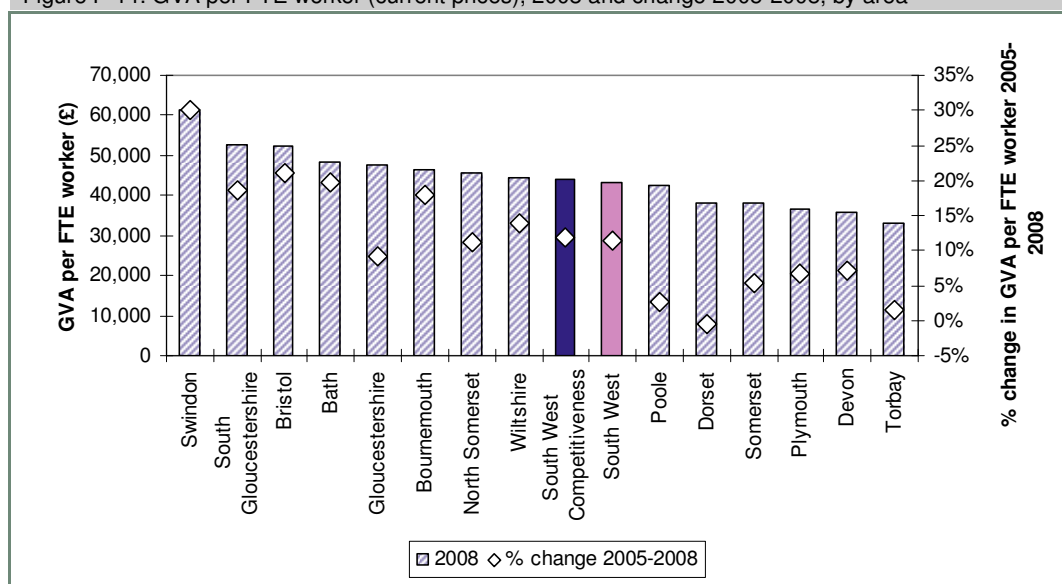
Source: Annual Survey of Hours and Earnings

- F.37 In 2009, median earnings across the C&E Programme Area were lower than in England, with the exception of South Gloucestershire. This is similar to the pattern observed at the time the OP was prepared. In 2009, earnings in Torbay were particularly low; £99.10 lower than the median South West weekly wage, and £140.50 less than the average across England. Bournemouth has seen a jump in the median wage over the period, increasing by nearly 40%.

### Competitiveness

- F.38 Figure F-14 sets out GVA per FTE worker in 2008 (the latest available year) across the C&E area, and illustrates the percentage change since 2005.

Figure F-14: GVA per FTE worker (current prices), 2008 and change 2005-2008, by area



Source: Econ I - South West Regional Accounts Online

- F.39 Although the data will not show the full effects of the recession, the figure shows that GVA per FTE worker continues to vary considerably across the C&E Programme Area. Trends

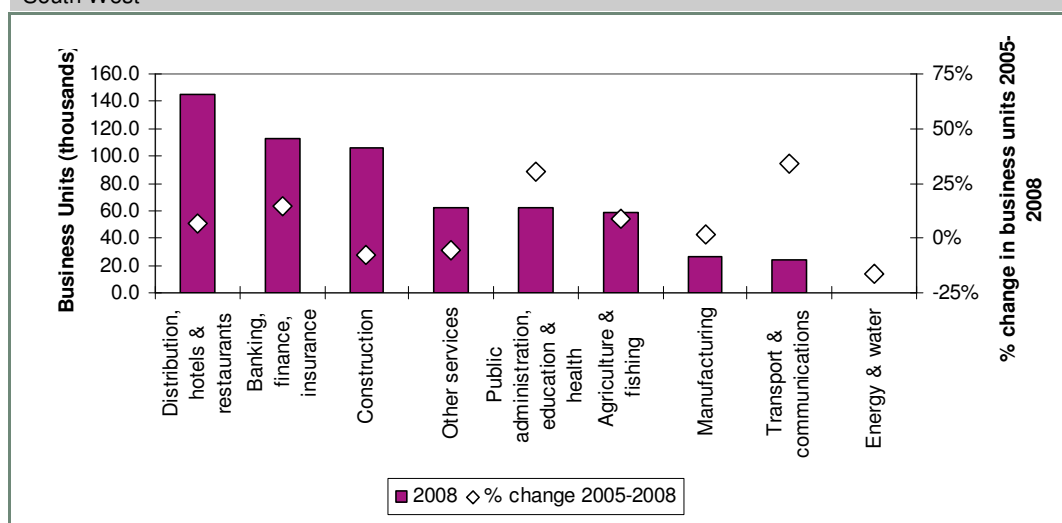
have led the gap in GVA per FTE worker between stronger performing areas and poorer performing areas to increase between 2005 and 2008, with the upper tier authorities with the highest GVA per worker experiencing the highest growth – including Swindon, South Gloucestershire, Bristol and Bath. Torbay, which had the second lowest GVA per worker behind Cornwall in 2005, experienced the lowest growth in GVA per worker over the period and by 2008 had the lowest GVA per worker of £33,000, £11,100 less than the C&E Programme Area.

- F.40 Although *UK Recession Scenarios: Impact on SWE Sectors and Places*<sup>28</sup> reported that South West England was forecasted to experience a decline in GVA in 2009, GVA was expected to recover in the region by 2010, with an annual percentage increase in growth of 1.7 according to the baseline forecast. Counties including Gloucestershire and Dorset were expected to be the worst hit by the recession (with falls of 1.8% and 1.4% in 2009) and the slowest to recover (with increases in GVA of 1.1% in 2010).

### Enterprise

- F.41 The figure below shows the number of business units in the South West by sector in 2008, and the extent to which this has changed from 2005.

Figure F-15: Business Units (including self-employed) in the South West, 2008 and change 2005-2008, South West



Notes: Sectors categorised to provide the best possible match to those used in the Operational Programme 2007-13

Source: Econ 1 - South West Regional Accounts Online

<sup>28</sup> Experian, 2009, *UK Recession Scenarios: Impact on SWE Sectors & Places*



F.42 Table F-2 provides a breakdown of business units by their location in the C&E area.

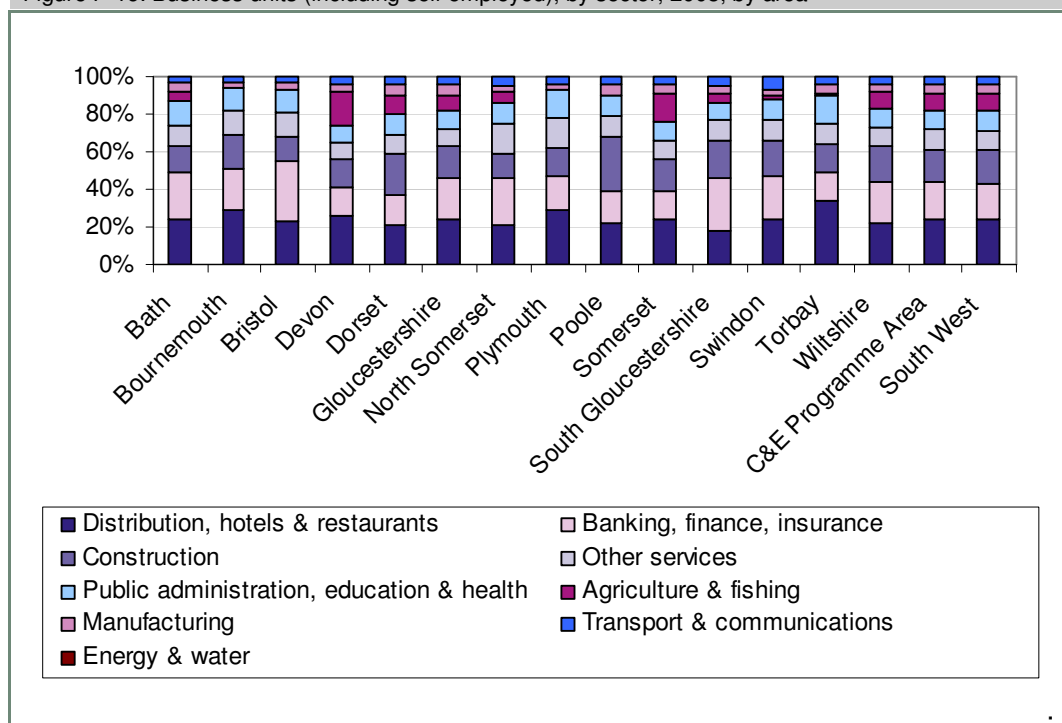
Table F-2: Business Units (including self-employed), 2008, by area	
	2008
Bath	20,000
Bournemouth	16,000
Bristol	40,000
Devon	99,000
Dorset	51,000
Gloucestershire	72,000
North Somerset	22,000
Plymouth	19,000
Poole	16,000
Somerset	64,000
South Gloucestershire	27,000
Swindon	15,000
Torbay	13,000
Wiltshire	53,000
C&E area	527,000
South West	597,000

*Source: Econ I - South West Regional Accounts Online*

- F.43 The recession is expected to affect sectors differently, according to the *UK Recession Scenarios: Impact on SWE Sectors and Places*<sup>29</sup>, although the ‘baseline’, ‘worse’ and ‘adverse’ scenarios show different effects. In terms of sectors, the baseline forecast shows the biggest decline in construction (6.1% in 2009), utilities (5.7%), other manufacturing (3.8%) and then transport equipment (1.6%), distribution (1.6%) and financial sector. The ‘worse’ scenario suggests that other sectors including private and public administration will also be hit, while the ‘adverse’ scenario would leaves virtually all sectors affected by the downturn.
- F.44 The number of business units has varied across sectors. From 2005-2008, the number of business units in transport and communications and public administration, education and health increased by in excess of 30%, while banking and finance increased by approximately 15%. The number of business units in constructions and other services declined.
- F.45 Figure F-16 illustrates the extent to which counties and unitary authorities in the South West had differing proportions of business units in different sectors in 2008.

<sup>29</sup> Experian, 2009, *UK Recession Scenarios: Impact on SWE Sectors & Places*

Figure F-16: Business units (including self employed), by sector, 2008, by area

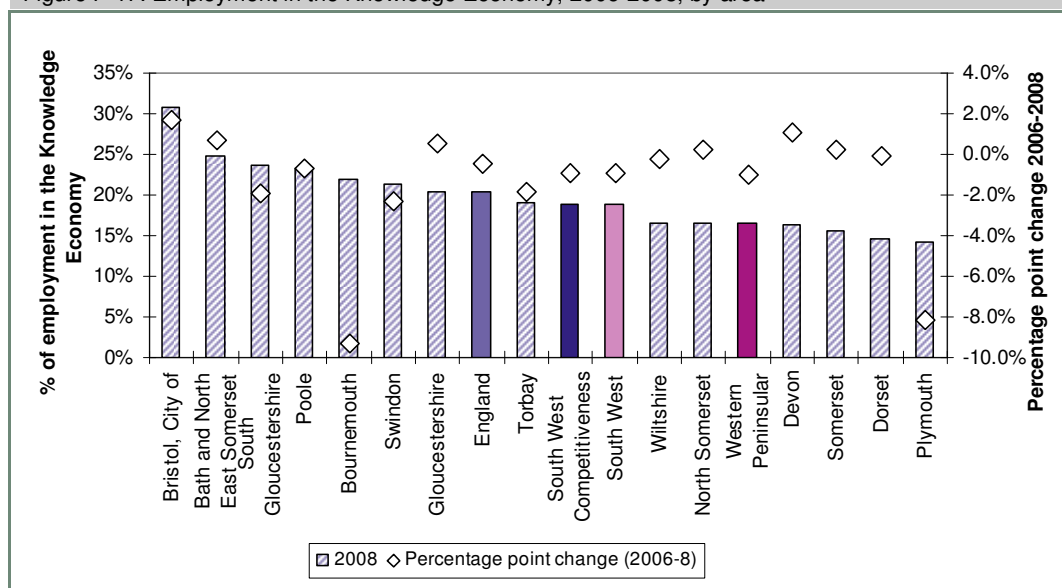


Notes: Sectors categorised to provide the best possible match to those used in the Operational Programme 2007-13  
Source: Econ 1 - South West Regional Accounts Online

- F.46 Banking, finance & insurance is well represented in Bristol (31.7% of Bristol's business units) and South Gloucestershire in particular, with relatively low proportions in Torbay, Devon and Somerset. In Devon, 18.1% of business units were in the 'agriculture and fishing' sectors.
- F.47 Figure F-17 illustrates the proportion of all employment that is in knowledge-based industries<sup>30</sup> in 2008 and change between 2006 and 2008 (it is not possible to compare data prior to 2006 because of discontinuities in data).

<sup>30</sup> For the purpose of this study, the definition of knowledge-based industries used is taken from SWRDA, 2005, *The Knowledge-Driven Economy, Regional Economic Strategy and Regional Spatial Strategy in the South West of England*. The definition was derived from OECD (2003).

Figure F-17: Employment in the Knowledge Economy, 2006-2008, by area



Source: Annual Business Enquiry, Employee Analysis

F.48 Table F-3 provides a breakdown of employment in the knowledge economy in the South West in 2008.

Table F-3: Employment in the Knowledge Economy, 2008 and change 2006-2008, by area

	2008			2006-2008
	Employment in the knowledge economy	All employment	% of employment in the Knowledge Economy	Percentage point change in the proportion of employment in the Knowledge Economy
England	4,710,653	23,073,713	20.4%	-0.5%
South West	424,210	2,240,625	18.9%	-0.9%
South West Competitiveness Programme area	424,153	2,239,450	18.9%	-0.9%
Western Peninsular	95,755	580,136	16.5%	-1.0%
Bath and North East Somerset	19,329	78,139	24.7%	0.7%
Bournemouth	16,613	76,053	21.8%	-9.3%
Bristol, City of	71,411	231,502	30.8%	1.7%
Devon	48,212	293,680	16.4%	1.1%
Dorset	22,159	152,611	14.5%	0.0%
Gloucestershire	51,528	251,668	20.5%	0.6%
North Somerset	12,290	74,301	16.5%	0.2%
Plymouth	15,307	106,949	14.3%	-8.1%

	2008			2006-2008
	Employment in the knowledge economy	All employment	% of employment in the Knowledge Economy	Percentage point change in the proportion of employment in the Knowledge Economy
Poole	16,639	71,802	23.2%	-0.7%
Somerset	33,081	211,507	15.6%	0.2%
South Gloucestershire	32,547	137,159	23.7%	-1.9%
Swindon	23,665	110,449	21.4%	-2.3%
Torbay	9,066	47,571	19.1%	-1.8%
Wiltshire	29,715	179,038	16.6%	-0.2%

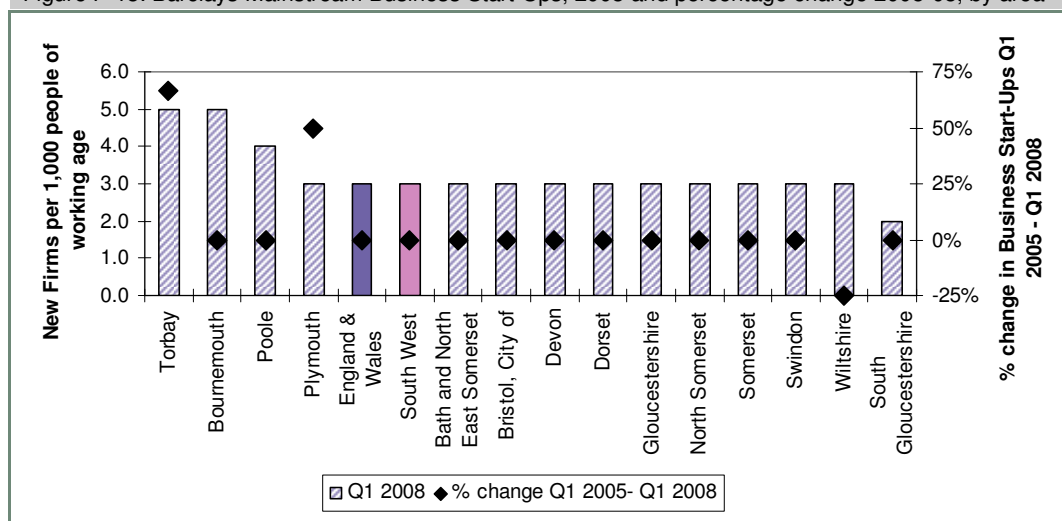
Source: Annual Business Enquiry, Employee Analysis

F.49 Key points of interest include:

- Bristol is the leading knowledge intensive economy, with over 30% of all employment in knowledge-based industries
- Seven other authorities in the C&E programme area have a higher proportion of employment in the knowledge-based industries than the South West, all in the north and east of the region aside from Torbay
- However, of these areas, around one half experienced a fall in knowledge economy employment between 2006 and 2008, with a fall of -10% in Bournemouth
- The Western Peninsula area has a lower proportion of employment in knowledge intensive industries. Plymouth experienced an eight percentage point fall in the proportion of employment in knowledge-based industries between 2006 and 2008, to 14%.

F.50 Barclays' data on UK business start-ups, measures bank account openings, and as such provides an indication of business start-ups. Figure F-18 illustrates new firms starting up per 1,000 people of working age, and the extent to which this ratio has changed since quarter 1 of 2005.

Figure F-18: Barclays Mainstream Business Start-Ups, 2008 and percentage change 2005-08, by area



Source: Barclays

- F.51 In Quarter 1 of 2008, Torbay, Bournemouth and Poole had a greater number of new firms per 1,000 people of working age than the average across England and Wales. For the majority of areas, there has been no change in the business start up rate in 2005 and 2008, aside from an increase in Torbay and Plymouth and a fall of 25% in Wiltshire.
- F.52 Table F-4 sets out the number of VAT de-registrations which provides an indication of the number of businesses deregistering from VAT due to closure, although in a minority of cases businesses deregister because turnover has fallen below the registration threshold. The table also shows 'net change'. Where there is positive net change, more firms have registered for VAT than have deregistered, indicating a growth in the business stock.

Table F-4: VAT De-registrations, 2005-2007, by area

Area	2005		2006		2007	
	De-registrations	Net change	De-registrations	Net change	De-registrations	Net change
England	124,945	+34610	126,185	+33150	128,800	+51105
South West	11,955	+3420	12,295	+3210	12,540	+4480
C&E Programme Area	10,775	+3160	11,080	+2850	11,285	+4170
Western Peninsula	3,155	+740	3,255	+625	3,385	+700
Bath and North East Somerset	425	+150	425	+120	425	+130
Bournemouth	420	+125	450	+160	450	+165
Bristol, City of	900	+370	920	+365	1,005	+535
Devon	1,840	+435	1,895	+360	2,010	+320
Dorset	1,075	+145	995	+235	975	+310
Gloucestershire	1,495	+440	1,565	+395	1,535	+575

Area	2005		2006		2007	
	De-registrations	Net change	De-registrations	Net change	De-registrations	Net change
North Somerset	415	+185	470	+145	465	+215
Plymouth	340	+105	330	+155	335	+215
Poole	360	+90	360	+120	390	+150
Somerset	1,195	+355	1,280	+265	1,345	+335
South Gloucestershire	495	+190	555	+105	565	+330
Swindon	375	+185	365	+135	365	+290
Torbay	270	+45	310	0	275	+40
Wiltshire	1,170	+340	1,160	+290	1,145	+560

Notes: Net change is the net gain or loss in the stock of registered enterprises each year – equal to registrations minus de-registrations.

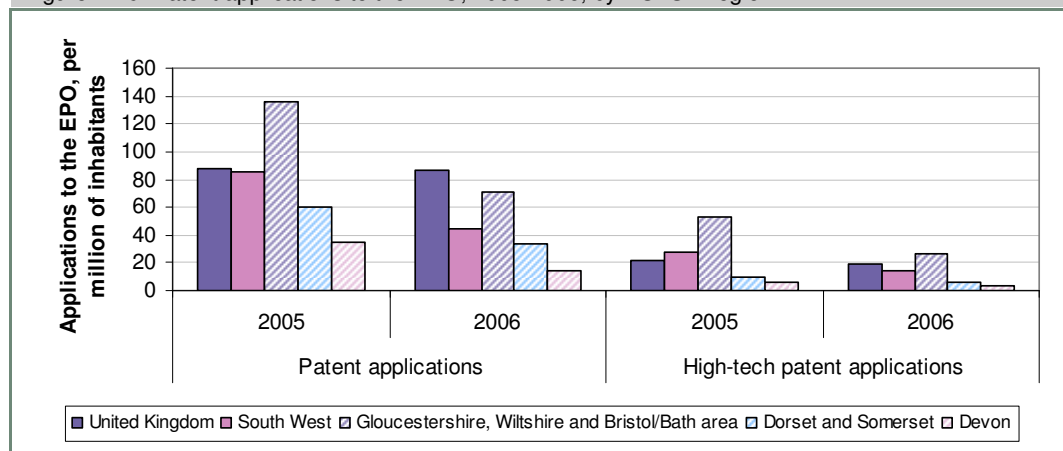
Source: VAT Registrations/De-registrations, Nomis

- F.53 The net change was higher in 2007 than in 2005 in the C&E area, but stayed broadly the same in the Western Peninsula at +700. Bristol, Gloucestershire and Wiltshire had the highest net change in 2007 of over +500, and Torbay the lowest at only +40. Areas with the highest net change tend to also have the highest number of de-registrations, indicating the entrepreneurship in these areas.

### Innovation

- F.54 Innovation is a key enabling force of improved economic performance. Figure F-19 sets out the number of patent applications as a proportion of the number of inhabitants, both in terms of total patent applications and high-tech applications.

Figure F-19: Patent applications to the EPO, 2005-2006, by NUTS 2 region



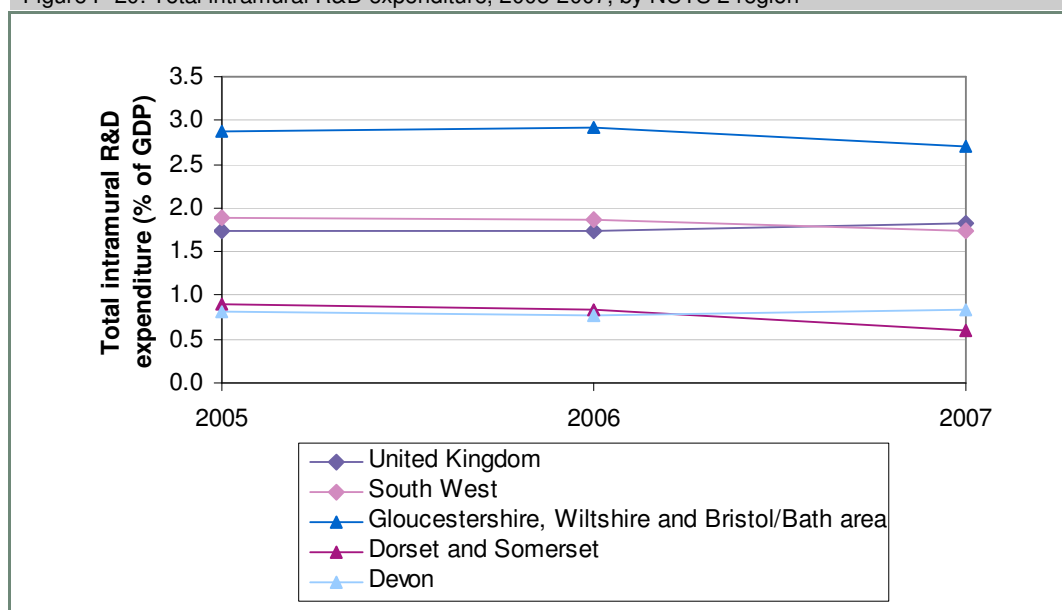
Notes: 2006 figures are provisional values

Source: Eurostat

F.55 The South West experienced a substantial fall in patent applications to the EPO per million of inhabitants from 2005-2006, both in terms of high-tech and all patent applications. Patent applications in the Gloucestershire, Wiltshire and Bristol/Bath NUTS area fell by 136.5 applications per million of inhabitants in 2005 (48.5 more applications per million inhabitants than across the UK) to 70.4 (16.1 less applications per million inhabitants than across the UK) in 2006. Patent applications per million inhabitants in Devon fell by 20.3 to 14.9 in 2006 – below the level of applications in Cornwall and the Isles of Scilly. It is too early to see the extent to which the C&E Programme affects innovation in the Programme Area.

F.56 Total intramural R&D expenditure includes all expenditures for research and development performed in the area, regardless of whether the source of funds came from within or outside the area. Figure F-20 shows total intramural R&D expenditure between 2005 and 2007.

Figure F-20: Total intramural R&D expenditure, 2005-2007, by NUTS 2 region

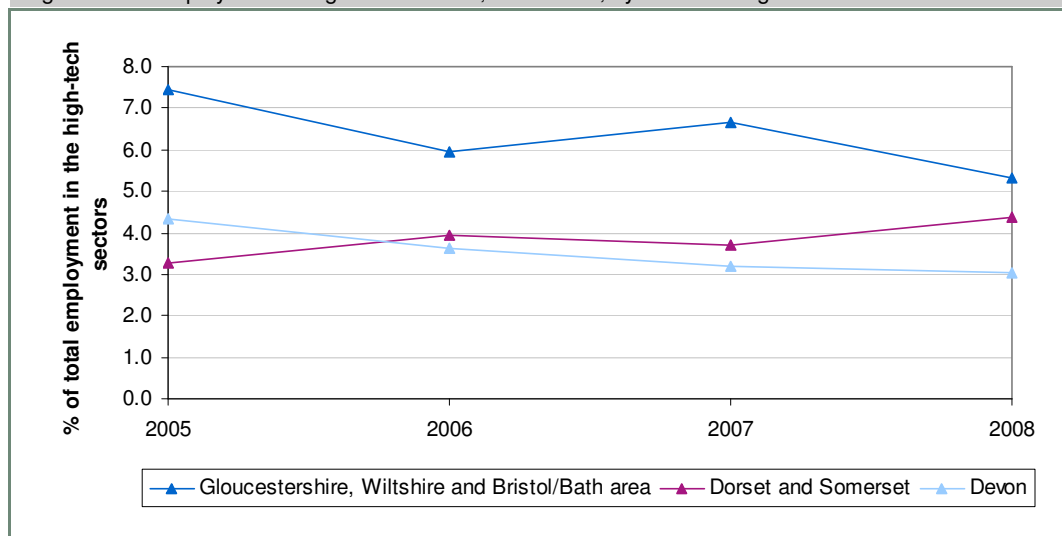


Notes: Figures are all estimates, aside from the UK figure.  
Source: Eurostat

F.57 Total intramural R&D expenditure as a proportion of GDP in the South West fell marginally between 2005 and 2007. However, R&D expenditure within the Gloucestershire, Wiltshire and Bristol/Bath area has remained considerably higher at between 2.5-3.0%. In contrast, levels of R&D expenditure in Dorset and Somerset and Devon remained substantially lower. It is too early to see the effects of the C&E Programme and the recession within these figures.

F.58 Figure F-21 illustrates employment in high-tech sectors.

Figure F-21: Employment in high-tech sectors, 2005-2008, by NUTS 2 Region



Notes: There was a break in the series at 2006.

Source: Eurostat

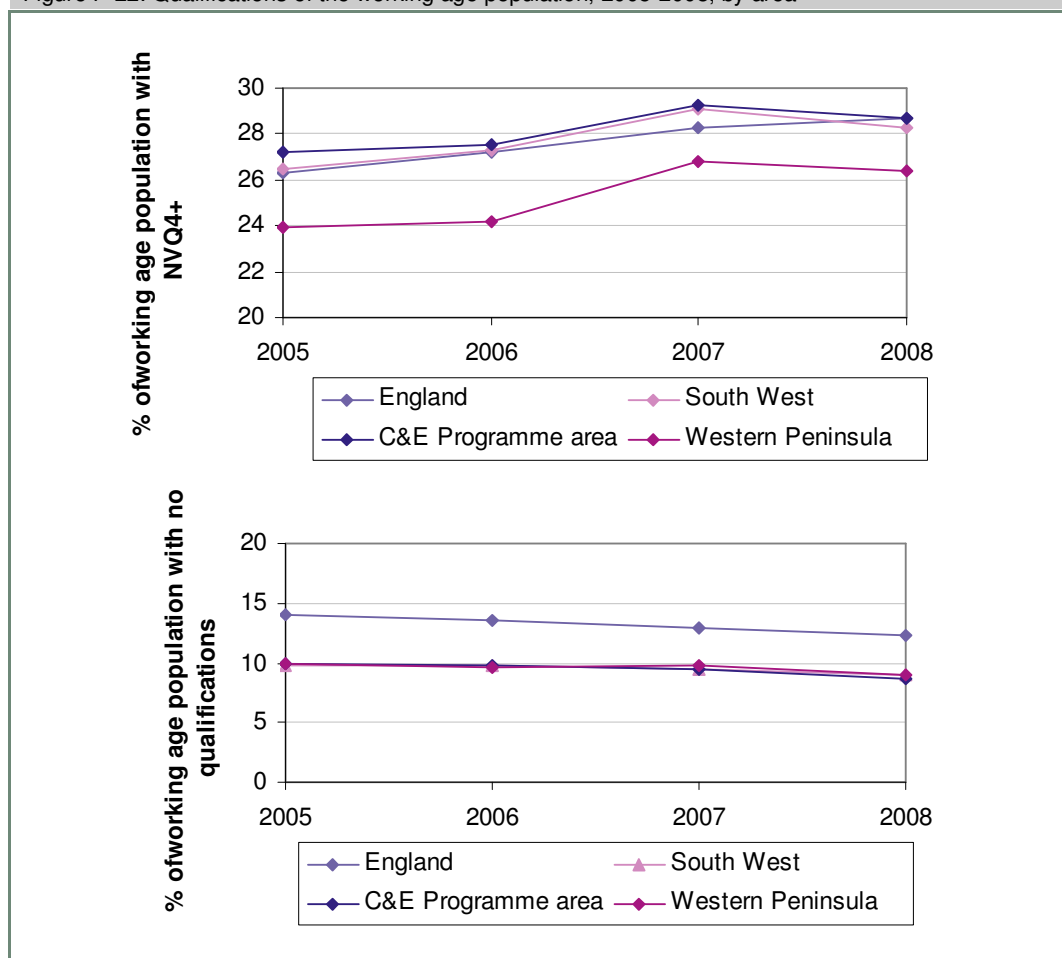
F.59 Although there was a break in the series in 2006, the gap between high-tech employment in the North and East of the region and some parts of the South and West appears to have narrowed (Figure F-21). Dorset and Somerset experienced a 1.1 percentage point increase in employment in the high-tech sectors (as a proportion of all employment) between 2005 and 2008, while Gloucestershire, Wiltshire and Bristol/Bath has experienced falling high-tech employment in the same period. Devon has experienced a fall in the proportion of employment in the high tech sectors by 1.3 percentage points. As such, Devon continued to lag behind the other NUTS 2 sub-regions in terms of high-tech employment.

### Skills

F.60 The proportion of the working age population with no qualifications or NVQ4+ is set out in Figure F-22.



Figure F-22: Qualifications of the working age population, 2005-2008, by area



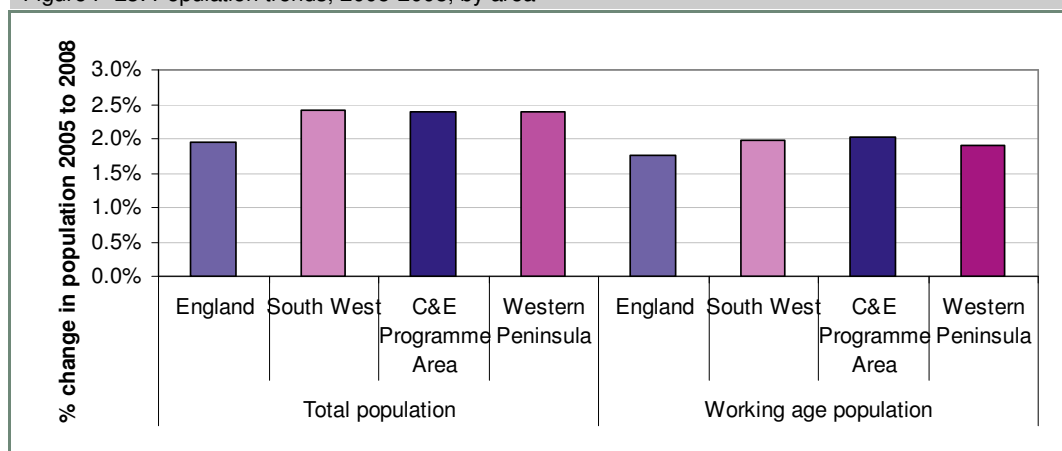
Source: Annual Population Survey

- F.61 Skills levels of the working age population in the C&E Programme area have increased between 2005 and 2008; with a 1.4 percentage point increase in the proportion of the working age population with NVQ4+ and a decline in the proportion with no qualifications from 9.9% in 2005 to 8.7% in 2008. The high level skills gap between the C&E Programme Area and the Western Peninsula has narrowed in the period, as the proportion of the working age population with NVQ4+ in the Western Peninsula has increased by 2.4 percentage points (a bigger increase than the 1.4 percentage point increase in the C&E Programme Area).

### Demography

- F.62 In 2008, the population of the Competitiveness area was 4.7 million, with just over 60% of residents of working age. Figure F-23 illustrates population trends by area between 2005 and 2008.

Figure F-23: Population trends, 2005-2008, by area



Source: ONS Mid year population estimates

- F.63 The population in the C&E Programme Area has grown by 2.4% between 2005 and 2008, with a growth in the working age population of 2.0%. This marginally exceeds the rate of growth experienced within the Western Peninsula, and exceeds population growth in England, both in terms of the total and working age populations. Population growth has been uneven across the Programme Area - the cities of Exeter and Bristol have seen the biggest growth in the working age population of 7.7% and 5.7% respectively. Other areas including West Somerset, Weymouth and Portland, East Dorset and Forest of Dean have all experienced a decline in their working age population in excess of 1%.

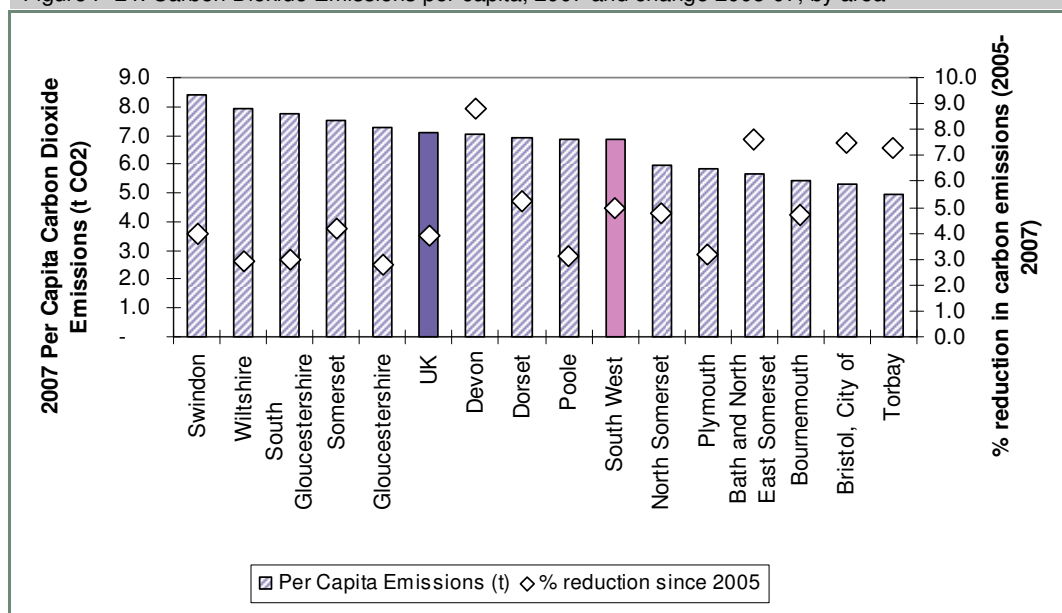
### Environment

- F.64 Carbon dioxide emissions account for about 85% of UK greenhouse gas emissions<sup>31</sup>, and as such the reduction of carbon dioxide emissions is core to meeting emissions targets.<sup>32</sup> The table below illustrates the current levels (2007) of per capita carbon dioxide emissions, and the percentage reduction in carbon emissions between 2005 and 2007.

<sup>31</sup> South West Observatory, 2010, *State of the South West*

<sup>32</sup> The UK is committed to an 20% reduction in greenhouse gas emissions by 2050.

Figure F-24: Carbon Dioxide Emissions per capita, 2007 and change 2005-07, by area



Source: Department of Energy and Climate Change, 2007

- F.65 Currently, the areas with the lower levels of per capita carbon dioxide emissions (such as Torbay, Bristol and Bath & North East Somerset) have seen amongst the highest carbon emissions reductions between 2005 and 2007. Devon has also experienced a high proportional reduction in emissions of 8.8% since 2005.

## Summary of key findings

Table F-5: Key messages from update to baseline conditions

Indicator (source)	Baseline conditions update
Economic activity (Annual Population Survey)	<p>Economic activity for SW region, C&amp;E area and WP has remained consistently above England average, 2005-08, and C&amp;E area has remained above WP with no change in pattern</p> <p>Forest of Dean, Bristol, West Somerset and Plymouth had lowest activity rates in 2008, and had some of the lowest activity rates in 2005</p>
FTE workers – employees and self-employed (Econ-I)	<p>All bar two upper tier authorities in C&amp;E had positive change in FTE workers 2005-08</p> <p>Poole, Wiltshire, Dorset had highest percent increases, Torbay also had +4% growth. But there was negative growth in Bournemouth (-4%) and B&amp;NES (-6%)</p>
FTE workers by sector (Econ-I)	<p>Public admin, education &amp; health and distribution, hotels &amp; restaurants remain largest sectors regionally, employing 49% of FTEs in 2008</p> <p>2005-08, growth of around 7% in banking, finance &amp; insurance but employment in other services stagnated</p> <p>Over same period, sharp falls in employment in manufacturing (-4%) and construction (-9%)</p>
FTE workers in RES priority sectors (Econ-I)	<p>Largest priority sectors in C&amp;E area in 2008 remained food &amp; drink and leisure &amp; tourism, but these sectors grew slowly 2005-08</p> <p>Strongest growth 2005-08 in environmental sector (+20%), driven by employment gains in Wiltshire, Dorset and Bath &amp; North East Somerset (all +45% increase)</p> <p>Positive growth also in creative sector (+6%) and marine sector (+5%) but advanced engineering declined</p>

Indicator (source)	Baseline conditions update
Occupational structure (Annual Population Survey)	Across SW, growth in percent of workers employed in higher skilled occupational groups 2005-08 and negative growth in lower skilled occupational groups  Highest proportion of workers employed in higher skilled occupations in north east of C&E region, continuing previous trends, and remain particularly low in Plymouth and Torbay
Median earnings (Annual Survey of Hours and Earnings)	In 2009, median earnings of upper tier authorities in C&E area remained below the English average, aside from South Gloucestershire  Torbay, Devon, Somerset and Dorset remain below SW average. Bournemouth saw 40% increase in median earnings, 2005-09
Productivity - GVA per FTE worker (Econ-I)	Gap grew in GVA per worker between stronger performing north and east of C&E area and weaker performing west over 2005-08  Upper tier authorities within WP area experienced lower percentage increase in GVA per FTE worker 2005-08
Business units (including self-employed) (Econ-I)	Across region, number of units in banking & finance increased by 15% 2005-08, with growth also of +30% in public admin, education and health units  Higher value added sectors continue to be more prevalent in north and east of region
Employment in knowledge-based industries (Annual Business Inquiry)	Continuation of past trends, with higher proportion of employment in knowledge-based industries in 2008 in north and east of region.  However, most upper tier authorities in C&E area experienced negative growth in employment in knowledge-based industries, including a fall of -10% in Bournemouth
Innovation – patent applications (Eurostat)	Data are only available for 2005 and 2006 and by sub-regions of the C&E area  This showed a fall in all patent applications and high-tech applications per million of inhabitants
Innovation – R&D expenditure (Eurostat)	R&D expenditure as a proportion of GDP fell in the South West marginally between 2005 and 2007.  Expenditure remains higher in Gloucestershire, Wiltshire and Bristol/ Bath than in other sub-regions of the C&E area
Skills (Annual Population Survey)	Working age population in C&E area is becoming higher skilled, with increase in residents with NVQ4+ qualification over 2005-08  Gap in proportion of working age population with NVQ4+ closed slightly between C&E area and WP
Carbon emissions per capita (Department of Energy and Climate Change)	Upper tier authorities with lowest carbon dioxide emissions per capita in 2007 experienced higher rates of reduction in carbon dioxide emissions per capita over 2005-07  Strongest performance in Torbay, Bristol, Bournemouth and Bath and North East Somerset
Unemployment by group (Nomis)	Across most areas of the region, women do not appear to have been considerably worse (or less badly hit) by the recession than men.  Residents aged 18-24 appear to have been worse hit by the recession than the general working age population (and over 50s subgroup). The number of 18-24 year olds on the claimant count in the C&E area increased by 153% between May 2005 and February 2010.
Claiming all out of work benefits (Department for Work and Pensions)	Sharp increase in number of working age residents claiming all out of work benefits, increasing by 100% across region  Upper tier authorities in the north and east of the region particularly hit. Gloucestershire and Bristol contained most number of claimants in November 2009.

*Source: See annex F for sources and full review of update to baseline conditions*

## Annex G: Case Study Reports

### PRIMaRE Case Study

#### Introduction

- G.1 This section of the annex presents the findings of a case study undertaken of the ERDF Competitiveness funded Peninsula Institute for Marine Renewable Energy (PRIMaRE) project (Priority Axis 1).

#### Project details

Table G-1: Summary of project details

<b>Name of Project</b>	<b>The Peninsula Institute for Marine Renewable Energy (PRIMaRE)</b>
<b>Status (commissioned/endorsed/contracted)</b>	Contracted
<b>Amount ERDF allocated £</b>	1,145,000
<b>Amount ERDF spent £</b>	355,851
<b>Match allocated £ (SWRDA &amp; Universities)</b>	1,144,999
<b>Match spent £</b>	355,851
<b>Priority Axis</b>	Priority Axis 1
<b>Project description</b>	<p>The Peninsula Research Institute for Marine Renewable Energy (PRIMaRE) is a response from the Universities of Exeter and Plymouth to the challenges facing businesses involved in marine renewable energy and in support of Wave Hub, the South West of England's £42 million development centre for testing of wave energy device arrays.</p> <p>PRIMaRE has brought together a team of international researchers and world class facilities to accelerate the development of technology and address the most critical challenges facing the marine renewable energy industry.</p> <p>PRIMaRE collaborates with industry to support research and development activity across a number of areas, for example, design, engineering, environmental impact and grid connection, and conducts research in six main areas: Resource Characterisation; Marine; Renewable Energy Systems; Environmental and Biodiversity Impacts; Safe Operations and Navigational Risk; Underwater and Surface Electrical Systems; Socio-Economic Factors.</p>
<b>Intended/actual start date</b>	1 <sup>st</sup> July 2007
<b>Intended/actual completion date</b>	30 <sup>th</sup> September 2011

Source: SQW Consulting

#### Rationale and objectives

- G.2 The Peninsula Research Institute for Marine Renewable Energy (PRIMaRE) is a collaboration between the University of Exeter and the University of Plymouth. It is a virtual institute with staff based across both universities (the University of Plymouth manages the project). The purpose of the project is to broaden the academic base in the two universities to establish a

robust, interdisciplinary knowledge base, underpinning the emerging marine energy sector across the region (including supporting the ERDF Convergence funded Wave Hub installation in Cornwall).

- G.3 The rationale for the project is to support the commercialisation of marine technology as a renewable energy source. The nature of the support includes the physical development of devices, improved wave modelling capacity and research to understand the impact on marine environments including marine animals, other users of the oceans and the shoreline. PRIMaRE collaborates with industry to support research and development activity across a number of areas, for example, design, engineering, environmental impact and grid connection, and conducts research in six main areas: Resource Characterisation; Marine; Renewable Energy Systems; Environmental and Biodiversity Impacts; Safe Operations and Navigational Risk; Underwater and Surface Electrical Systems; Socio-Economic Factors.
- G.4 The main project supported by PRIMaRE is the Convergence ERDF funded Wave Hub project. Wave Hub needs to attract developers, academics and service companies to the test bed facility. It is hoped that through its involvement in the Wave Hub project, PRIMaRE will enable businesses and research organisations in the South West to become leading international experts, for example in environmental monitoring, marine science and various areas of marine energy technology.
- G.5 The objectives of the PRIMaRE project as stated in the project appraisal are:
- The rapid, strategic injection of a supportive and relevant expertise base for the benefit of the Wave Hub and the Wave Energy Device developers
  - The development of a broader, integrated academic base in the Peninsula to take the lead in research, education training and knowledge transfer for the marine renewable energy sector
  - The establishment of a first class, leading edge, regional research facility and equipment asset pool available for all regional marine energy stakeholders
  - The development of a major knowledge resource with the gravity and position to compete/collaborate alongside other major strategic research groups
  - To reinforce the existing knowledge base strengths in the marine sector
  - To develop knowledge clusters, local expertise and bases for inward investment to develop the South West economy through sector development, job creation and wealth creation
  - To create raised reputation and profile for the South West
  - To create opportunities for knowledge transfer to other regional, national and international audiences
  - To provide a basis for strong international collaboration

- To take leadership in managing relationships between different and new industry sectors.
- G.6 Although the project objectives do not confirm to SMART criteria (Specific, Measureable, Aligned, Realistic and Time bound), the objectives of the project fit well with the strategy of Priority Axis 1, in particular increasing business-HE collaboration and the exploitation of the knowledge base through its knowledge exchange programme. The project also fits well to the Lisbon Agenda.

### ***Inputs and activities***

- G.7 The project has received £1,145,000 of ERDF Competitiveness funds matched by SWRDA and the universities. The project has also received funding from the ERDF Convergence programme. The funding is to support two elements – to develop the academic base and for knowledge exchange activity.
- G.8 The project is a little behind on spend against forecast due to delays in co-ordinating the three funding streams (Competitiveness ERDF, Convergence ERDF and SWRDA). There is currently no reason to expect that the full allocation of funds will not be spent.
- G.9 The project involves the recruitment of additional research staff with specific specialisms and the purchase of specialised equipment to carry out a range of early research activity needed to support the Wave Hub infrastructure investment and deliver levels (both scale and quality) of activity that would otherwise not be possible over the time period.
- G.10 The project is linked with other European projects including the Environment and Sustainability Institute at Exeter University. The Marine Institute at Plymouth University has recently obtained £1.3m from SWRDA, BIS & DECC for new wave equipment and a new building.

### ***Outputs and results***

- G.11 Monitoring data provided to SQW by the delivery partner for the case study included outputs to March 2010 of 13 business assists (of which one business was a new business and 11 businesses environmental technologies and renewable energy enterprises). Result achievements to March 2010 were recorded as 56 gross new jobs (academic, post-doc & support), of which 40 were research jobs (academic only). It should be noted that the job results are for the PRIMaRE project as a whole (i.e. three funding streams) and not just the Competitiveness funding.
- G.12 The delivery partner's monitoring data was more up-to-date than programme monitoring data made available to SQW for the review, which had no output or result achievements for the project to March 2010. It often takes a period of time for programme monitoring data to catch up with project monitoring data, as outputs and results are reported to SWRDA and verified by the programme management team.
- G.13 The project is expected to have a variety of effects on the local economy of the Competitiveness area. Businesses are encouraged to take part in networks, to work together and share good practice which has the potential to increase orders. They are encouraged to

engage with the knowledge base and to use the PRIMaRE brand for export purposes to increase their credibility. The project aims to increase the confidence of businesses within a growing sector to make investment decisions based on a more optimistic outlook, to embrace innovation and understand the benefits it brings to them and the region more widely.

- G.14 The project reported that they are confident that the life-time output and result targets will be achieved. For example, the universities are very practiced at managing public funded projects and programmes.

### ***Challenges experienced in delivery***

- G.15 The project partners reported that the main delivery challenge to date has been administrative, with changes in funding arrangements. The first phase of the project was funded solely by SWRDA. In May 2009 the project was awarded ERDF Convergence and ERDF Competitiveness funding which required financial and output and result targets to be allocated across the funding streams. The re-allocation is expected to be finalised by mid June 2010.
- G.16 There have also been challenges from changes in the personnel overseeing the project in both universities, SWRDA and the Competitiveness programme team. The project partner reported some frustration about the time available to SWRDA staff to oversee the project. For example, it was reported that there was a long delay between the proposal submission in October 2008 and the agreement of funding received in March 2009, during which time the universities were employing project staff on the expectation of funds. The project partners have also experienced teething problems with the programme monitoring system.
- G.17 The case study did identify some short-term concerns about the impact of the recession on the ability of the project to engage with the target number of businesses, although the project partners are working hard to promote the project to businesses in the region.

### ***Additionality and value for money***

- G.18 The case study explored the additionality of the project and its activity. Although alternative sources of funding are available – most notably from Research Councils – it was reported that these funds are very competitive and it is unlikely that the universities would have been able to access them with their existing resources.
- G.19 Although the project partners noted that a similar project may have happened without the ERDF funding, this would most likely be outside of the UK and certainly outside of the South West region. Building the regional base of research and business expertise on marine technologies is regarded to be one of the long-term benefits of PRIMaRE. It was reported that the support is unlikely to be available without the ERDF funding.
- G.20 An unintended benefit of the project has been greater engagement with academic partners in Exeter and Plymouth Science Park. The project has also increased the capacity of the universities to provide training on marine related technologies. The marine sector programme including Wave Hub is also expected to benefit the planned off shore wind farms through the transfer of research and knowledge.



- G.21 It is too early to judge the value for money of the project. However, the delivery partners have sought to ensure value for money through recruiting a small 12 strong academic staff and procuring services competitively.

### ***Cross cutting themes***

#### *Environmental Sustainability*

- G.22 PRIMaRE has a key role to play in supporting the development of marine renewable energy in the South West region as part of the region's strategy to reduce its carbon footprint. At a strategic level, the project is contributing to reducing resource dependency (on non renewable energy sources) and helping to stimulate new market opportunities capitalising on the environmental sector. The project is also helping to develop environmental management skills in business.
- G.23 The project partners have sought to mitigate the environmental impacts of delivering the project. Both universities have robust environmental programmes in place and the project is virtual, based at existing facilities and using existing infrastructure resources available to the universities.

#### *Equality and Diversity*

- G.24 Both the University of Exeter and the University of Plymouth have robust equal opportunities policies in place underpinned by a range of support services. The policy and practice in the universities support equality of access for women, people with disabilities and all ethnic groups. The project aims to make a positive contribution to the implementation of equal opportunity and diversity policies and practice in businesses which receive support from the project. Businesses will be specifically asked if they have a policy in place and will be signposted to Business Link where this is not the case. The project also records the gender and ethnicity of people that access the jobs created by the project.
- G.25 The project did report concerns that the programme equality and diversity targets for jobs created and businesses assisted may not be reached because of under-representation in the sector. The partners have sought to ensure equality of access through the eligibility criteria developed for businesses receiving support through the project.

### ***Future risks***

- G.26 The case study review found that the main risk to future delivery is the economic climate and the impact this may have on new business formation. A concern was also expressed that the renewable energy sector may be viewed as a 'low carbon luxury' in tightening economic conditions.

### ***Good practice/hindsight lessons***

- G.27 The case study has identified two main areas of good practice:

- Businesses were invited to the steering group for their input into the final authorisation of the purchasing of capital equipment
- The selection of six core research themes has provided a focus for the project and it is hoped will lever in further funding.

G.28 In hindsight, the administration of the project warranted additional resources for project management, both in the universities and SWRDA.

***Conclusions & assessment of effectiveness overall***

G.29 The project partners are confident that PRIMaRE has already made progress towards successfully building research capacity in the marine sector and supporting the development of new commercial opportunities. The two elements of the project - research and dissemination/ support to local businesses in the sector – are felt to be helping to transfer knowledge between universities and industry, although there are concerns about the impacts in the short-term of the recession on business participation. Despite initial administrative delays, close partnership working between the universities and SWRDA has helped to overcome project management issues and the project partners are confident that the project will meet its objectives.

## Finance for Business Case Study

### Introduction

- G.30 This section of the annex presents the findings of a case study undertaken of the ERDF Competitiveness funded Finance for Business project (Priority Axis 2).

### Project details

Table G-2: Summary of project details

Name of Project	Finance for Business (F4B)
Status (commissioned/endorsed/contracted)	Contracted
Amount ERDF allocated £	3,000,000
Amount ERDF spent £	3,000,000 (drawn down ahead of provision of loans of businesses)
Match allocated £	3,000,000 SWRDA Single Pot
Match spent £	3,000,000 (drawn down ahead of provision of loans of businesses)
Priority Axis	Priority Axis 2
Project description	The project is about the provision of loan finance of up to £250,000 to eligible small and medium sized businesses (SMEs) unable to raise finance on the commercial market but having viable business plans. The loans must not be used to cover existing debt and must be repaid over a maximum of five years. The monies repaid to the fund are to be re-invested over the period 2013 to 2015.
Intended/actual start date	1 <sup>st</sup> March 2009
Intended/actual completion date	31 <sup>st</sup> December 2013 (31 <sup>st</sup> December 2015 including reinvestment of repaid loans)

Source: SQW Consulting

### Rationale and objectives

- G.31 The rationale for the ERDF Competitiveness programme funding of the project was to overcome information failures around perceived risks and returns from investing in SMEs. The project was approved to respond to the limited private credit available to SMEs in the region because of the economic recession. The project appraisal stated that many SMEs in the region with viable business plans who were previously able to secure investment finance were no longer able to do so. The project business plan noted that the scarcity of available credit was most marked in areas of the Competitiveness area with high business populations, for loans of more than £50,000 and for early stage technology based start ups.
- G.32 The Finance for Business project comprises two of the Solutions to Business products – Small Loans for Business and Finance for Business. The objective of the project is ‘to place successful commercial investments (provide loans) that stimulate creation, growth and development of qualifying SME’s’. The secondary objective is to create a self sustaining fund

that is able to recycle funding for 10 to 15 years after the project has completed i.e. that the initial £6m investment becomes £10m of loans provided by 2015. It is envisaged that not only will more SMEs be supported but that they will become familiar with working with commercial organisations and be able to seek finance from elsewhere after the project ends.

- G.33 The F4B project has been funded from Priority Axis 2 of the Competitiveness programme (a similar project has also been funded from the ERDF Convergence programme). The Competitiveness funded project has been targeted on supporting high value businesses<sup>33</sup> - in line with the programme's strategy - across a range of sectors including the environmental technology sector. The project is also consistent with the Lisbon Agenda as it is designed to target and provide the opportunity to eligible South West businesses to develop more dynamic and competitive businesses capable of sustainable economic growth with more and better paid jobs.

### ***Inputs and activities***

- G.34 F4B secured £3m of Competitiveness ERDF funding, matched by a further £3m from SWRDA. The fund provides debt support of up to £250,000 (depending on the nature and risk of the business and the scale of the project being proposed) to eligible businesses<sup>34</sup>. Under European Union rules, some sectors<sup>35</sup> are not eligible for assistance.
- G.35 Loans obtained by SMEs through the fund must be used to support growth either for asset purchase or financing working capital requirements – thereby excluding the provision of loans to clear existing debt. Interest rates for the loan support are charged above commercial rates in accordance with state aid rules, and businesses are charged an arrangement fee of 1% and an annual management fee of 1% of the loan value. Of the £6m allocation, £4m has been earmarked for Finance for Business loans (greater than £50,000) and £2m for Small Loans for Business (less than £50,000).
- G.36 As at March 2010, the F4B project has provided 11 loans to the value of £1,015,000. The full ERDF funds have been drawn down ahead as per European rules, with the funds held in a fund holders account for transfer to applicants as they are approved. Loans will continue to be made until 31<sup>st</sup> December 2015, as repayments will be re invested throughout the duration of the fund.
- G.37 The project is slightly ahead of planned expenditure to date because of the high demand for the loans and larger loans having been made in the early stages of the project. It is expected

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<sup>33</sup> Determined by an assessment of financial and employment projections based on: aspiration and attitude of the owner/ manager; ability and capability of the leadership team; seeking external finance; evidence of a strong order book; potential customer demand; industry and sector knowledge; firms growing but lacking structures and processes; evidence and willingness to innovate; growth for purpose.

<sup>34</sup> In order to be eligible for the Fund SMEs must display the following characteristics:

- Have less than 250 employees, a turnover less than or equal to €50 or a balance sheet of up to €43m (in accordance with the EU definition of SMEs)
- Demonstrate failure to secure finance in the commercial sector
- Viable business plan
- Have appropriate environmental, health & safety, equal opportunity and disability policies in place.

<sup>35</sup> Production of synthetic fibres, textiles and clothing, ship building, coal and steel, agriculture and food processing. Other ineligible sectors include: banks and insurance companies, establishments providing generalised (school age) education and the provision of local social welfare facilities.

that the full allocation will be spent, however there is a monthly check on the number of enquiries, applications approved and the amount drawn down to ensure this is the case.

- G.38 There are currently no formal connections with other ERDF Competitiveness projects although the Understanding Finance for Business project is expected to start delivery in summer 2010 (15 months later than planned due to the loss of match funding) along with the High Growth Programme project. These projects together will provide a complete package of business support.

### ***Outputs and results***

- G.39 The project reported that it is ahead of schedule regarding the number of businesses assisted, although the associated results from these outputs will be confirmed over a longer period. Monitoring data provided to SQW by the delivery partner for the case study included outputs to March 2010 of 11 business assists (of which one business was a new business and one business an environmental technologies and renewable energy enterprise). The monitoring data also had provisional estimates of a gross increase in GVA of £0.25m and gross safeguarded GVA of £1.25m (from gross jobs created/ safeguarded, which can only be formally recorded 12 months after they have been secured). The delivery partner's monitoring data was more up-to-date than programme monitoring data made available to SQW for the review, which had no output or result achievements for the project to March 2010. It often takes a period of time for programme monitoring data to catch up with project monitoring data, as outputs and results are reported to SWRDA and verified by the programme management team.
- G.40 The project is expected to have a limited, albeit important effect on a number of businesses in the local economy, in terms of growth in turnover, employment and profitability. The delivery partner expects the project to have multiplier benefits, as it is hoped that an increase in successful firms with greater access to capital will lead to higher wages.

### ***Challenges experienced in delivery***

- G.41 Consultations with the delivery partner identified that the initial phase of the project was challenging because of the time it took to set up the project. Following the advice of CLG, it was decided that the fund holding had to be separate to the fund management. South West Investment Group (Capital) Limited (SWIG Capital) was selected as the grant recipient to hold and administer the funds. SWIG Capital then managed a procurement exercise for Fund Managers to deliver the loans. The procurement process occurred in two stages; a full OJEU process to have fund managers in place for 30<sup>th</sup> September 2009 and a short term sub OJEU tender process to put in place fund managers to run the loans for a six month period commencing 1<sup>st</sup> April 2009.
- G.42 The project partners implemented several actions to mitigate the initial delays:
- Procurement consultants were engaged to ensure correct procedures were followed
  - A lawyer was appointed to advise on procurement and whether or not it was covered by the Financial Services Act

- Adverts for the recruitment of fund managers were published as widely as possible to increase chances of getting the right fund managers
- Establishment of panels and appraisal mechanisms to ensure right businesses were invested in
- Realistic write off rate was written into model to provide an accurate indication for the recycling of funds
- Marketing was rationalised so not to over stimulate demand.

G.43 As a consequence of the rapid take up of the fund, by the end of October 2009 there were concerns that the fund may encounter capacity/liquidity problems during 2011. This would have impacted on the ability of the fund to re-lend loans as they are repaid. Consequently, the project secured an additional £1m of investment (50% ERDF, included in the £6m budget described above). The delivery partner also decided to market the fund as up to £100,000 in loans and paid larger loans in tranches.

### ***Additionality and value for money***

- G.44 The additionality of the project was discussed with the project delivery partner. It was reported that no other suitable sources of funding for loan finance was available at the time the project was approved. Private companies were considered but they were only willing to invest small amounts. If the project had been solely funded by SWRDA it would have been at a smaller scale and the risk to the RDA would also have been higher.
- G.45 In the absence of ERDF funding, the benefits of the project would consequently be lower quality and over a longer time scale. The type of businesses eligible for support from F4B is restricted and applicants must show that they have tried to obtain funding from commercial sources.
- G.46 It is too early to judge the value for money of the project. The project manager partner has sought to reduce the cost of the inputs required to deliver the project, for example the fund management fees have been competitively set.

### ***Cross cutting themes***

#### ***Equality & Diversity***

- G.47 The project is seeking to promote the equality and diversity CCT through targeting loans to businesses owned by women and people from ethnic minorities. Of the SMEs receiving loan funds, the project has targets for 40% to be female owned and 20% owned by people from an under represented group.
- G.48 SWIG Capital and the appointed fund managers are required to ensure that they have an appropriate set of policies and procedures in place for promoting equality, including offering flexible working and in management practices (e.g. equality training for fund managers). They must also ensure that equality is promoted in the delivery of the loan fund and that fund managers are able to identify opportunities to promote the economic and social business case

for equality within businesses. The case study did not identify evidence of this in practice, although the project partner stated they would be in breach of their contract if it was not carried out.

- G.49 Applicants are required to have appropriate equality policies in place. Where a policy does not exist, businesses will be signposted to Business Link for appropriate support.

#### *Environmental Sustainability*

- G.50 The project delivery partner confirmed that all SMEs supported must adhere to local and international environmental, social and health and safety standards. As such F4B is seen as a tool for promoting environmental sustainability. The project partner has sought to assist low carbon businesses and has encouraged applicants to develop appropriate environmental policies. This is being enforced through the use of a check list for eligibility for support. Each SME applying for a loan is also required to submit an appropriate environmental policy action plan, which will be used to assess whether a business has been assisted to improve its environmental process.
- G.51 SWIG Capital and fund managers are required to have appropriate environmental policies and action plans detailing the primary environmental impacts of their operation and implement initiatives to demonstrate continuous improvement in environmental performance. They also adhere to Continuous Professional Development requirements including the environmental training of loan fund managers in the identification of environmental opportunities within companies.
- G.52 The delivery partner stated that environmental outputs are reported quarterly and case studies are collated illustrating where the loan fund has helped businesses to deliver environmental outcomes. Difficulties were reported however in monitoring the environmental improvements implemented by benefiting SMEs and in the definition of what an environmental business is.

#### ***Future risks***

- G.53 The case study review identified two potential risks for the project going forward:
- a fall in the number of growth businesses due to the economic climate meaning there is a smaller target population
  - businesses not doing as well as envisaged leading to more bad debt than accounted for in the project's financial model reducing the amount of funds available to reinvest over the period 2013-2015.

#### ***Good practice/hindsight lessons***

- G.54 The case study stakeholders reported that the project is the first of its kind in the UK of the current round of ERDF finance projects. There has been strong willingness and commitment from the project partners, with good cooperation reported from the EU and CLG.

- G.55 We understand that the project's monitoring and management systems have been established as the benchmark/ good practice in national guidelines. The system is the same for the ERDF Convergence programme.
- G.56 One lesson from the early period of the project was that it may have been more efficient to wait until the appointment of the long term fund managers before starting delivery, rather than going through the procurement process twice. Nonetheless, the interim fund managers provided the service below market value and the interim arrangements enabled the project to decide on the appropriate maximum loan value and improve systems for customers.

***Conclusions & assessment of effectiveness overall***

- G.57 To date, F4B has provided loans of over £1m to 11 businesses with viable business plans that were unable to secure financial loans privately. Demand for the loans has been high, with concerns that the fund may become over-subscribed. The project is supporting SMEs in the programme area to remain competitive and invest in assets and/or provide working capital.
- G.58 The delivery partner reported that the project has made good progress against its project objectives, although it will take longer for the full economic benefits of the activity to be visible.
- G.59 The additionality of the project and activity is regarded to be high, given the absence of alternative funding sources and the targeting of the loans at high growth businesses in line with the programme's strategy.



## Plymouth SIF Case Study

### Introduction

- G.60 This section of the annex presents the findings of a case study undertaken of the ERDF Competitiveness funded Plymouth Strategic Investment Framework (SIF) under PA3.

### Project details

Table Error! No text of specified style in document.-1: Summary of Plymouth SIF project details

<b>Name of Project</b>	Plymouth Strategic Investment Framework (SIF)
<b>Status (commissioned/ endorsed/ contracted)</b>	The SIF is finalised, however the individual projects are at various stages of commissioning/contracting
<b>Amount ERDF allocated £</b>	The SIF 3 year implementation plan (2008-11) outlines a total ERDF allocation of £4.5m. This represents a realistic view of what can be delivered related to the likely available match funding.
<b>Amount ERDF spent £</b>	To March 2010, £14,350 of the ERDF allocation had been spent on projects (i.e. not including delivery support/ management)
<b>Match allocated £</b>	The SIF 3 year implementation plan (2008-11) outlines a total match allocation of £4.5m.  The allocations specified in the plan indicate matched funds from Working Neighbourhoods Transition Fund (£829k), Plymouth City Council (£2.5k), Tamar Education Business Partnership (£240k), and SWRDA (£2.9m)
<b>Match spent £</b>	To March 2010, £14,350 of the match funding had been spent on projects (i.e. not including delivery support/ management)
<b>Priority Axis</b>	PA3 - Urban Enterprise
<b>Project description</b>	The Plymouth SIF outlines the strategy, vision and package of activity designed to tackle the low levels of enterprise in Plymouth. The emphasis is to ensure that Plymouth's deprived communities can benefit from the positive impact of Competitiveness funding.
<b>Intended/actual start date</b>	After the formal development of the SIF, project commissioning processes were initiated in early 2009. The first project was contracted in late 2009 and delivery began in spring 2010.
<b>Intended/actual completion date</b>	SIF funding allocations are outlined to the end of 2010/11

Source: SQW Consulting

### Rationale and objectives

- G.61 The vision for the Plymouth SIF is:

*'To unlock the potential of Plymouth's disadvantaged communities through enabling business growth and the development of an aspirational, enterprising and entrepreneurial culture amongst residents'.*

- G.62 For those working with the SIF, a key objective is to stimulate an improved spirit of enterprise in Plymouth. Although Plymouth has a strong higher and further education sector and enterprising science parks, there is an under-developed entrepreneurial culture. As a consequence Plymouth tends to be characterised by generally low levels of enterprise activity,

low business start up rates, and a poor track record of public-sector engagement with business. These weaknesses are particularly acute in the most deprived parts of the city.

- G.63 The rationale for the Plymouth SIF and Urban Enterprise Axis is that market failures (and the effects of market failures) often combine and exacerbate to build larger barriers to enterprise in the most deprived areas. For example, collateral or access to finance is an important ingredient for successful business start-ups. In deprived areas, individuals are more likely to lack collateral. Moreover, potential entrepreneurs in deprived areas may also face more acute personal barriers to enterprise, for example, lower educational attainment, less access to training opportunities, and less work experience in small businesses.
- G.64 The SIF's key focus of developing a more aspirational, innovative culture and assisting individuals to turn their ideas into real businesses is consistent with the wider Lisbon agenda.

### ***Inputs and activities***

- G.65 The SIF implementation plan outlines delivery costing a total of just over £9 million. This total is split almost equally between ERDF funding (c. £4.5m) and alternative match funding sources (c. £4.5m). This figure was calculated based upon the best estimate of the likely availability of match funding.
- G.66 To date the SIF has called upon several streams of match funding. These include funds from SWRDA, the Working Neighbourhoods Transition Fund, and recently the Local Area Agreement reward grant. The SIF has encountered a number of issues when attempting to find match funding. Although the City Council has provided some match funding, strained public budgets have limited match-funding available from the Council. Match from third sector organisations was limited by the timing of the recession that had left many of these organisations lacking funds, and it was felt that the social nature of the Urban Enterprise axis gave little incentive for the private sector to provide matched funds.
- G.67 Although project delivery activities have been limited they are now beginning to advance. From start to end, the development of the SIF took over year and had to be revised to incorporate the Solutions for Business product range. In early 2009 the commissioning process started for the first two projects; Intensive Start-Up Support (ISUS) and Enterprise Coaching. The ISUS project was contracted in late 2009 and began delivery in early 2010 and the Enterprise Coaching project was contracted in spring 2010.
- G.68 Several other projects have either just been contracted or are currently part way through the commissioning process: Business Link has recently been awarded the contract for the Social Enterprise Pre-start Programme; a joint access to finance project (with the other Urban Enterprise areas) is due to launch in June 2010 ; and the Understanding Finances for Business project is part way through the commissioning process having recently short-listed applicants.

### ***Outputs and results***

- G.69 The SIF has a broad range of output, result and impact targets. To date, no progress has been made against these due to the delayed start to project delivery. Currently the ISUS project has not yet made any output claims, however, this is in line with expectations. The ISUS project

deals with issues such as removing barriers to enterprise and up-skilling entrepreneurs. It is therefore likely to take a number of months before project beneficiaries have passed all the way through the support processes and therefore eligible to be counted as an output.

- G.70 It was noted by consultees that as long as the SIF delivery now goes as planned the attainment of the outputs and results targets should be achieved. There is confidence that the Plan is correct and fit for purpose, whilst the overall target figures were not thought to be overly challenging given the size of investment available.
- G.71 The SIF is seeking to maximise impact through increasing coordination between different parts of the Urban Enterprise priority axis and aligning with the ESF programme. A key approach to this is the Urban Enterprise Partnership which provides regular meetings attended by strategic and delivery partners such as Job Centre Plus, Business Link, Working Links and YKTO. Partners such as Working Links, who hold both ERDF and ESF contracts, are well placed to share knowledge across the activities, signpost beneficiaries to various types of support, and ensure that different aspects appear joined-up for those receiving support.

### ***Challenges experienced in delivery***

- G.72 As noted above, acquiring match funding has been a significant challenge for the SIF. Moreover, this challenge is currently magnified by the uncertainty regarding SWRDA and its future funding.
- G.73 Other challenges have been evident during the SIF development and project contracting. It was reported by Plymouth City Council that the late announcement of the Solutions for Business product range required the initial draft of the SIF to be redesigned to fit with the new approaches. Smaller issues crept up during the contracting processes, for example, although ESF allows for delivery organisations to make a 'profit' on contracts this is not allowed by the ERDF. This led to extended negotiations with one delivery partner before it was finally agreed to operate on a cost recovery basis. It was noted by the city council that these challenges have been amplified by what were considered to be overly-bureaucratic systems and processes for identifying and contracting delivery partners.

### ***Additionality and value for money***

- G.74 No outputs or results had been achieved to March 2010. However, the City Council reported that they are confident that the Plymouth SIF will provide additional activity that otherwise would not have happened. In particular, it was noted that the SIF provides an additional *focus* on enterprise activity. Traditionally, enterprise support has tended to focus on university spin-offs and Science Park related activities whereas support targeted at deprived areas has focused more on worklessness and neighbourhood renewal. The SIF focus on bringing enterprise support to deprived communities has filled a gap that had previously largely been ignored.
- G.75 It is not possible to assess the value for money of the SIF given that project delivery has only recently started. However, value for money in project activity is being sought through ensuring closer working between partners within the local enterprise agenda. It is hoped that improved coordination will result in the sum of the SIF activities being more than its individual parts. As noted above, the Urban Enterprise Partnership has established formal

structures to bring a range of partners together. Through encouraging different contractors to work together it is hoped that the ERDF support will appear to businesses as one large package that can help them at various stages of their development. So far, the SIF team has been encouraged by the willingness of contractors to share practices.

### ***Cross cutting themes***

- G.76 The City Council reported that the Plymouth SIF and the Urban Enterprise Axis are well placed to contribute to the objectives of the equalities CCT. However, it was noted by consultees that there is still more work to be done to ensure the CCT objectives are fully met. To date, the SIF team has been calling upon the expertise of the South West CCT managers in helping to develop projects and their inputs have fed directly into project contracting. However, it was noted that more work is needed to ensure that the CCT priorities are more than just a box ticking exercise. The SIF team is hoping to organise workshops for partners and contracted organisations with the specific theme of providing further discussion and learning on mainstreaming the CCTs.

### ***Future risks***

- G.77 There are two key risks for the future delivery of the SIF. Firstly, the risk that matched funding will not be secured given cuts and restructured public budgets. A reduction in the matched funds from SWRDA, for example, would have a significant impact on the delivery of SIF projects. This may result in parts of the SIF delivery plan being abandoned or scaled back.
- G.78 Linked to this is the second risk, namely that much of the SIF delivery is dependent upon the capacity of the public sector. Again, significant public sector cuts or departures of key personnel may disrupt the delivery of SIF activities.

### ***Good practice/hindsight lessons***

- G.79 The SIF and the project activity should offer new policy lessons for enterprise support in Plymouth. It was noted that in the past, enterprise support had largely been left to Business Link or been focused on university spin-offs/Science Parks. The SIF has raised awareness about the strategic role that enterprise can play in supporting and improving deprived communities. Enterprise support at this level had rarely been considered in the past. Consultees also noted the importance of a strong partnership approach in developing a unified programme of support that should appear 'seamless' to beneficiaries. The work to ensure that different contactors were aware of each other's role was thought to be a vital in supporting this.

### ***Conclusions & assessment of effectiveness overall***

- G.80 The delayed start to the SIF project activity means that it is still too early to fairly judge the overall effectiveness of the activity. However, consultees were confident that the SIF plan is fit for purpose and has the ability to achieve the intended outputs and results. The strong culture of partnership working (including with private and third sector partners) appears to be an excellent method for maximising the impact of the SIF and in ensuring that the total SIF

package is more than simply the sum of its parts. It is important that the early delivery now commencing exemplifies this greater coordination to ensure that partners remain committed to these structures.

- G.81 To achieve the planned outputs and results, the SIF must avoid a number of largely external risks which are centred upon the possibility of reduced public sector capacity and matched funds. Should significant reductions materialise, the SIF delivery is likely to be considerably constrained. Given these risks, it is important that the SIF team continue to search for additional sources of matched funding to avoid major sections of the SIF from being abandoned or scaled back.

## Annex H: Assessment of reasonableness of targets

### Assessment of output targets

Table H-1: Assessment of output targets for Competitiveness

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value) <sup>36</sup>	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
O01 - Number of businesses assisted to improve their performance (11,000)	Overall Programme spend per unit is £15,500  Spend per unit range from £10,600 per assist in PA.2, £15,500 in PA.1, and £34,200 in PA.3  Using the 0.48 additionality ratio found in our impact survey, PA.2 net spend per unit of £22,100, PA.1 - £32,300	Spend per unit comparisons are available for <u>net</u> business assists. For example, BIS <sup>37</sup> state an average of £9,705 (bus. dev and competitiveness interventions) and £24,640 (science, innovation and R&D innovations)  AWM <sup>38</sup> found a range of £11k-£82k			The businesses assisted targets vary by PA, with PA.2 expected to achieve most business assists per overall spend  Given the more intensive support under PA1, it is sensible for the spend per unit to be higher than under PA2  The external spend per unit comparisons suggest initial targets are achievable given the level of funding
O02 - Number of new businesses assisted (Subset of businesses assisted) (210)	Spend per unit unavailable for sub-sets. See figures above for O01		The target of 210 in PA1 equates to approximately 5% of the overall business assists target in PA.1	The baseline data suggest that in 2007 approximately 38,300 new business start-ups merged in the Competitiveness Programme area	Over programme lifetime target appears achievable

<sup>36</sup> For all tables in this annex, the unit cost comparison for the programme is based on the Sterling value of the budget allocations in the OP for the programme and by PA (ERDF and UK match funding combined)

<sup>37</sup> BIS (then BERR) (2009), *Impact of RDA spending: National report*. Benchmark figures refer to business development and competitiveness interventions unless otherwise stated

<sup>38</sup> AWM (2009), *Performance Benchmarks*, prepared by SQW. Benchmark figures refers to Enterprise and Business Development interventions

<b>Indicator (and programme target quantity)</b>	<b>Programme spend per unit range (whole programme value)<sup>36</sup></b>	<b>External spend per unit comparisons</b>	<b>Assumptions within the targets</b>	<b>Evidence from secondary data</b>	<b>How reasonable is it to hit/miss the target i.e. achievability</b>
<i>O03 - Number of environmental technologies and renewable energy enterprises assisted (subset of businesses assisted) (700)</i>	Spend per unit unavailable for sub-sets. See figures above for O01		Overall, the target of 700 (350 in PA.1 and 350 in PA.2) equates to approximately 7% of the overall business assists target for PA.1 and PA.2  This equates to 9% of all PA.1 assists and 6% of all PA.2 assists	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had approximately 4,400 business units in the environmental sector. The 700 assists equate to 16% of the overall business base	Target appears a little challenging, but deliverable at time
<i>O04 - Number of firms involved in collaborative research &amp; development projects (subset of businesses assisted) (210)</i>	Spend per unit unavailable for sub-sets. See figures above for O01		The target of 210 equates to approximately 5% of the overall business assists target in PA.1		Over programme lifetime target appears achievable
<i>O05 - Number of new enterprises assisted (subset of businesses assisted) (490)</i>	Spend per unit unavailable for sub-sets. See figures above for O01		The target of 490 in PA2 equates to approximately 8% of the overall business assists target in PA.2	The baseline data suggest that in 2007 approximately 38,300 new business start-ups emerged in the Competitiveness Programme area	Over programme lifetime target appears achievable
<i>O06 - Number of SMEs advised or assisted to improve their environmental performance (subset of businesses assisted) (1,400)</i>	Spend per unit unavailable for sub-sets. See figures above for O01		The target of 1,400 equates to approximately 24% of the overall business assists target in PA.2		24% of the business assists target appears to be challenging

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value) <sup>36</sup>	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
O07 - Number of businesses within the region engaged in new collaboration with UK knowledge base (subset of businesses assisted) (300)	Spend per unit unavailable for sub-sets. See figures above for O01		The target of 300 equates to approximately 5% of the overall business assists target in PA.2		Over programme lifetime target appears achievable
O08 - Number of individuals assisted in starting business (900)	PA.3 spend per unit £45,700	No benchmark comparator		The PA.3 target is for 900 individuals to be assisted in starting a business  The baseline data suggest that across the three Urban Enterprise areas, approximately 22,000 individuals were claiming job-seekers allowance in early 2010	Over programme lifetime target appears achievable
O09 - Number of social enterprises assisted (80)	PA.3 spend per unit £514,000	No benchmark comparator			
O10 - Square metres of new or upgraded floor space - non specialist (1,000)	PA.3 spend per unit £41,100  The CEA <sup>39</sup> additionality benchmark for regional physical infrastructure interventions is 0.51. Using the 0.51 additionality ratio the net spend per unit is £80,600	AWM benchmarks of £469 for cost per net square metre of floorspace (place based infrastructure and asset development) and £1,970 (place based land and buildings for economic growth investment)			Comparing the spend per unit to external benchmarks suggest the target is achievable

<sup>39</sup> Cambridge Economic Associates (October 2009), Research to improve the assessment of additionality, for BIS



Indicator (and programme target quantity)	Programme spend per unit range (whole programme value) <sup>36</sup>	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
O11 - Square metres of new or upgraded floor space – specialist (1,000)	PA.3 spend per unit £41,100  The CEA additionality benchmark for regional physical infrastructure interventions is 0.51. Using the 0.51 additionality ratio the net spend per unit is £80,600	AWM benchmarks of £469 for cost per net square metre of floorspace (place based infrastructure and asset development) and £1,970 (place based land and buildings for economic growth investment)			Unit spend comparison is high but this is a relatively small proportion of activity envisaged under PA3 so recommend no change to target
O12 - Number of people assisted to get a job (700)	PA.3 spend per unit £58,700	No benchmark comparator		The PA.3 target is for 700 individuals to be assisted to get a job  The baseline data suggest that across the three Urban Enterprise areas, approximately 22,000 individuals were claiming job-seekers allowance in early 2010	Over programme lifetime target appears achievable
O13 - Number of SMEs assisted to improve their environmental performance (100)	PA.3 spend per unit £411,000	The part ERDF supported Envision project <sup>40</sup> supported 2,972 businesses to improve their environmental performance at a total cost of £3.82m. The calculated cost per assist is therefore £1,285	Overall the PA.3 target is to assist 1,200 businesses. The target of 100 SMEs assisted to improve their environmental performance equates to approximately 8% of the overall PA.3 businesses assisted target		Comparing the spend per unit to external benchmarks suggest the target is achievable.

<sup>40</sup> The Envision project was multi-phased and was supported by SWRDA and other funders prior to the Competitiveness programme support. The benchmark figures refers to the whole project lifetime.

## Assessment of results targets

Table H-2: Assessment of result targets for Competitiveness

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
R01 - Gross new jobs created (9,000)	Overall Programme spend per unit is £18,900  Spend per unit range from £14,300 in PA.2, £19,200 in PA.1, and £27,400 in PA.3  Using the 0.48 additionality ratio found in our impact survey, net spend per unit of £29,800 in PA.2 and £40,000 in PA.1	AWM evidence for spend per unit of <u>net</u> jobs created found an average of £116,000 per net job, within a range of £41k-138k  BIS found an average spend per unit for net jobs created of £14,200 (Bus. development and competitiveness interventions), £38,000 (Science, R&D and innovation infrastructure), and £79,500 (Cross-cutting regeneration interventions)	The overall programme target of 9,000 new jobs will result from a range of activities, most notably business assists  .	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had approximately 2,084,000 FTEs. 9,000 new jobs is approximately 0.4% of this	Comparing the spend per unit to the broad range of external benchmarks suggest the target is reasonable  Similarly, an overall increase of 9,000 appears achievable given total employment of 2.1m in the Competitiveness area
R02 - Gross jobs safeguarded (4,000)	Overall Programme spend per unit is £42,700  Spend per unit range from £30,800 in PA.2, £41,100 in PA.3, £61,600 in PA.1  Using the 0.48 additionality ratio found in our impact survey, net spend per unit of £64,200 in PA.2 and £85,600 in PA.3	No benchmark comparator	The overall programme target of 4,000 jobs safeguarded will result from a range of activities, most notably business assists	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had approximately 2,084,000 FTEs	An overall safeguarding of 4,000 jobs appears achievable given total employment of 2.1m in the Competitiveness area
R03 - Gross research jobs created (subset of jobs created) (640)	Spend per unit unavailable for sub-sets. See figures above for R01	No benchmark comparator	The target of 640 equates to 20% of the overall jobs created target in PA.1		Target appears reasonable given focus of PA1. However, 20% may be a stretching target

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
R04 - Gross Research jobs safeguarded (subset of jobs safeguarded) (200)	Spend per unit unavailable for sub-sets. See figures above for R02	No benchmark comparator	The target of 200 equates to 20% of the overall jobs safeguarded target in PA.1		Target appears reasonable given focus of PA1. However, 20% may be a stretching target
R05 - Number of additional firms involved in business/cluster networks (2,600)	Spend per unit in PA.1 of £44,000 and in PA.2 of £51,400	No benchmark comparator			
R06 - Number of patents, other IPRs and other IPR devices used (e.g. trademarks copyrights) (140)	PA.1 spend per unit of £440,000	No benchmark comparator			
R07 - Number of SMEs launching new or improved products (4,500)	PA.1 spend per unit of £13,700	No benchmark comparator			Target of 4,500 appears to be extremely challenging as a proportion of PA business assists (3,990)
R08 - Gross increase in GVA, £m (326m)	Overall Programme spend per unit is £0.52 – i.e. for every 52p of Programme spend, a return of £1 of GVA (1.9 : 1)  Spend per unit range from £0.36 in PA.2 (2.7:1), £0.49 (2.0:1) and £1.37 in PA.3 (0.73:1)  (net spend per unit are provided in the Impacts section below)	No benchmark comparator	Gross GVA target of £326m equates to a GVA contribution of £29,700 from each of the 11,000 business assists	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had a total GVA of £89,176m. The target of £326m represents 0.4% of this	The contribution of £29,700 per business assist is in line with estimates of achieved GVA from turnover from the business survey – see on  A 0.4% gross increase in GVA appears achievable

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
R09 - Gross safeguarded GVA, £m (465m)	Overall Programme spend per unit is £0.37 – i.e. for every 37p of Programme spend, a return of £1 of GVA (2.7 : 1)  Spend per unit range from £0.25 in PA.2 (4.0:1), £0.37 in PA.1 (2.7:1) and £0.82 in PA.3 (1.2:1)	No benchmark comparator		The baseline data suggest that in 2007 the South West region (excluding Cornwall) had a total GVA of £89,176m. The target of £464m represents 0.5% of this	Safeguarding 0.5% of GVA appear achievable
R10 - Gross jobs created in environmental sectors (subset of jobs created) (1,450)	Spend per unit unavailable for sub-sets. See figures above for R01		Overall, the target of 1,450 (700 in PA.1 and 750 in PA.2) equates to approximately 19% of the overall jobs created target for PA.1 and PA.2  This equates to 22% of all PA.1 jobs and 17% of all PA.2 jobs	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had approximately 22,800 FTEs in environmental sector	The targets appear challenging when considered as a proportion of total programme jobs created  However, the overall target of 1,450 represents an extra 6% of the 2007 total environmental employment in the Competitiveness area. This appears to be a achievable target
R11 - Number of businesses started (600)	PA.3 spend per unit £68,500	No benchmark comparator	The 600 businesses appears to result from 900 individuals being assisted in starting a business	The PA.3 target is for 600 businesses started  The baseline data suggest that across the three Urban Enterprise areas, approximately 6,500 new start-ups were created in 2007	600 business started through assisting 900 individuals appears challenging given the expected difficulty of enterprise activity in deprived areas
R12 - Number of businesses still trading one year after commencing trading (subset of businesses started) (550)	Spend per unit unavailable for sub-sets. See figures above for R11		550 businesses surviving for one year equates to 92% of the 600 businesses started	In 2007 the 1 year survival rates was 94% in Bristol, and 95% in both Plymouth and Torbay. (Source: ONS Business Demography 2008)	The target is similar to secondary data evidence

Indicator (and programme target quantity)	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
<i>R13 - Number of businesses still trading three years after commencing trading (subset of businesses started) (400)</i>	Spend per unit unavailable for sub-sets. See figures above for R11		400 businesses surviving for three year equates to 66% of the 600 businesses started	In 2007 the 3 year survival rates was 64% in Bristol, 66% in Plymouth and 68% in Torbay. (Source: ONS <i>Business Demography 2008</i> )	The target is similar to secondary data evidence  However, the target appears to be a slightly greater challenge for Bristol than Plymouth or Torbay

### Assessment of impact targets

Table H-3: Assessment of impact targets for Competitiveness

Indicator	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
Net additional employment (5,682)	Overall Programme spend per unit is £30,000  Spend per unit range from £24,200 in PA.2, £26,500 in PA.1 and £50,800 in PA.3	AWM evidence for spend per unit of <u>net</u> jobs created found an average of £116,000 per net job, within a range of £41k-138k  BIS found an average spend per unit for net jobs created of £14,200	The programme target at 5,682 net jobs is equal to 63% of the target for gross new jobs (9,000)	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had approximately 2,084,000 FTEs. A net increase of 5,682 employees represents 0.3% of this	Comparing the spend per unit to the broad range of external benchmarks suggests the target is achievable  A net employment increase of 0.3% appears achievable; however the additionality ratio of 63% appears challenging
Net additional GVA, £m (209m)	Overall Programme unit spend is £0.82 – i.e. for every 82p of Programme spend, a return of £1 of net GVA (1.2 : 1)  Unit spend ranges from £0.61 in PA.2 (1.5:1) to £0.67 in PA.1 (2.1:1) and £2.54 in PA.3 (0.7:1)	BIS <sup>41</sup> found an achieved net GVA to cost ratio of 7.1 : 1 – i.e. for every 14p of programme spend, a return of £ of GVA	The programme target of net GVA (£209m) is equal to 64% of the target for gross GVA (£326m)	The baseline data suggest that in 2007 the South West region (excluding Cornwall) had a total GVA of £89,176m. A net increase of £209m represents 0.2% of this	The unit spend is significantly higher than the external BIS benchmark  A net GVA increase of 0.2% appears achievable; however the additionality ratio of 64% appears challenging

<sup>41</sup> BIS (then BERR) (2009), *Impact of RDA spending: National report*. Benchmark figures refer to business development and competitiveness interventions unless otherwise stated

Indicator	Programme spend per unit range (whole programme value)	External spend per unit comparisons	Assumptions within the targets	Evidence from secondary data	How reasonable is it to hit/miss the target i.e. achievability
Net additional safeguarded GVA, £m (325m)	<p>Overall Programme spend per unit is £0.53 – i.e. for every 53p of Programme spend, a return of £1 of net safeguarded GVA (1.9 : 1)</p> <p>Spend per unit range from £0.37 in PA.2, £0.48 in PA.1 and £1.39 in PA.3</p>	BIS <sup>42</sup> found an achieved net GVA to cost ratio of 7.1 : 1 – i.e. for every 14p of programme spend, a return of £ of GVA	The programme target of net safeguarded GVA (£325m) is equal to 70% of the target (£465m)	<p>The baseline data suggest that in 2007 the South West region (excluding Cornwall) had a total GVA of £89,176m</p> <p>Target represents a net increase in GVA of 0.4%</p>	<p>The unit spend is higher than the external BIS benchmark.</p> <p>Net increase in GVA appears reasonable although additionality ratio of 70% is challenging</p>

<sup>42</sup> BIS (then BERR) (2009), *Impact of RDA spending: National report*. Benchmark figures refer to business development and competitiveness interventions unless otherwise stated