Programmes Review of European Regional Development Fund in the South West

Convergence - Final Report Annexes

October 2010

SQWconsulting

Contents

Contact:	Rachel Brisley	Tel:	0161 475 2115	email:	rbrisley@sqw.co.uk

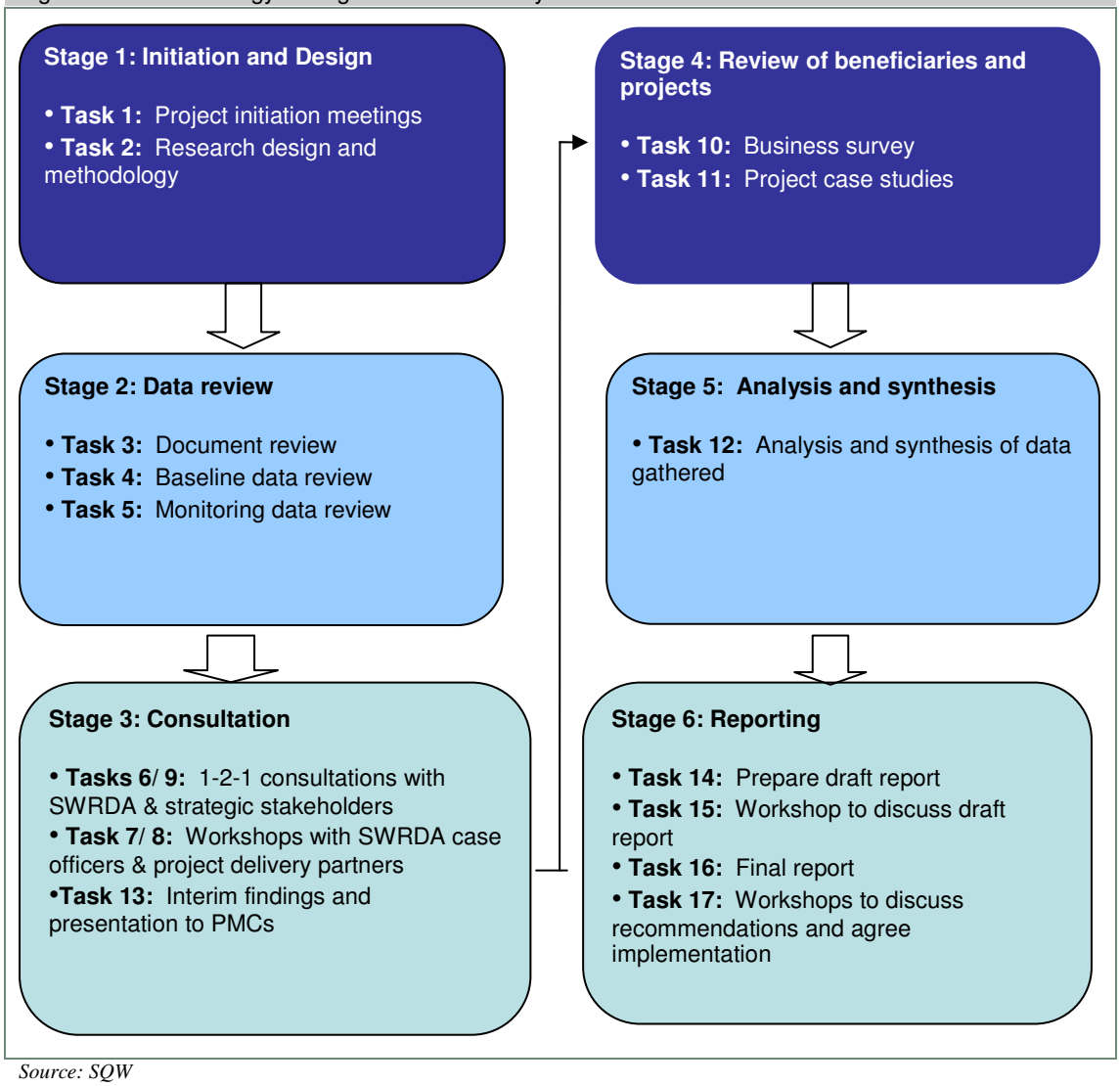
Approved by:	Gareth Jones Director	Date:	October 2010

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

Strategic Stakeholder Questionnaire

Consultee details
Name and position of consultee
What has been your involvement to date with the programme(s)?
Rationale, focus and objectives
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)]
Programme governance/ processes
Do the programme managers and Programme Monitoring Committee (PMC) have the requisite skills/ capacity to mange 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?
Programme engagement and joint working
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?

Programme performance
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 Aixs/ 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?
Investment and value for money
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)
Strategic added value
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 funidng, activities and outputs

Good practice 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[1]

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

[1] 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 & Isle 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 & Isle of Scilly> <South West apart from Cornwall & Isles of Scilly>
More than one, with at least one site outside of <Cornwall & Isle 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 & Isle 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 THREEAREAS = 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-thee 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 & Isle of Scilly> <South West apart from Cornwall & Isles of Scilly c) outside of <Cornwall & Isle 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 Convergence workshops

Attendees
Case officers workshop
Anona Vazquez-Masson – Innovation and Entrepreneurship Convergence Manager
Stephen Bhoane – Head of Business Development
Jane Caro – Innovation and Entrepreneurship Convergence Manager
Ian Whale – Communities Infrastructure Manager
John Burton – Communities Infrastructure Manager
Robin Edwards – Business finance Manager
Delivery partner workshop
Simon Howes - SWMAS – Representing Arthur Richardson
Gillian Burnett - University College Falmouth.
Diana Mompoloki - Council of Isles of Scilly
Tarn Lamb - Cornwall Neighbourhoods for Change (Chief Exec)
Amanda Ratsey - BL Peninsular

Attendees
Andrew Farmer - Oxford Innovation
Keith Vallely - BLS Estates
Jean Taylor - Exeter University
Nick Blandford - CDC
Lisa Pill/Matt Borne - Cornwall College
Neil Lyndsay - CPR
Nigel Hewitt - CUC (representing Sue Brownlow)
Emma Bland - Peninsular Medical School
Mags Truman - Peninsular Medical School
Robin Bower - University SW
Rory Uniake - UKTI SW

Source: SQW Consulting

Project Case Study Stakeholders

Table C-3: Convergence case study contacts

Project	**Organisation**	**Project Contact Name**	**SW RDA/ERDF Case Officer**
Wave Hub Construction Costs & Development Costs	South West RDA	Nick Harrington	N/A
Interim Funding for CUC Central Team and CUC Phase 3 Central Team	Combined Universities Cornwall	Sue Brownlow, Director	Jane Caro, Enterprise & Innovation Manager
Watson Marlow Ltd	Watson-Marlow Ltd	Mark Rawet	John Burton

Annex D: Review of European Policy Developments

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'[2]. 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

[2] 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[3], 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[4].

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

[3] NB The energy efficiency target is not legally binding.
[4] 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[5].

D.13 In 2009, around 80 formal decisions were taken to modify Operational Programmes[6]. 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)[7].

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.

[5] http://www.europarl.europa.eu/news/expert/infopress_page/059-74104-125-05-19-910-20100504IPR74101-05-05-2010-2010-false/default_en.htm
[6] http://ec.europa.eu/dgs/regional_policy/document/aar2009_en.pdf
[7] 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[8]. 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[9]. 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)[10]. It is likely that Cohesion Policy in the future will see further development of these concepts. [11]

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

[8] 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
[9] http://www.scotland.gov.uk/Publications/2008/07/29142711/8
[10] For further details of the main funding mechanisms please see: http://ec.europa.eu/regional_policy/funds/2007/jjj/index_en.htm
[11] For further detail please see http://www.eib.org/projects/events/jeremie-and-jessica-conference.htm

is the EIF (the European Investment Fund[12], 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.[13] 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*'[14]. 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

[12] http://www.eif.europa.eu/
[13] http://www.eib.org/attachments/mitchell.pdf
[14] http://ec.europa.eu/regional_policy/policy/future/barca_en.htm

- Greater effectiveness of additionality[15].

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.[16]

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[17]."

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[18], the support for the targets was less clear. The R&D target has been criticised both in terms of whether it

[15] http://ec.europa.eu/dgs/regional_policy/document/aar2009_en.pdf
[16] http://ec.europa.eu/budget/reform/index_en.htm
[17] http://ec.europa.eu/eu2020/index_en.htm
[18] 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[19] 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"[20]

- '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.

[19] http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf
[20] 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

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 Competiveness 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[21] 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:

[21] 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 re-iterated 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[22]

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.

[22] http://www.economicforum.org.uk/economic-development-strategy.htm

Annex F: Update on Baseline Conditions

Introduction

F.1 This Annex presents the findings of an update to baseline conditions in the Convergence programme area since 2005, the base year for much of the socio-economic analysis in the 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 for the Convergence area, including by sub-area within the Convergence area where data is available.

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.

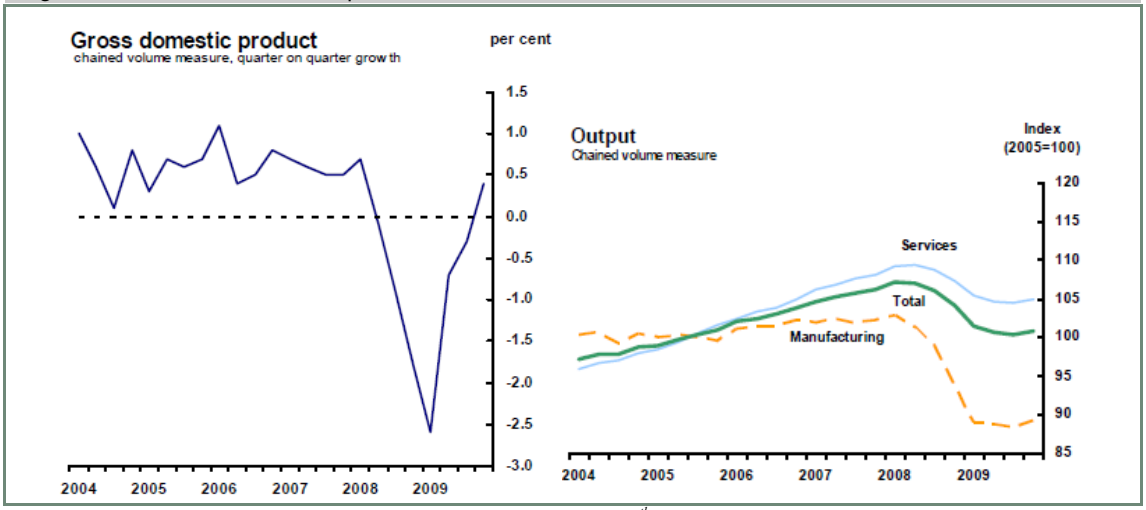
The impact of the recession at the national level

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[23]. 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).[24] 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.

[23] National Bureau of Economic Research, 2008, *Determination of the December 2007 Peak in Economic Activity*, http://www.nber.org/cycles/dec2008.html
[24] 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 – 4th quarter 2009

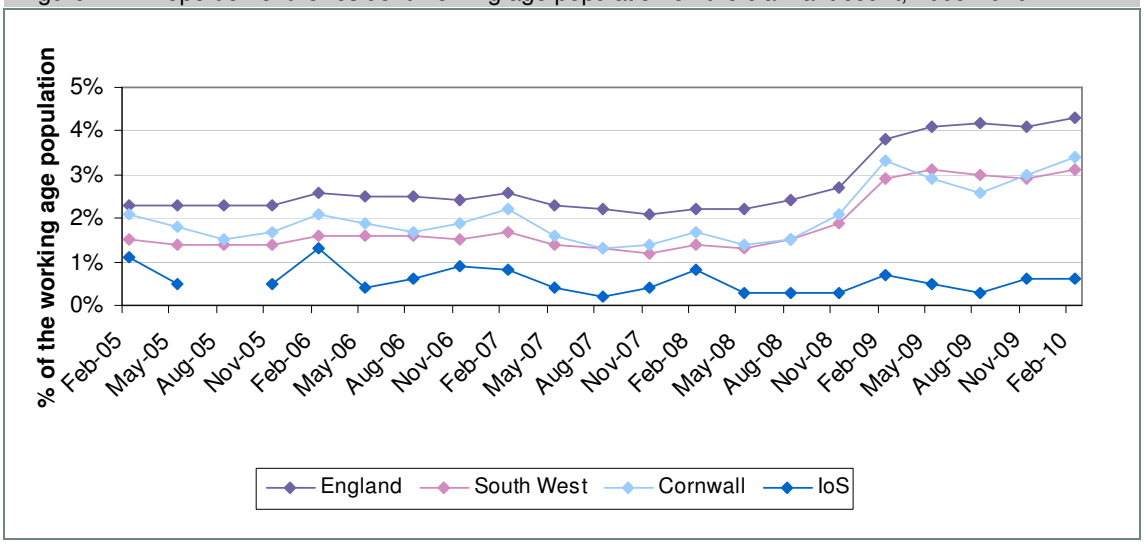
The impact of the recession in the South West and the Convergence area

F.8 The South West Regional Development Agency (2009) states 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.*[25]

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, 2005-2010:



Notes: Data for Isles of Scilly missing for August 2005 to avoid disclosure.
Source: Claimant Count. Accessed via Nomis

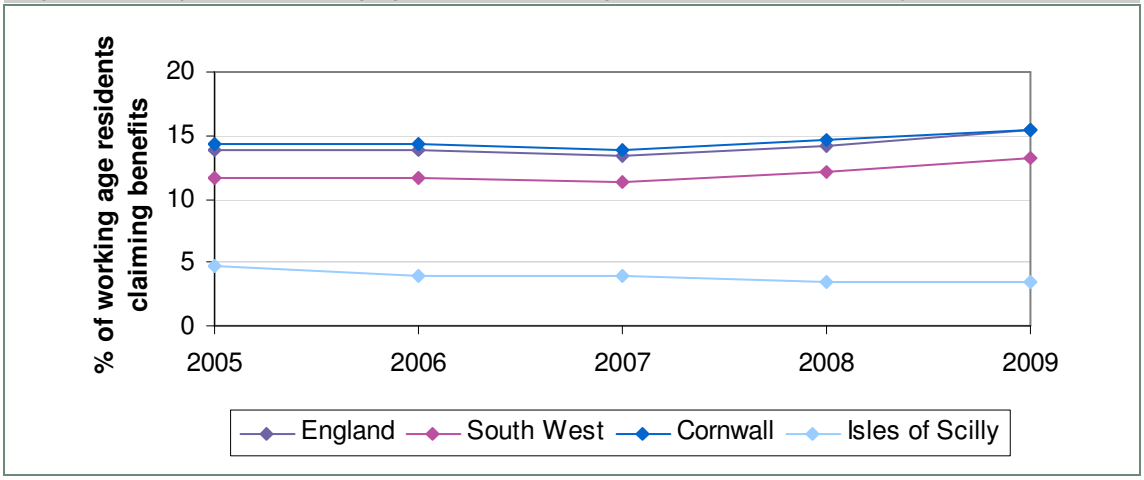
[25] South West Regional Development Agency, 2009, *Regional Economic Profile: Recession Special*

F.10 Although *Regional Economic Profile: Recession Profile*[26] reported that the effects of the recession have spread from the northern arc of the South West throughout the Peninsula, variation in the level of unemployment has been pronounced across different parts of the region.

F.11 Unemployment in the South West remained fairly constant until mid 2008, before increasing from November 2008. Cornwall has experienced a more volatile trend than the South West in general. While 3.4% of working age residents in Cornwall were claiming JSA by February 2010, which is approximately in line with recipients across the South West, the proportion of claimants remained 1.2 percentage points below the level of claimants in England. In contrast to the trend shown across comparator areas, Isles of Scilly has not seen an increase in JSA claimants between February 2005 and February 2010.

F.12 Figure F-3 illustrates the proportion of working age residents claiming all benefits between 2005 and 2009 by area.

Figure F-3: Proportion of working age residents claiming the benefits, 2005-2009, by area:



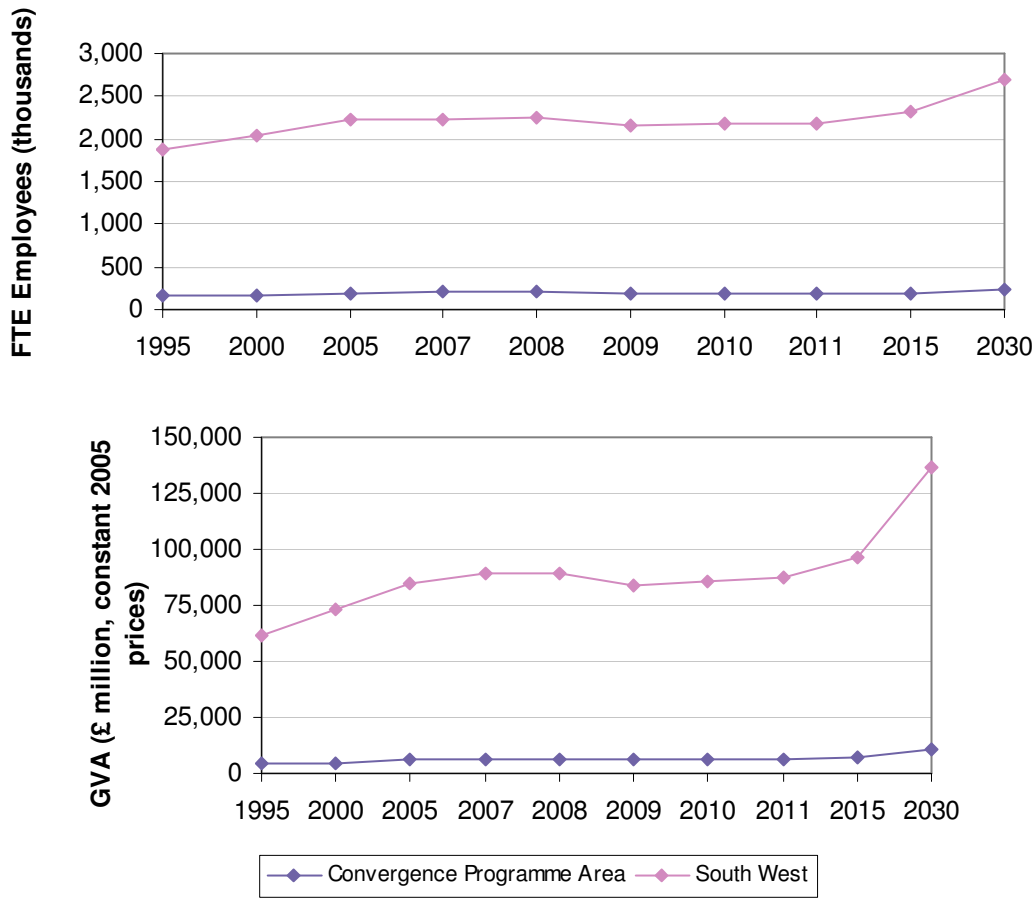
Notes: Figures taken in November each year.
Source: DWP Benefits, Nomis

F.13 The proportion of working age residents claiming benefits did not change substantially between 2005 and 2009, although there was a small increase in Cornwall and the South West. November 2009 figures show that the proportion of working age residents claiming benefits in Cornwall was in line with the national average (15.4%), but above the South West level (13.2%). In contrast, only 3.4% of residents in Isles of Scilly were claiming benefits in November 2009.

F.14 According to the *Regional Economic Profile: Recession Profile*[27], 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.

[26] SWRDA, 2009, *Regional Economic Profile: Recession Special*
[27] SWRDA, 2009, *Regional Economic Profile: Recession Special*

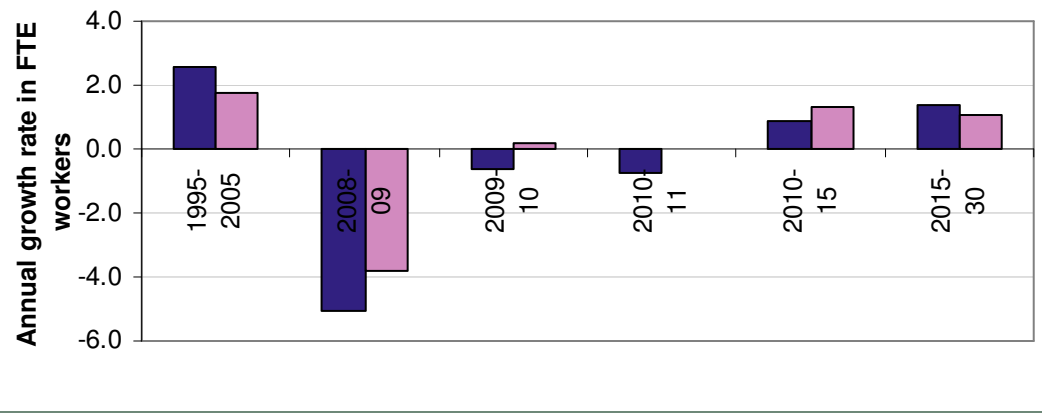
Figure F-4: Employment and GVA forecasts, 1995-2030, by area

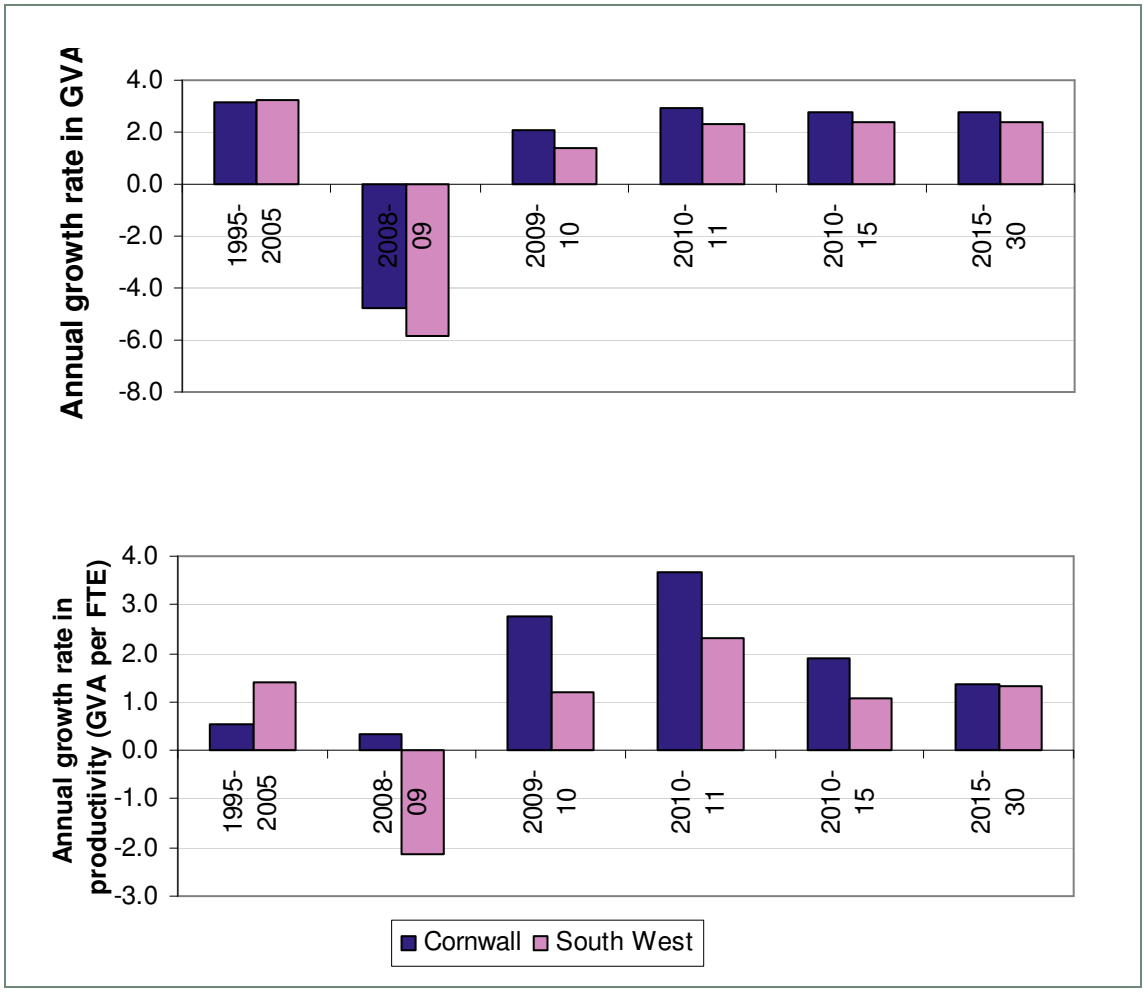


Notes: Projections from Spring 2010
Source: Experian

F.15 Annual growth rates in FTE workers are forecast to be negligible across the South West until 2010, before picking up between 2010 and 2015 and at a faster rate again from 2015. The figure below compares the annual growth rates in FTE workers and GVA in Cornwall and the South West.

Figure F-5: Employment and GVA growth rates, by period





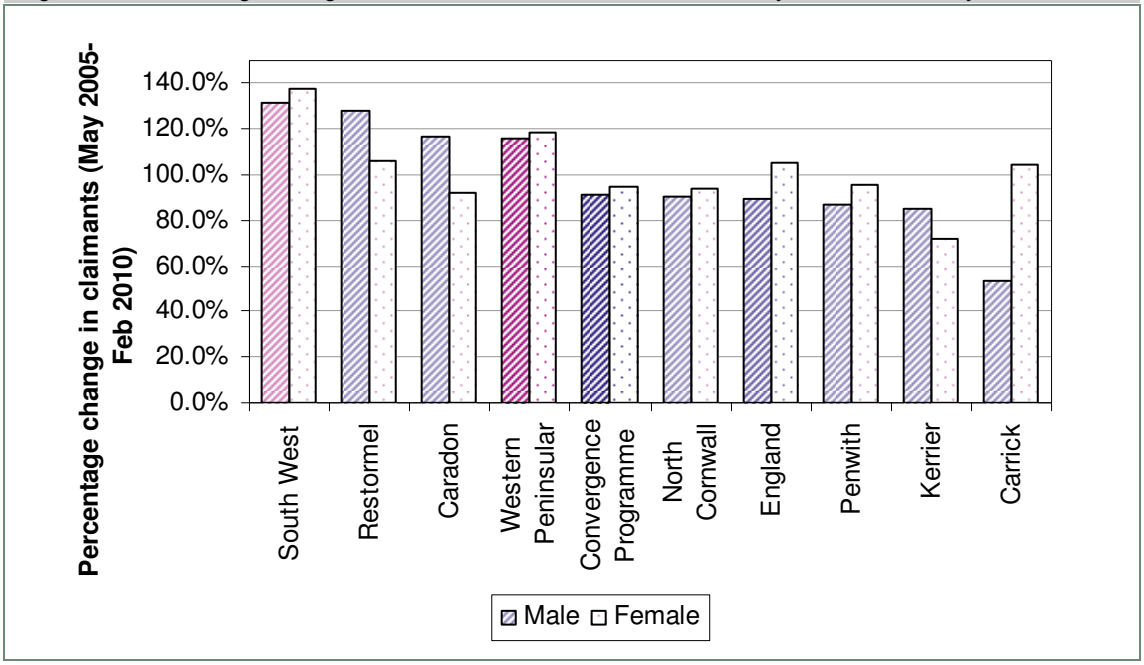
Notes: Projections from Spring 2010
Source: Experian

F.16 According to the Experian forecast, growth rates in FTE workers in Cornwall are forecast to be much slower to pick up; remaining negative until 2011, and increasing to only 0.9% for 2010-2015, and to 1.4% between 2015 and 2030. However, the GVA growth rate in Cornwall is forecast to be less hit by the downturn than the South West, and to recover more strongly.

Equalities in the recession

F.17 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, May 2005 to February 2010



Notes: Data for Isles of Scilly is missing.
Source: Claimant count. Accessed via Nomis.

F.18 Across the region, women do not appear to have been considerably worse (or less badly hit) by the recession than men. However there is notable variation within Cornwall, by the pre-2009 district authorities. The number of women claiming benefits in Carrick increased by 104% between May 2005 and February 2010, while the number of men on the claimant count increased by 54%. However, some other pre-2009 Cornish districts, including Restormel and Caradon experienced a greater proportional increase in the number of men on the claimant count than women.

F.19 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 Cornwall increased by 130% between May 2005 and February 2010, compared to an increase of 92% in the total number of claimants. Restormel appears to have been particularly badly hit in this area with an increase of 181% 18-24 year old claimants. However, overall young people in Cornwall appear to have been less hit by the recession than across the rest of the region. While the number of 18-24 year old claimants has increased by 130% since May 2005, the number of 18-24 year old claimants in the South West has increased by 153%.

F.20 Table F-1 sets out the number of working age benefit claimants, 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
England	**1,236,940**	**77%**	**901,270**	**74%**	**335,670**	**87%**	**792,430**	**37%**
South West	**85,780**	**101%**	**62,810**	**100%**	**22,970**	**104%**	**62,790**	**44%**
Convergence Programme Area	8,990	58.0%	6,540	62.3%	2,440	47.0%	7,020	37.6%
Cornwall	8,980	58%	6,540	63%	2,440	48%	7,020	37.6%
Isles of Scilly	10	0.0%	-	-	-	-	-	-

Note: Percentage change calculated between November 2005 and November 2009.
- = Figures nil or negligible
Source: DWP. Accessed via Nomis

F.21 This shows that the rate of increase in claimants of out of work benefits was higher in the South West than in the Convergence area, particularly for males.

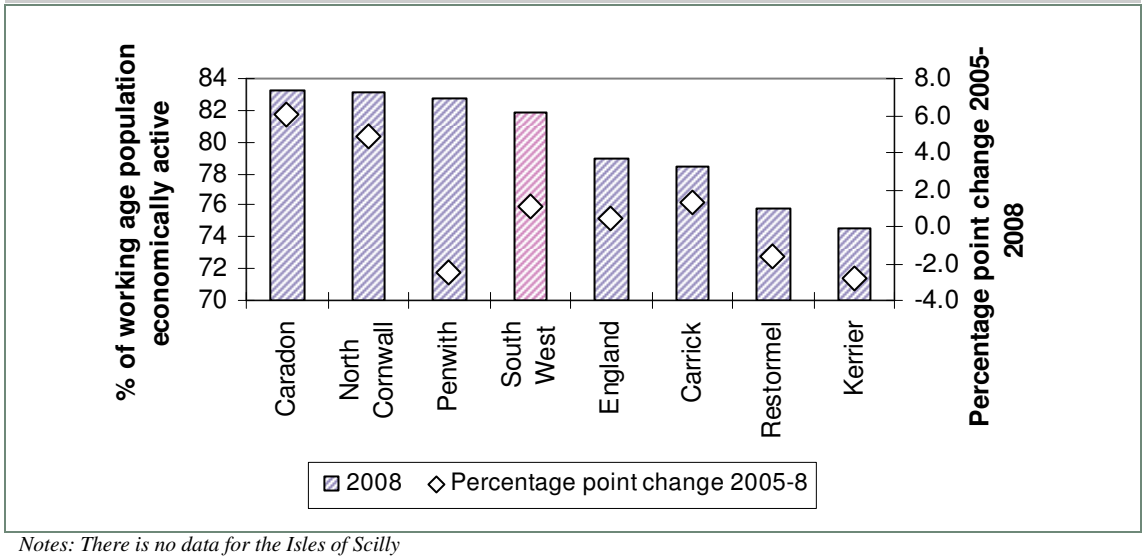
Baseline conditions update

Employment and economic activity

F.22 Economic activity rates in Cornwall marginally increased (by 0.8 percentage points) between 2005 and 2008, and in 2008 the rate exceeded the rate across England. However, during this period, economic activity across the rest of the South West grew at a faster pace. By 2008, 79.2% of the working age population in Cornwall were economically active, while 81.8% were economically active across the South West.

F.23 Figure F-7 sets out trends in economic activity by former districts of Cornwall since 2005. Data is unavailable for the Isles of Scilly.

Figure F-7: Economic activity rates of working age people, 2008 and percentage change 2005-2008, by area



Notes: There is no data for the Isles of Scilly
Source: Annual Population Survey

F.24 Within Cornwall, there is substantial variation in economic activity, and in terms of percentage point change in the proportion of the working age population who are economically active between 2005 and 2008. In Caradon, for instance, 83% of the of the working age population were economically active in 2008, compared to 75% in Kerrier. In the period from 2005 to 2008, the proportion of economically active residents in Caradon was 6.1 percentage points, while the proportion in Kerrier decreased by 2.8 percentage points. The implications of the recession are not yet clear from the data.

F.25 Table F-2 sets out the change in FTE workers in Cornwall and Isles of Scilly compared to the South West between 2005 and 2008.

Table F-2: FTE workers, thousands, 2005-2008, by area

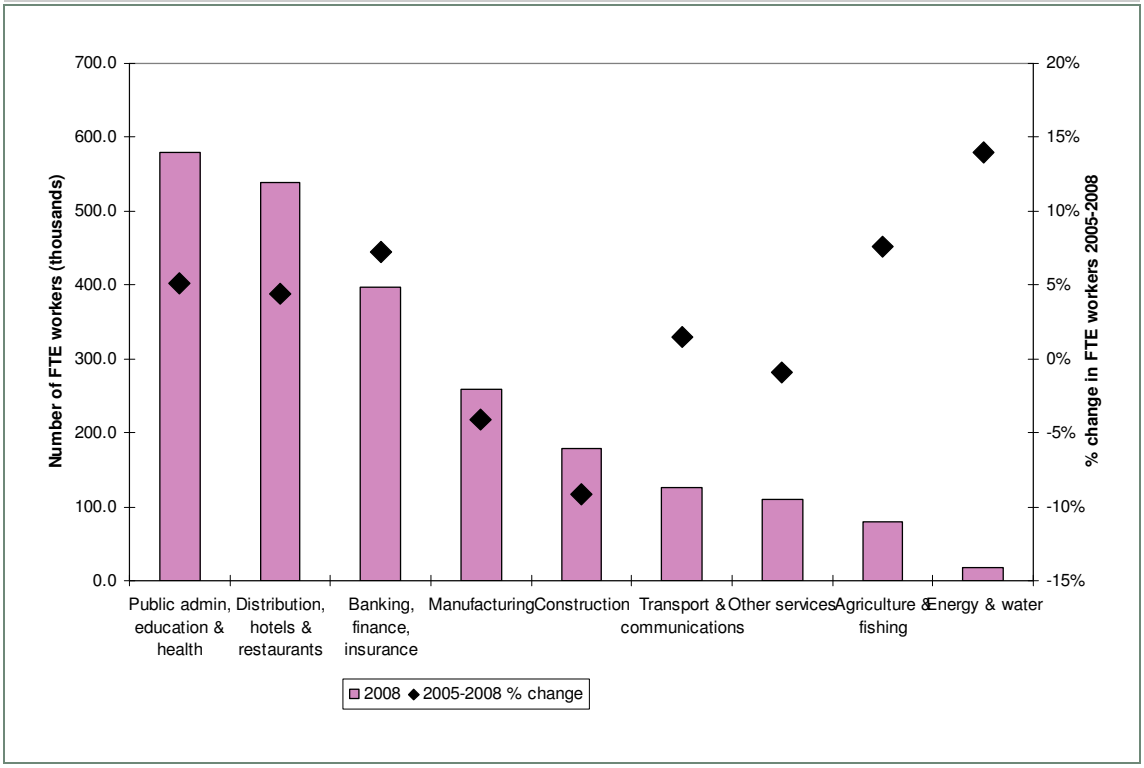
	2005	2006	2007	2008	2005-2008 % change
South West	**2,226**	**2,250**	**2,299**	**2,284**	**3%**
Cornwall & Isles of Scilly	198	208	215	210	6%

Source: Econ I - South West Regional Accounts Online

F.26 The number of FTE workers in Cornwall has increased at a greater rate than the South West between 2005 and 2008. However, a smaller proportion (68%) of the working age population in Cornwall was in FTE employment in 2008 than across the South West (73%), indicating that there is still a gap in employment levels between the areas.

F.27 Figure F-8 provides a sectoral split of FTE workers.

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



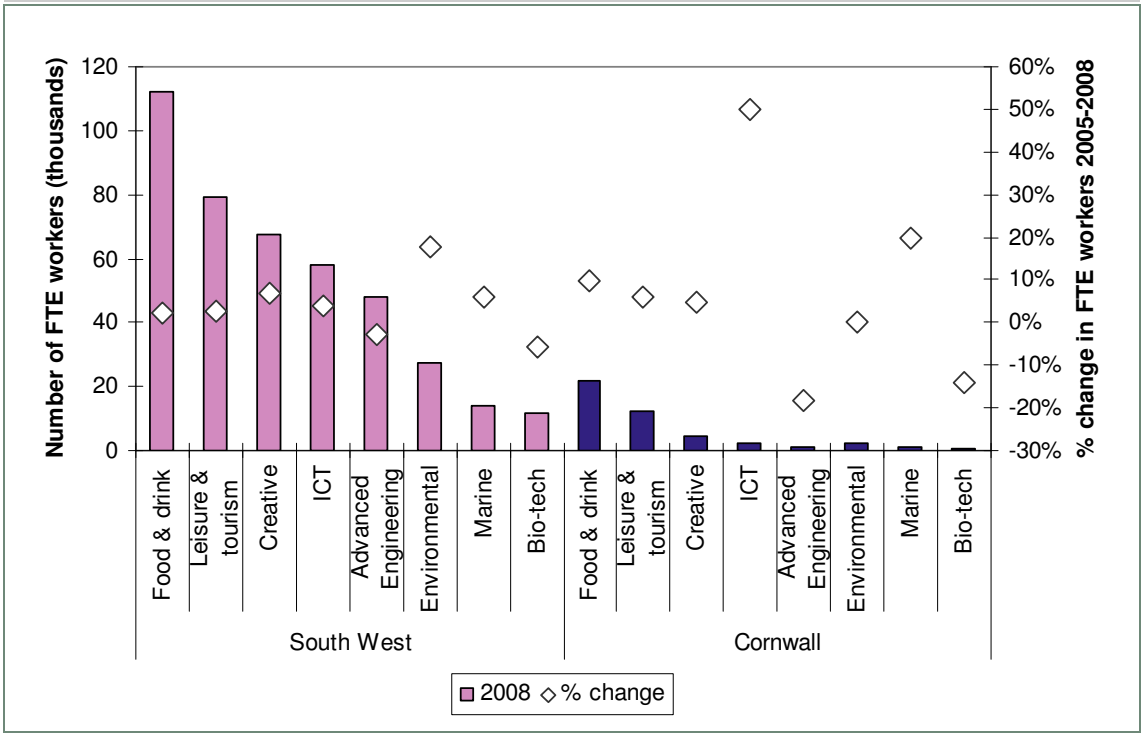
Source: Econ I - South West Regional Accounts Online

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-9 provides a break down of FTE workers employed in the RES priority sectors in the South West and Cornwall and the Isles of Scilly.

Figure F-9: FTE workers in Regional Development Agency priority sectors, total 2008 and change 2005-2008, South West

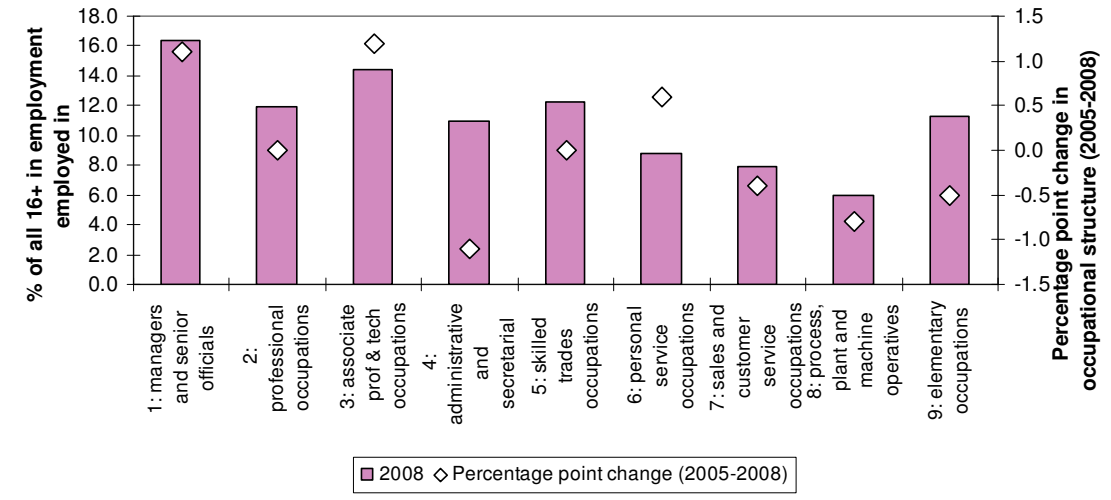


Source: Econ I - South West Regional Accounts Online

F.31 In terms of the RES priority sectors, the largest employers in Cornwall in 2008 were the food & drink, leisure & tourism and creative sectors – employing 21,700, 12,300 and 4,300 FTE employees respectively. The biggest percentage change in employees between 2005 and 2008 was an increase of 50% in the IT sector. There was also strong growth in the marine sector of 20%.

F.32 Figure F-10 sets out the occupational structure of the workforce in the South West.

Figure F-10: Occupational structure of the workforce in the South West, 2005-2008, South West

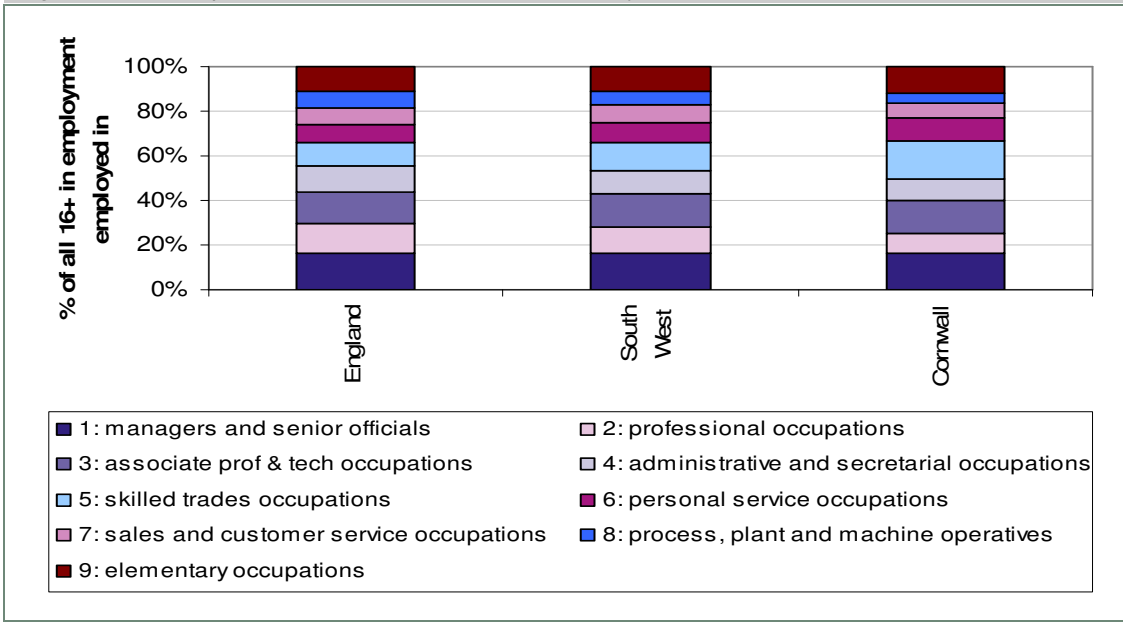


Source: Annual Population Survey

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 occupational structure does not vary substantially between Cornwall and the South West, as illustrated below. Data is unavailable for the Isles of Scilly.

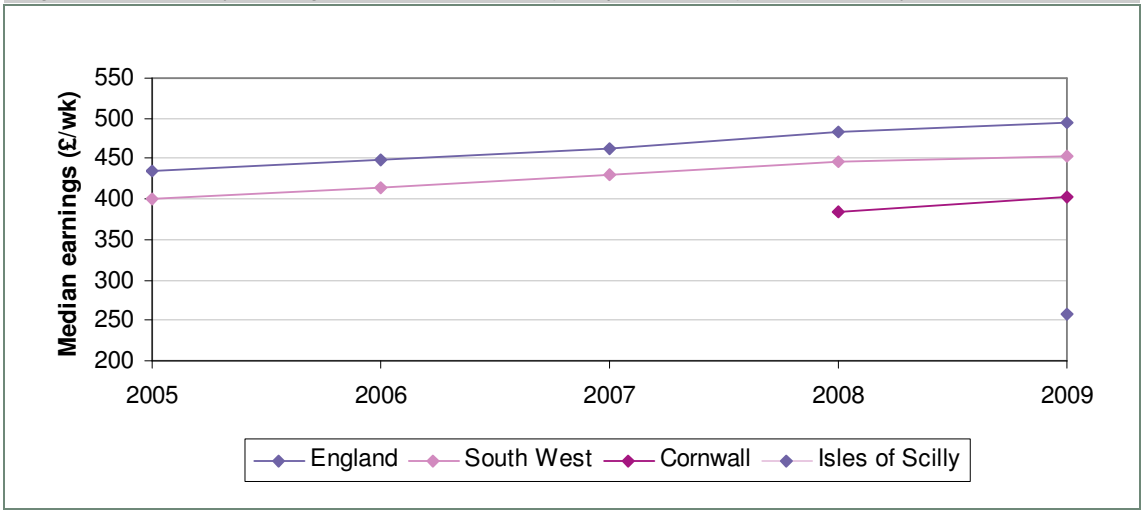
Figure F-11: Occupational structure of workforce, 2008, by area



Notes: Data is unavailable for the Isles of Scilly
Source: Annual Population Survey, 2008

F.35 Median weekly earnings for 2009 and percentage changes in earnings between 2005 and 2009 are set out in Figure F-12. Isles of Scilly data is only available for 2009 and Cornwall from 2008.

Figure F-12: Weekly earnings of full-time workers (workplace based), 2005-2008, by area



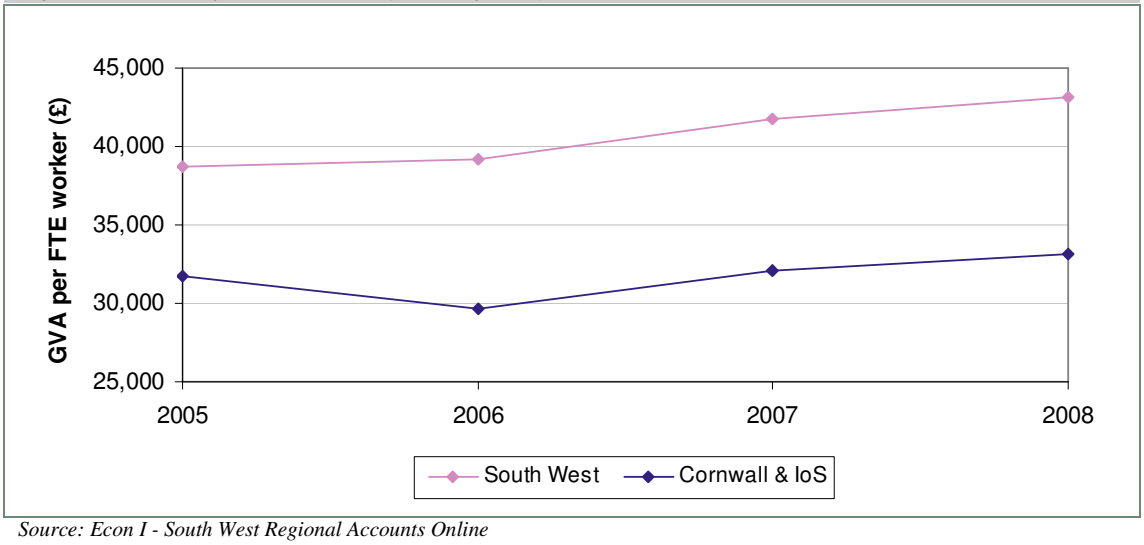
Notes: There are gaps in local authority data as figures are missing or the group sample size is zero or disclosure.
Source: Annual Survey of Hours and Earnings

F.36 In 2009, average earnings across workplaces in Cornwall and Isles of Scilly were lower than in England, with median weekly earnings of £402.90 and £257.40 respectively. Earnings in Isles of Scilly workplaces were particularly low; £145.50 lower than the median South West weekly wage, and £196.40 less than the average across England.

Competitiveness

F.37 GVA is a measure of competitiveness. Figure F-13 shows GVA per FTE worker across Cornwall and the Isles of Scilly and the South West between 2005 and 2008.

Figure F-13: GVA per FTE worker (current prices), 2005-2008



Source: Econ I - South West Regional Accounts Online

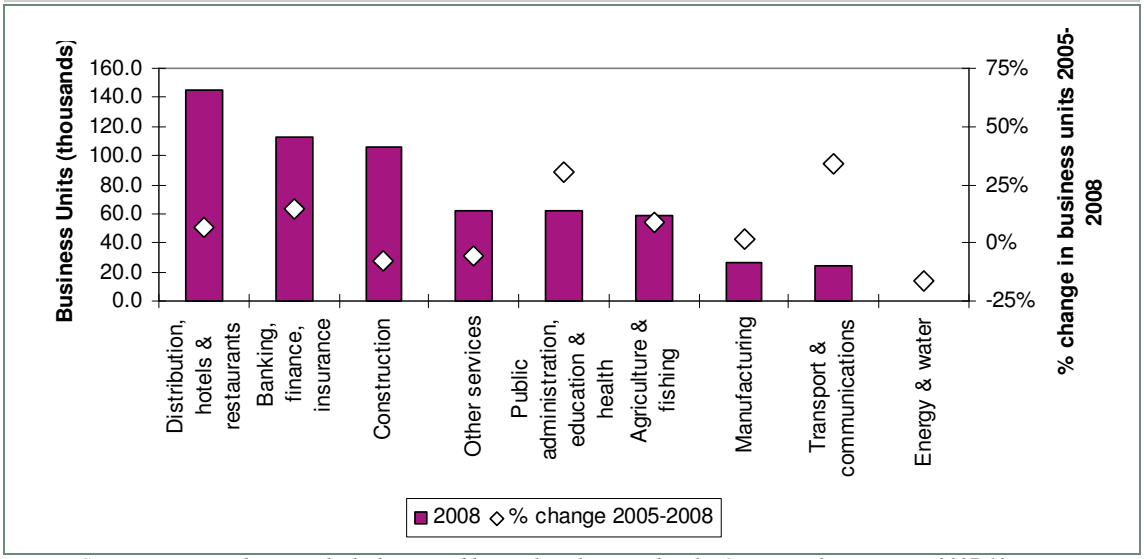
F.38 The pattern of change in GVA per FTE worker in Cornwall has been roughly in line with the South West. However, Cornwall continues to have considerably lower GVA per FTE worker than the South West, and the gap has widened somewhat in the period, to £10,000 per FTE worker in 2008.

F.39 Although *UK Recession Scenarios: Impact on SWE Sectors and Places*[28] 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. The county of Cornwall was forecasted to be the least badly hit of all the South West counties in terms of GVA – with a relatively small fall in GVA of between 0.2% and 1.7% in 2009, before a return to growth in 2010.

Enterprise

F.40 Figure F-14 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-14: Business Units (including self-employed) in the South West, 2005 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 I South West Regional Accounts Online

F.41 Most business units are in the distribution, hotels & restaurants sector. From 2005-2008, the number of business units in transport & communications and public administration, education & 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.

Table F-3: Business Units (including self-employed), 2008, by area

	2008
South West	597,000
Cornwall & Isles of Scilly	70,000

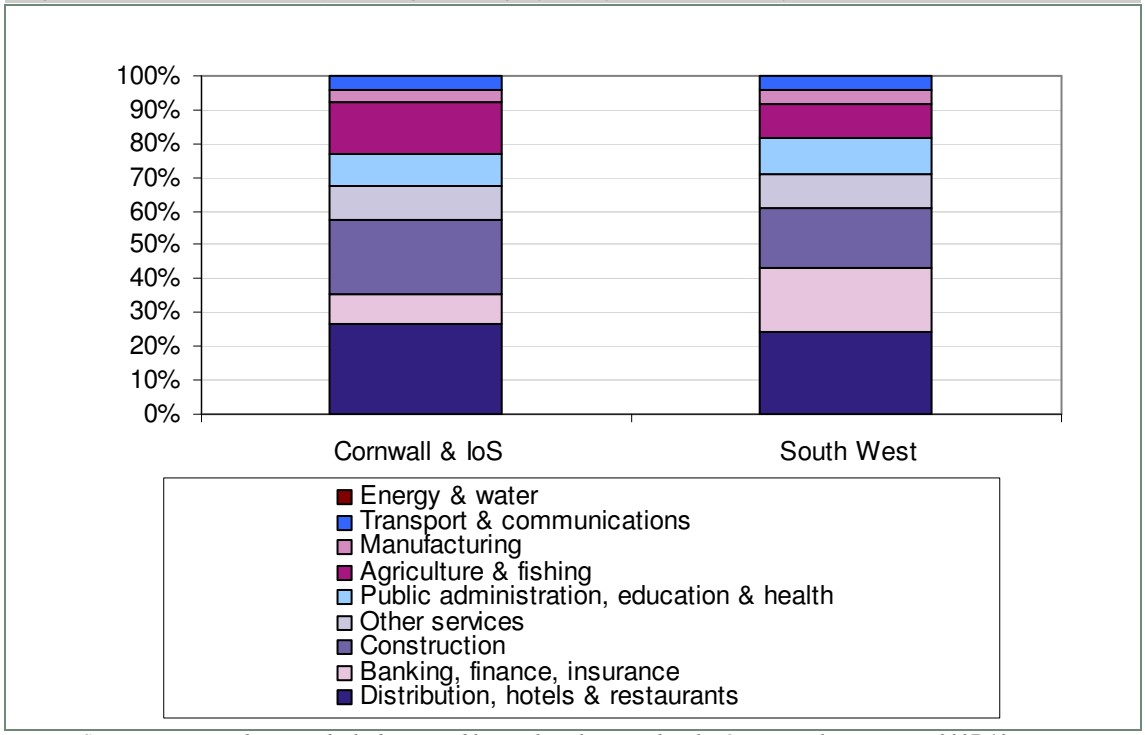
Source: Econ I - South West Regional Accounts Online

[28] Experian, 2009, *UK Recession Scenarios: Impact on SWE Sectors & Places*

F.42 The recession is expected to affect sectors differently, according to the *UK Recession Scenarios: Impact on SWE Sectors and Places*[29], 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.43 Figure F-15 illustrates the extent to which the business base in Cornwall and the Isles of Scilly is different to the rest of the South West economy in 2008.

Figure F-15: Business units (including self employed) by sector, 2008, by area



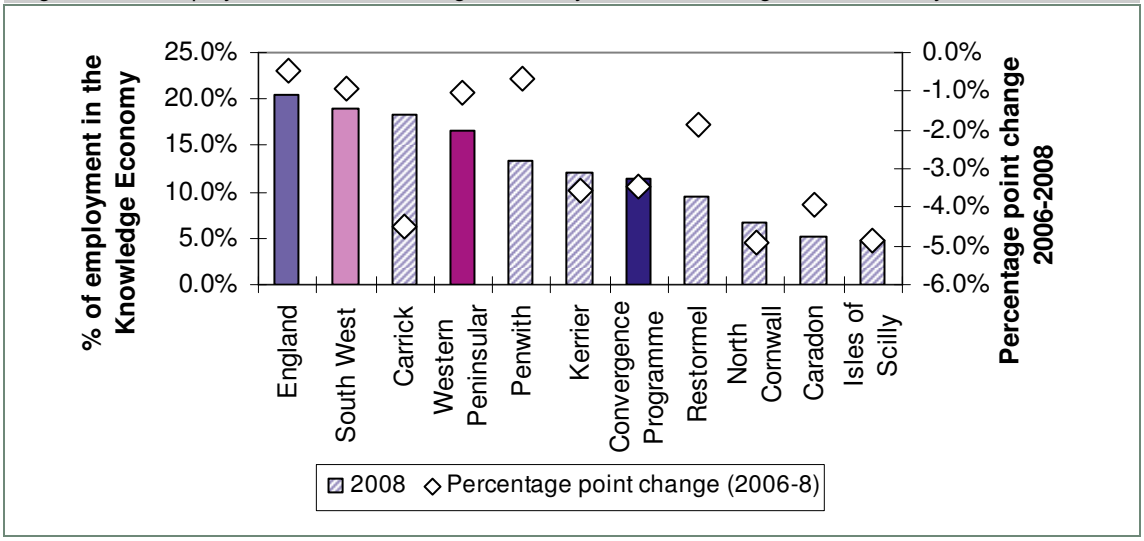
Notes: Sectors categorised to provide the best possible match to those used in the Operational Programme 2007-13
Source: Econ I - South West Regional Accounts Online

F.44 The sectoral makeup of the business base in Cornwall varies quite substantially from the rest of the South West. A much smaller proportion of business units are in the banking, finance and insurance sectors (9.3% compared to 18.9% in 2008), and a greater proportion are in agriculture (15.5% of business units in Cornwall compared to 9.8% in the South West) and construction (21.6% compared to 17.7%) sectors.

F.45 The figure overleaf shows the proportion of all employment by area that is in knowledge-based industries[30].

[29] Experian, 2009, *UK Recession Scenarios: Impact on SWE Sectors & Places*
[30] 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-16: Employment in the Knowledge Economy, 2008 and change 2006-2008, by area



Source: Annual Business Enquiry, Employee Analysis

F.46 Table F-4 provides a breakdown of employment in the knowledge economy in 2008 across Cornwall and Isles of Scilly.

Table F-4: Employment in the Knowledge Economy, 2008 and change 2006-2008, by area

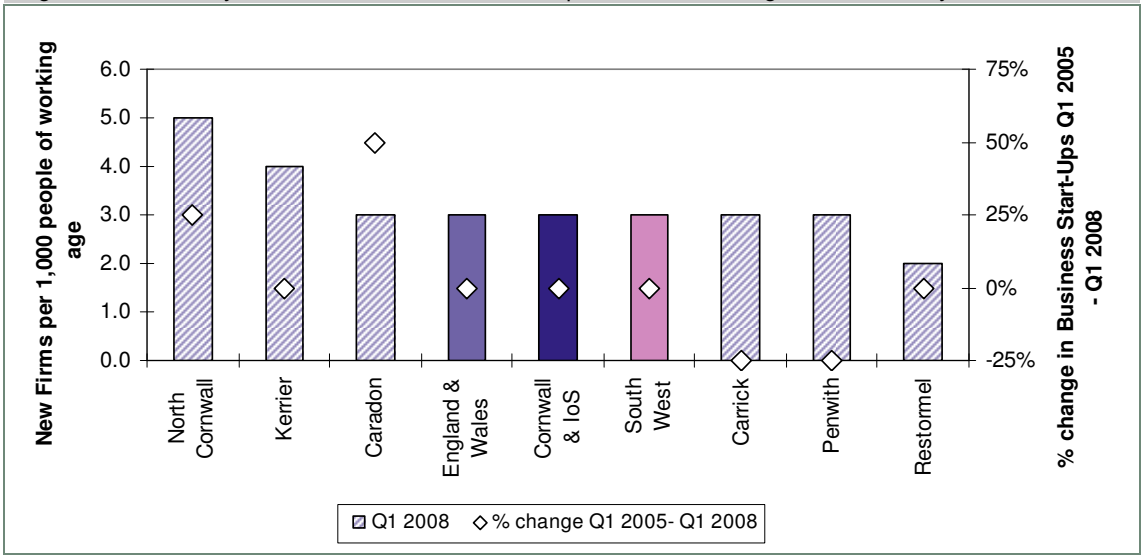
	2008			2006-2008
Local Authority	**Employment in the knowledge economy**	**All employment**	**% of employment in the Knowledge Economy**	**Percentage point change (2006-8)**
England	4710653	23073713	20.4%	-0.5%
South West	424210	2240625	18.9%	-0.9%
Convergence Programme Area	22650	198297	11.4%	-3.4%
Caradon	1246	23747	5.2%	-3.9%
Carrick	8794	48185	18.3%	-4.5%
Kerrier	3884	32422	12.0%	-3.6%
North Cornwall	2232	33884	6.6%	-4.9%
Penwith	2974	22193	13.4%	-0.7%
Restormel	3463	36733	9.4%	-1.9%
Isles of Scilly	54	1134	4.8%	-4.9%

Source: Annual Business Enquiry, Employee Analysis

F.47 Cornwall and the Isles of Scilly are lagging behind England and the South West, in terms of the proportion of employment in the knowledge economy, with less than 12% of all employment in the knowledge-based industries. Within this, North Cornwall, Caradon and the Isles of Scilly are lagging particularly far behind, with 6.6%, 5.2% and 4.8% of employment in the knowledge-based industries. All three areas have seen the proportion of employment in the knowledge-based industries fall between 2006 and 2008, which is causing them to fall further behind.

F.48 Barclays' data on UK business start-ups, measures bank account openings, and as such provides an indication of business start-ups. Figure F-17 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-17: Barclays Mainstream Business Start-Ups, 2008 and change 2005-2008, by area



Source: Barclays

F.49 There has been variation in the rate of business start-ups across Cornwall & Isles of Scilly, the South West and England and Wales. In quarter 1 of 2005 and 2008, three new firms were created per 1,000 people of working age across each of these three areas. During quarter three of 2006 and quarters one and two of 2007 the number of start-ups per 1,000 of the working age population rose to five, although this has since fallen back to three firms per 1,000 people of working age. North Cornwall had 5 new firms per every 1,000 people of working age in quarter 1 of 2008, compared to 3 per 1,000 people of working age in the South West and England & Wales. The number of business start-ups in North Cornwall increased by 25% from Q1 of 2005 to Q1 of 2008 according to the Barclays indicator.

F.50 Table F-5 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-5: VAT De-registrations, 2005-2007, by area

	2005		2006		2007	
Area	**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**
Cornwall & Isles of Scilly	**1,190**	**+275**	**1,210**	**+360**	**1,265**	**+300**
Caradon	180	+55	195	+40	190	+70

	2005		2006		2007	
Area	**De-registrations**	**Net change**	**De-registrations**	**Net change**	**De-registrations**	**Net change**
Carrick	220	+40	210	+80	215	+95
Kerrier	205	+25	205	+40	200	+5
North Cornwall	225	+85	235	+60	245	+50
Penwith	165	+20	155	+30	175	+10
Restormel	190	+40	195	+115	230	+70
Isles of Scilly	5	+10	15	-5	10	0

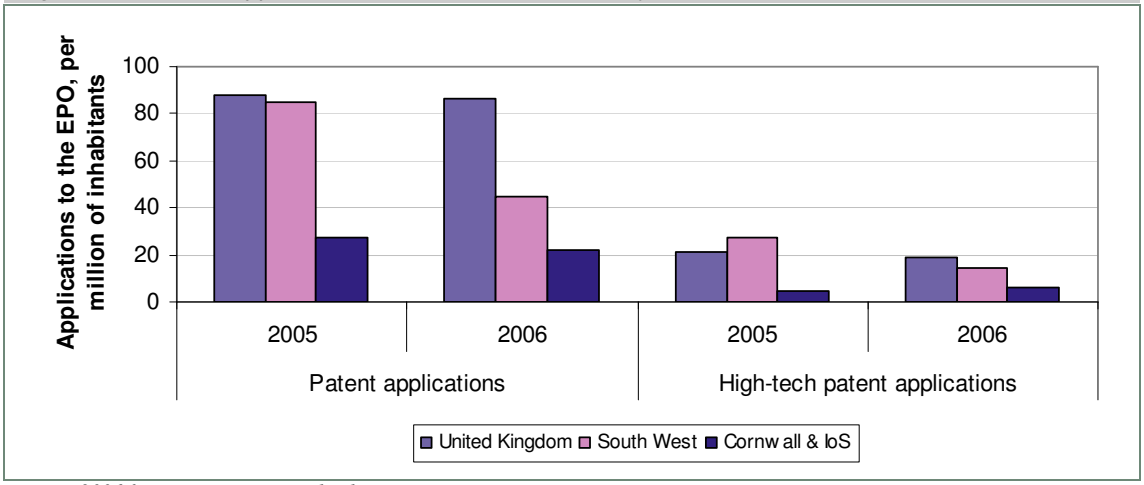
Notes: Net change is the net gain or loss in the stock of registered enterprises each year – equal to registrations minus deregistrations.
Source: VAT Registrations/Deregistrations, Nomis

F.51 There have been relatively few VAT deregistrations on Isles of Scilly, although there have equally been a relatively small number of registrations. In contrast, for each year between 2005 and 2007, VAT registrations in Cornwall have exceeded deregistrations across all of the pre-2009 districts – resulting in a positive net change. Strongest net change has been in Restomel, Carrick and Caradon.

Innovation

F.52 Innovation is a key enabling force of improved economic performance, and is important to transforming the economy to a more knowledge based, high value economy. Figure F-18 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-18: Patent applications to the EPO, 2005-2006, by area

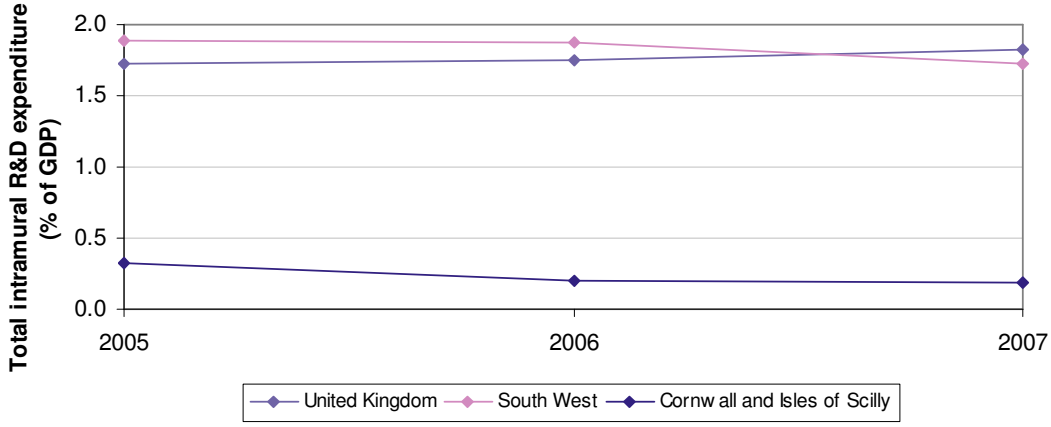


Notes: 2006 figures are provisional values
Source: Eurostat

F.53 In both 2005 and 2006, Cornwall and Isles of Scilly had less than half the number of patent applications to the EPO per million inhabitants than in the South West – a finding which is also true of high-tech patent applications. However, Cornwall and Isles of Scilly is the only NUTS 2 area in the South West to have increased the number of patent applications per million of inhabitants in 2006 than 2005.

F.54 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-19 shows total intramural R&D expenditure between 2005 and 2007.

Figure F-19: Total intramural R&D expenditure, by area



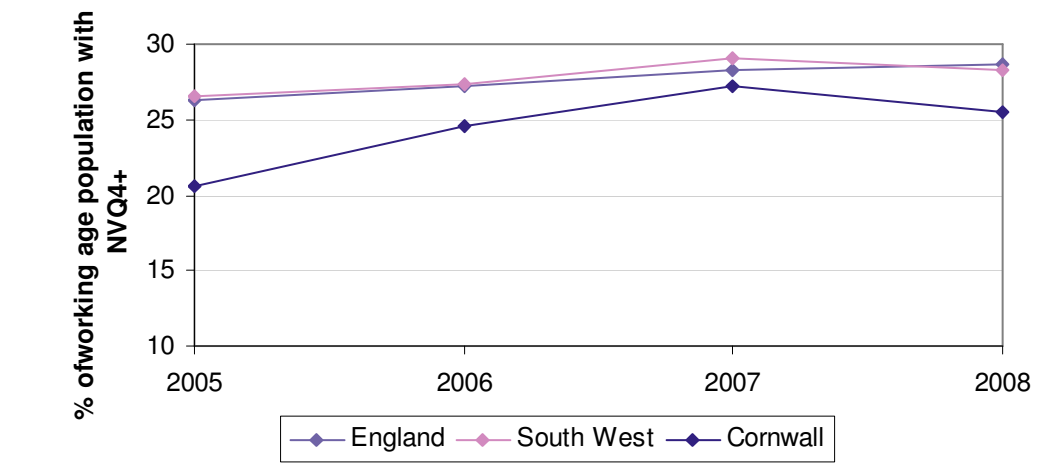
Notes: Figures are all estimates, aside from the UK figure.
Source: Eurostat

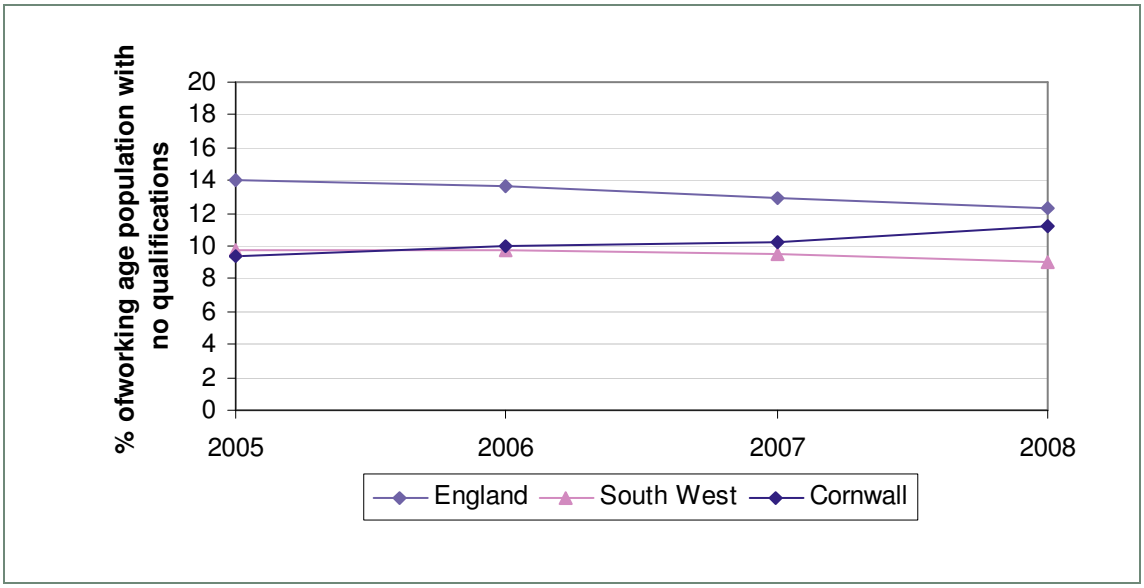
F.55 Total intramural R&D expenditure as a proportion of GDP in Cornwall and the Isles of Scilly and the South West fell marginally between 2005 and 2007 (by 0.16 and 0.13 percentage points respectively). Levels of R&D expenditure in Cornwall and Isles of Scilly remained substantially lower than in comparator areas, at 0.19% of GDP in 2007. It is too early to see the effects of the Convergence Programme and the recession within these figures.

Skills

F.56 The proportion of the working age population with no qualifications or NVQ4+ are set out in Figure F-20. Data is unavailable for the Isles of Scilly.

Figure F-20: Qualifications of the working age population, 2005-2008, by area





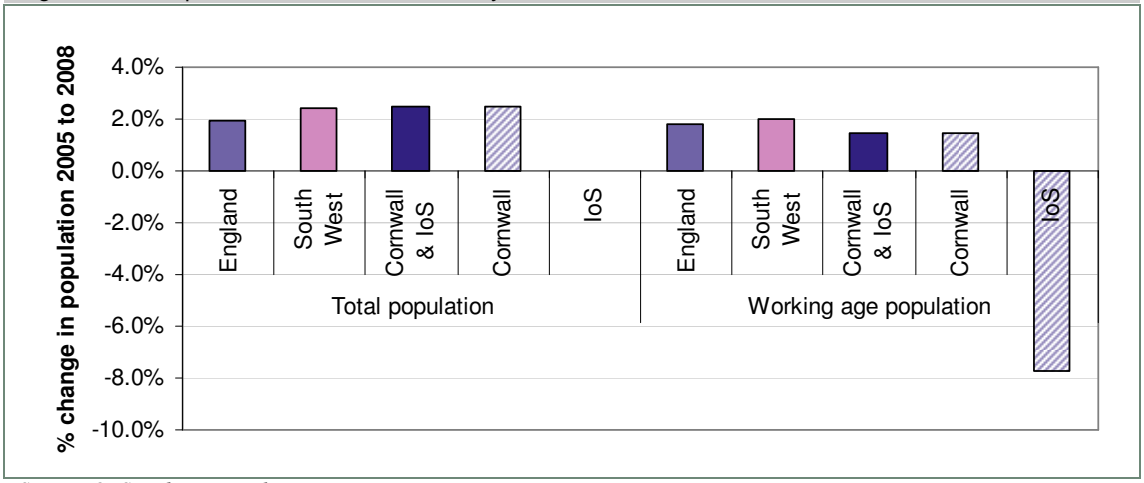
Notes: Data for Isles of Scilly is unavailable
Source: Annual Population Survey

F.57 Between 2005 and 2007, the proportion of the working age population with NVQ4+ increased by 4.7%. However, the level has since fallen back slightly, to 25.5% of the working age population in 2008. In the same period, there has been an increase in the proportion of the working age population with no qualifications. This is contrary to trends across the South West and nationally.

Demography

F.58 By 2008 Cornwall and the Isles of Scilly had a combined population of approximately 534,000, of which just over 310,300 (58%) were of working age. Figure F-21 illustrates population trends in the Cornwall, Isles of Scilly, the Convergence Programme Area, the South West and England between 2005 and 2008.

Figure F-21: Population trends 2005-2008, by area



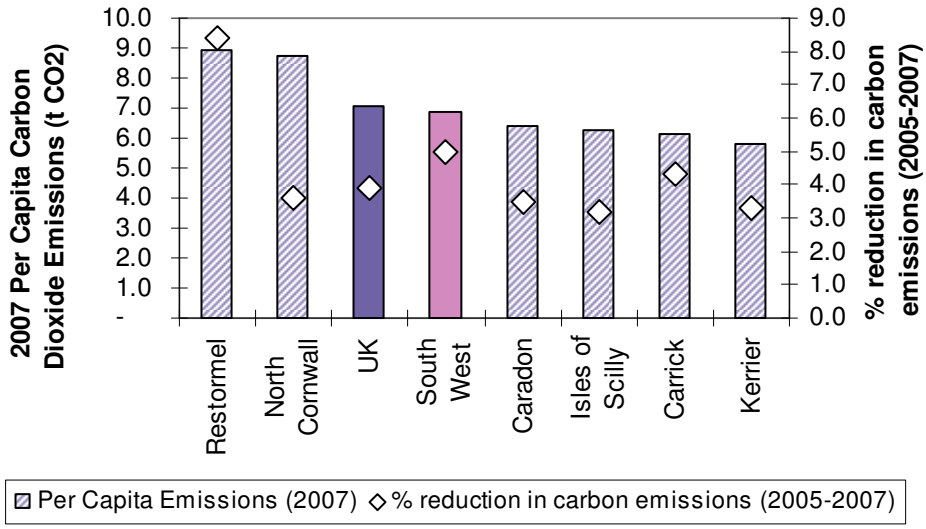
Source: ONS Mid year population estimates

F.59 Total population change between 2005 and 2008 in Cornwall has been roughly in line with population growth in the South West (Figure F-21), although the working age population in Isles of Scilly experienced a fall of 7.7% (from 1,300 to 1,200) in this period (total population change between 2005-08 was negligible).

Environment

F.60 Carbon dioxide emissions account for about 85% of UK greenhouse gas emissions[31], and as such the reduction of carbon dioxide emissions is core to meeting emissions targets.[32] Figure F-22 illustrates the current levels (2007) of per capita carbon dioxide emissions, and the percentage reduction in carbon emissions between 2005 and 2007.

Figure F-22: Carbon Dioxide Emissions per capita, 2007 and percentage reduction 2005-007, by area



Source: Department of Energy and Climate Change, 2007

F.61 Currently, the area with the highest level of per capita carbon dioxide emissions (Restormel) reduced its carbon emissions by the most between 2005 and 2007. Three of the pre-2009 districts in Cornwall and the Isles of Scilly had lower levels of per capita carbon dioxide emissions than the South West and UK.

[31] South West Observatory, 2010, *State of the South West*
[32] The UK is committed to an 20% reduction in greenhouse gas emissions by 2050.

Annex G: Case Study Reports

Interim Funding for CUC Central Team and CUC Phase 3 Central Team

Project details

Table G-1: Project details

Programme (convergence or competitiveness)	**Convergence**
Name of Project	**Interim Funding for Combined Universities in Cornwall (CUC) Central Team and CUC Phase 3 Central Team**
Status (commissioned/endorsed/contracted)	Contracted
Amount allocated £	Interim funding ERDF: £345,216.00 CUC Phase 3 Funding ERDF: £1,858,335.00 **TOTAL ERDF: £2,203,551.00**
Amount spent £	Interim funding: £302,418.89 CUC Phase 3 Funding: £149,153.27 **TOTAL: £451,572.16 (20%)**
Match allocated £	Interim funding: £115,072.00 from CUC Partner institutions CUC Phase 3 Funding: £619,446.00 from CUC Partner Institutions; Cornwall County Council and ESF **TOTAL MATCH: £734,518.00**
Match spent £	Interim funding: £100,806.30 CUC Phase 3 Funding: £49,717.76 **TOTAL MATCH: £150,524.06 (20%)**
Priority Axis	Priority Axis 3
Priority Axis Strand	Knowledge infrastructure
Project description	The CUC partner institutions have developed a number of proposals for consideration by the Convergence funding partnership under both ESF and ERDF programmes. The role of the CUC Central Team is to provide overarching support for the formulation of these proposals and for other CUC activities. The key activities of the central team include: • supporting programme development and the formulation and refinement of proposals for Convergence ESF and ERDF funding • maintaining a high level of liaison with stakeholders • maintaining CUC engagement with the business community and the development of HE engagement with businesses. • developing the relationship with Business Link and formulating robust working relationships in support of the Business Simplification agenda • maintaining a strong and effective communications strategy The CUC Partnership sought the interim funding for the Central Team when its Objective One funding came to an end in April 2008. The team was required to support the completion of CUC Convergence funding proposals and maintain the momentum of CUC developed under Objective One. The Interim funding supported the Central team's

Programme (convergence or competitiveness)	**Convergence**
Name of Project	**Interim Funding for Combined Universities in Cornwall (CUC) Central Team and CUC Phase 3 Central Team**
	work until a proposal for longer term funding was prepared. Following the CUC Partnership Review completed in May 2008 the Phase 3 funding proposal was prepared. It sought funding to support a slightly smaller team of seven people under three main functional areas - Executive support and Co-ordination, Business Support and PR and Communications.
Intended/actual start date	**Interim funding** Intended: 01/04/2008 Actual: 01/05/2008 **CUC Phase 3 Funding** Intended/Actual: 01/03/2009
Intended/actual completion date	**Interim funding** Intended: 30/09/2008 Actual: 31/01/2009 **CUC Phase 3 Funding** Intended/Actual: 31/12/2013

Source: SQW Consulting

Issues

G.1 The purpose of this case study is to examine the effectiveness of the CUC and its Central Team with regards to supporting the development of the knowledge economy through infrastructure provision. It looks at the degree to which it has used the ERDF funding to support infrastructural projects rather than business and people engagement activities. It also investigates the difference the work of the CUC has made to the Cornish businesses and people. In particular, it aims to identify the ways in which the CUC projects have managed to increase HE participation and develop links between the partner higher education institutions and businesses. The case study also discusses the future plans of the CUC partners and the Central Team.

Rationale and objectives

G.2 Cornwall has traditionally suffered from a low proportion of residents qualified to a degree level; low specialisation of the economy in high growth sectors and low levels of R&D compared to the rest of the region and UK[33]. Narrowing this gap has proved difficult, especially as a clear majority of the young talent in the region leaves Cornwall to pursue higher education elsewhere and rarely return to apply their skills in the area. To counteract this 'brain-drain', the CUC Partnership has, over the last 10 years, developed infrastructure to deliver Higher Education (HE) in Cornwall.

[33] Roger Tym and Partners (2008). South West RDA Evaluation of the economic impact of the Combined Universities of Cornwall.

G.3 A previous evaluation of CUC's economic impact[34] described CUC as a partnership, funding stream and an initiative which seeks to:

- provide a significant increase in the range of Higher Education provision available in Cornwall to underpin the development of a knowledge based economy
- widen participation in Higher Education in Cornwall
- develop capacity for research and innovation
- bring about sustainable step change in the development of Cornwall by enabling CUC partners to play a more prominent part in supporting the growth of the Cornish Economy
- create 4,000 student places by 2010.

G.4 The ERDF Convergence Operational Programme Strategy acknowledged the success of CUC as a major force in shaping the Cornish economy under Objective One, and identified the opportunities it can provide to further develop the research base, HE expertise and engagement with businesses in the current programme.

G.5 In contrast to the approach taken under the Objective One Programme where CUC was funded under one allocation, a decision was taken at the outset of the Convergence programme to commission individual CUC projects relevant to the different programme priority axes. This decision was based on the negotiations between SWRDA and the European Commission where the Commission emphasised the need for CUC to focus on the outward facing business engagement activities as opposed to the inward look on building its infrastructure.

G.6 According to the CUC Central Team business plan[35], the CUC partners saw a role for the CUC Executive Team to direct, add value, and execute CUC Strategy in Convergence and also in coordinating the CUC project delivery that arise through both ESF and ERDF funding streams. The Central team was also seen to be crucial in promoting CUC in Cornwall, and partnering with the business support providers to communicate a coordinated business offer for engaging with Higher Education.

G.7 The key areas of responsibility and target outcomes for each of these are summarised below in Table G-2 below.

Table G-2: Roles and responsibilities of the Central Team Members

Function	Target outcomes
Business Support	• Growth in the total number of businesses engaged in substantial relationships with CUC partners. • Increase in the number of businesses engaged with substantial relationships with more than one partner. Delivery of Business Support services is provided by the most appropriate partner institutions and delivery from the Central Team will be minimised, avoiding duplication

[34] Roger Tym and Partners (2008). South West RDA Evaluation of the economic impact of the Combined Universities of Cornwall.
[35] Combined Universities in Cornwall. Appendix 1: Business Plan for ERDF Convergence Funding CUC Central Team Phase 3.

Function	Target outcomes
	with other business support agencies.
Coordination and integration of ESF and ERDF projects	Achieve the five cross cutting HE themes
PR & Communications	The PR & Communications functions are to:- • Ensure a coherent message is generated through effective liaison with partners about CUC. • Enhance the reputation of the CUC Partnership. • Raise awareness of HE for potential students. • Raise awareness of HE (and the impact of EU regional funding) in Cornwall through press activity, events (e.g. Royal Cornwall show; Chamber of Commerce events; RDA events) and literature. • Support the broader communications work of the Convergence Communications Team. • Raise business awareness of CUC's Partnership offer through case studies and press releases on Unlocking Cornish Potential, Know-How and other business-facing CUC initiatives. • Coordinate all promotion and publicity for CUC events. • Provide a gateway into higher education in Cornwall through literature and web content detailing the study opportunities available and signposting to the CUC partners. • Develop CUC's relationship with key opinion formers and decision makers through events and literature (e.g. arranging ministerial visits, reception in European Parliament, CUC Education lecture, CUC Newsletter etc). • Manage media enquiries, interviews and visits.

Source: SWRDA. Technical Assessment Template, CUC Phase 3 Central Team, Date submitted 21/01/2009.

The roles have not been linked to SMART objectives or a performance framework[36].

Inputs and activities

Inputs

G.8 The CUC Central team has received just under £3million of funding, three quarters of which comes from the Convergence programme (See Table G-3).

Table G-3 : Funding provided for the CUC Central team:

Theme and Project	ERDF Approved £	Match Funding £	Eligible project costs £	Intervention Rate %	Total Project Spend to Date £	Total ERDF spent to Date £
Interim Funding for CUC Central Team	345,216.00	115,072.00	460,288.00	75.00	403,225.19	302,418.89
CUC Phase 3 Central Team	1,858,335.00	619,446.00	2,477,781.00	75.00	198,871.03	149,153.27

Source: SQW Consulting based on SWRDA Monitoring data

G.9 The ERDF Interim funding for the Central Team was matched with a contribution from the CUC Partnership institutions. Collectively they contributed just over £115,000 over the nine

[36] *SWRDA. Technical Assessment Template, CUC Phase 3 Central Team, Date submitted 21/01/2009.*

months. However, the Phase 3 proposal had two additional match funders; Cornwall Council (£100,000) and European Social Fund (£116,902). The CUC partners contributed just under £550,000 for the Phase 3 activity.

G.10 To date, the project has spent just over 20% of the funding. The Central Team is slightly behind on expenditure due to a previous loss of staff. Whilst it is still quite early days, there is general confidence that the project will be able to spend the allocated amount of funding within the project duration.

G.11 At CUC project level, the Central team has some concerns about the ability to get match funding in the future. The key sources of match funding for projects to date have included HEFCE Strategic Development Funds, RDA single pot funds and institutions' own funding. The latter, however, has tended to cover only the ineligible project costs. The greatest uncertainty relates to the future availability of the HEFCE funding which is threatened by the current spending review. Although HEFCE is perceived to have general good will to support the work of CUC, possible cuts can impact both CUC's existing and planned projects. For example, although the Tremough Research Centre is already contracted, the CUC partners are still waiting to hear the about HEFCE's investment decisions on further infrastructural development which is currently caught in the spending review.

G.12 The CUC is seen to be improving its coordination with other European funding programmes, namely the ESF and Framework Programme 7 funding. Practically it has proven to be difficult to source complementary funding from these programmes as they have different approaches and timelines to decision making. Despite these challenges, CUC and its Central Team have been successful in sourcing match funding from the other European programmes and seeks to continue doing this where appropriate.

Activities

G.13 The CUC activities are mainly focused around three outcome areas:

1. Building research capacity and infrastructure
2. Business Engagement
3. Continue widening the participation in Higher Education.

G.14 To date the CUC activity has largely focused on the first aspect of infrastructural development as it is seen to be a pre-cursor for the other key activities. Most of the non-infrastructural activities so far have related to provision of undergraduate or Foundation Degree teaching. Some of the consultations, however, suggest that the business engagement and widening participation activities will take precedence in the next couple of years when the research centres have been properly established.

G.15 The role of the Central Team is to support and coordinate the partner institutions activity in these three key areas, as well as market CUC to wider group of partners to raise awareness of CUC and the opportunities it offers for Cornish businesses and people.

Outputs and results

Intended and actual

G.16 The individual CUC projects have a wide range of output and result targets (although these are none for the Central Team). Although little progress has been made in achieving the output targets to date, according to the consultations, there is confidence that the projects will achieve them during the programme timelines. Attracting the required numbers of high growth business to 'flow through the projects' during the programme was identified as one of the key challenges which resonates with the concerns expressed by a wider range of Convergence programme delivery partners concerning the extent to which there are sufficient high growth businesses in Cornwall and the Isles of Scilly who qualify for the business assist targets. In terms of the outcomes, the Central Team believes these will be evident a couple of years after the programme end.

G.17 The Central Team does not have any measurable output targets. There is only one result target of one job created which has not been achieved so far. However, this target has been questioned by the consultees as the project is unlikely to have created any non-fully-grant-funded jobs.

G.18 The Central team is seen to have been very successful in raising the profile of the CUC and marketing the CUC model especially at the European Commission level as a mode of delivering higher education in a rural setting. Similarly, the team has been seen to be able to create a single interface for the business support providers to communicate with. This has enabled CUC to effectively outline what they can offer businesses and how the businesses can engage with higher education in Cornwall.

G.19 However, some concerns have been expressed regarding the way in which the Central Team has succeeded in coordinating and adding value to the CUC's project development and proposal writing. The partner institutions have struggled to understand the differences between the Objective One and Convergence programmes, especially in terms of the current programme's focus on GVA and job creation, which has led to some proposals not articulating sufficiently the contribution of the projects towards achieving the overall Convergence programme's aims. The Central Team should continue providing a supportive role to ensure that partners fully understand the aims of the Programme and ensure that projects are developed which meet the Programme's objectives.

Challenges experienced in delivery

G.20 There have not been major issues in project delivery. However, there have been some delays in moving the projects quickly from proposal to contracted activities due to the need to ensure more of a 'Convergence' focus. The Central team is continuing to support the partners in ensuring that their proposals demonstrate good understanding of the programme. The Central Team has been very open to communication and proactively sought opportunities to discuss the progress and delivery issues both with SWRDA, the Government Office and HEFCE.

Additionality and value for money

G.21 While there is limited evidence to date in terms of outputs, the various CUC projects working on both the supply and demand side of higher education are generally seen to be additional. The CUC offer, for instance, in terms of knowledge transfer and higher education short course are and could not be provided by other providers.

G.22 It is unlikely that the Central Team would have existed without ERDF support as this funding covers two third of the total cost of the Team. It is unlikely that the partner institutions alone would have been able to fund the Team, at least not in its current size. In the absence of the Central Team there would have probably been less coordination of CUC activities and the promotion of the CUC brand, particularly at the European Commission level would not have been as strong. The role of the Central Team is seen to be crucial in driving the widening participation agenda because the individual projects in this area are often very small and without central coordination they would possibly achieve greater participation only in a piecemeal way.

G.23 As the CUC Central team does not have output and outcome targets traditional value for money assessment is not applicable. Nevertheless, on qualitative basis the Central Team is seen to provide generally good value for money in terms of their PR and marketing work, as well as the coordination of business engagement activity by pulling together a CUC offer for businesses.

G.24 Although it is too early to tell to assess Value for Money (VfM) for the CUC projects at this stage, there is a perception that especially in terms of *economy*, the VfM is not likely to be as good as in some of the other ERDF funded projects. For instance, the cost of each 15hr business assist is likely to be much higher than in some other business support projects. However, in terms of *effectiveness* the VfM is likely to be good due to their support being very in-depth and over an extended period time.

Cross cutting themes

G.25 The environmental sustainability CCT has been achieved by reaching the BREEAM excellence in all physical development projects. The equalities CCT has so far been addressed mainly through the institutional policies, for example, on ease of access for disabled people etc. However, this 'operational approach' is seen to be too light touch. The consultations highlighted both the requirement and interest to work on embedding this in a more strategic way in the future, mainly through the widening participation agenda. The focus is likely to be on engaging people from the deprived communities in the higher education offer. For example, they will look at opportunities to introduce different activities in areas such as Penzance where the interest and engagement in HE has been limited. However, the plans for these activities are not yet defined.

Future

G.26 By the end of the programme, CUC would like to have several research units growing to the point where they are attracting external research grants. They would also like to have enterprise and leadership units in the HEIs which would be flourishing in terms of the work

they do with the SME community in Cornwall. They would also like to achieve successes in terms of reduction in the HEI cold spots and widening participation through either learning centres or other means, such as the campuses where they are already teaching undergraduates or Foundation Degrees.

G.27 To achieve this, the CUC partners will spend the rest of the programme working on the business engagement agenda. They are also going to be focusing on developing the environmental sector in partnership with other organisations which will involve a range of activities and make a contribution towards the programme aim of embedding environmental sustainability. There is also potential for them to work more extensively to meet the excess demand for Foundation Degrees, especially in Truro. Extended provision of Foundation Degrees would make a good contribution towards their widening participation agenda.

G.28 There has not been any decision on the future of the Central Team after the Convergence funding ends and it is not clear whether an exit strategy has been developed. However, one of the consultees noted that decision of the partner institutions on whether they will continue funding the team at the end of the funding period will be a good indicator of the Team's perceived success and value-added.

Risks to the project

G.29 Securing match funding for CUC projects is likely to be the biggest challenge going ahead. The consultations suggested that in the past the CUC partners and the Central Team have not attempted to leverage a wide range of funding sources. If the availability of the relevant HEFCE funding is significantly reduced as a result of the current spending review, even some of the already contracted projects are in jeopardy. The Central team and the partner institutions are aware of the issue and are committed to identifying alternative funding streams.

G.30 The funding related challenges also pose a threat to the widening participation agenda. For instance, the recent news on increases in University fees will make it harder to attract some of the excluded groups to higher education. Although there is little that the CUC and the Central Team can do to mitigate this, they are looking at the opportunities to extend the provision of the Foundation Degrees in Truro where there is currently excess demand.

G.31 Another issue is that there is very little evidence of successes in securing business engagement to date. The consultations suggest that the focus so far has been largely on developing the infrastructure and undergraduate level skills development, and the business engagement is to follow that. However, the consultees have also acknowledged that business support market is very saturated with various providers. Although the business facing offer of CUC is unique and not provided by others, it is going to be challenging for them to successfully engage with the businesses.

Good practice

G.32 According to the consultees, both HEFCE and the European Commission view the CUC as an effective higher education delivery model in a rural setting. The partnership is recognised to be genuinely working together to broker relationships and drive skills and knowledge

development. CUC is also seen to be facilitating a wider cultural change in Cornwall, especially in terms of the perception of higher education and making it part of "what we do around here".

Conclusions & assessment of effectiveness overall

G.33 The CUC and its Central Team have worked on supporting the development of knowledge economy in Cornwall through creating infrastructure and engaging with Cornish people and businesses to improve their skills and knowledge. The activities to date have largely focused on the infrastructural development to set the foundation for the outward facing activities. Consequently, limited progress is made so far in terms of the business engagement and widening participation agenda.

G.34 The Central Team has made a notable contribution to raising CUC's profile both at the European level as well as within County. They have also engaged well with the business support providers and provided them with a collective CUC offer which they can use in signposting businesses to the higher education partnership. However, they have been expected to make a greater contribution towards improving the partner institutions' understanding of the programme aims and drive effective proposal development. This is especially in terms of supporting the institutions and their project development process by "quality controlling" the proposals and ensuring that they demonstrate understanding of the programme aims and how the proposed projects support them. Consequently, this represents an area that they should improve on in the future.

G.35 The tightening public funding climate is likely to influence the CUC projects through making match funding more difficult to source and threatening the widening participation agenda through increased student fees. However, the Central Team and the CUC partners are committed to looking for new funding sources and widening activities in areas where there is currently excess demand.

G.36 The CUC, as a delivery model of HE in rural setting and as a partnership, is recognised as an example of good practice, both nationally and internationally. It is seen to encourage joint-up working by the regional HEIs but most importantly, embedding higher education and skills development in the people and businesses of Cornwall.

Watson Marlow Case Study

Project Details

Table G-4: Summary of project details

Programme (Convergence or competitiveness)	**Convergence**
Name of Project	Project Faster (Fully Automated Silicone Tubing Extrusion) - Watson Marlow Ltd
Status (commissioned/endorsed/contracted)	Commissioned
Amount allocated £	£768,737.00
Amount spent £	£768,787.28
Match allocated £	£2,647,873 (of which £256,246 SWRDA match and the difference provided by Watson Marlow Ltd)
Match spent £	£256, 262.42 (Public Sector)
Priority Axis	Three
Priority Axis Strand	Building place potential - Truro, Falmouth/Penryn, Newquay, Bodmin, Penzance/IoS
Project description	Watson-Marlow Bredel Ltd is an innovative engineering company specialising in the design, manufacture and distribution of products for the pump industry with particular reference to the medical industry. Watson Marlow is one of the largest employers in Falmouth with 174 staff and an annual turnover of £20 million producing a high value added product using skilled labour and state of the art technology and materials. The company was looking to expand its operation in the UK and construct a new unit for the increased production of peristaltic pumps and tubing as its current facility was close to its maximum production capacity. The company is principally an engineering manufacturer, specialising in the supply of pumps and components. The Watson-Marlow Bredel site is located close to Falmouth's industrial area close to Bickland Industrial Estate and Falmouth Business Park on the North side of the town. The site had suitable land for expansion that comprised a 0.56ha plot. Watson-Marlow Bredel used EU Convergence investment funding to help plug the cost/value gap produced by the construction of a 1,800m^2 building with clean room facilities that helped to facilitate the expansion of the company, safeguarding and creating jobs in the region. The building was completed in December 2009 and operations within the new production unit have begun.
Intended/actual start date	01/03/2008
Intended/actual completion date	31/12/2009

Source: SQW Consulting

Issues

G.37 Project Faster at Watson Marlow was chosen for a case study because the project is one of the few projects that is now complete and has delivered against its target outputs. However a key question here is the genuine additionality of those outputs and trying to ascertain what would have happened without the Convergence Programme funding.

Rationale and objectives

G.38 Reaching full operational capacity at its peristaltic pumps and tubing production unit in Falmouth, Watson Marlow Ltd anticipated that in order to meet growing demand and make the most of future opportunities that it would have to expand its operations; it had land on its existing site to develop and wished to create a new production unit on this site. However, the construction costs of the high-tech production unit needed were far in excess of the end value of the building. This led Watson Marlow to consider the prospect of outsourcing some of their operations from Falmouth to China where costs are lower if no public sector funding could be found.

G.39 There is a genuine market failure here relating to the cost value gap which means that the development and construction costs of building are higher than the end worth and saleable value of what is built – this makes it extremely difficult for local businesses that wish to expand. In this example, the construction costs of the building were around £3.5 Million and the anticipated value of the finished building just £1.49 Million; this left a cost value gap of almost £2 Million.

G.40 The rationale for funding the project from the Convergence Programme's and RDA view is about keeping a significant local employer in the region thus safeguarding jobs and creating new employment opportunities. The project fits in with one of the Programme's core objectives of unlocking the potential of place – in this case in Falmouth; and delivers on the aim to develop, in a sustainable manner, the capacity of key towns to accommodate new investment critical to the development of a knowledge based and higher value-added economy. The project also fits with the Lisbon Agenda's aim of creating a sustainable, knowledge based economy for Europe.

Inputs and activities

G.41 The Programme and public sector match funding (from SWRDA) was intended to help meet the cost value gap outlined above. The Convergence funding for the project totalled £768,787.26, which was 100% of the allocation. SWRDA promised a 30% match on the Convergence funding and £256,242 was provided in line with this. This meant that 30% of the eligible costs of the project were met. The project ran 0.5% over budget and these costs were met by Watson Marlow.

G.42 The main activity of the project were the construction of the high tech Production Unit, included obtaining relevant planning permissions, contracting the builders and carrying out the build.

Outputs and results

Intended and actual

G.43 Effectively, the project has finished in that the identified land has been developed and a Production Unit including clean room of 1801 Metres Square now occupies the site. The building was the first in industrial Unit in Cornwall to be built to BREEAM Excellent standards. In this respect the project has met all of its targets with regards to outputs.

G.44 In terms of results, the 15 jobs that were targeted to be safeguarded have been retained and two additional jobs have been created against the target of eight set. The project is still on target to create more jobs as business develops and it is anticipated that the project will meet this target in the not too distant future.

G.45 Additional business turnover will be, in addition to new jobs created, the other method by which the project will create additional GVA locally and in the region. It is difficult, at this early stage to measure the difference that the project has had in this respect as there are not yet any annual figures to compare. However, there is a level of optimism that the anticipated business demand exists. Taking in to account that the project was initiated and delivered as the national economy was experiencing difficulty, business performance is on track but not as positive as could be expected in more stable economic circumstances. The important thing is that Watson Marlow now has the infrastructure and capacity in place to meet higher business demand when economic circumstances improve.

Challenges experienced in delivery

G.46 Project Faster has been quite a straightforward project – essentially it is a construction project and this has gone well. The contracted builders delivered in advance of schedule and the project was very close to budget. The relationship between public and private sector has also been smooth although some initial difficulties in understanding the language and requirements of the funding process were identified.

G.47 If there were any challenges in the development an delivery of the project they were in ensuring that the front end was kept in line in terms of funding and planning permissions and making sure that the project was not delayed by having everything in order.

Additionality and value for money

G.48 At first glance this project is odd in that it gives public sector funding to the private sector for them to develop their business – this would seem to have State Aid implications.

G.49 However, the key thing to take in to account with regards to the additionality of this project is that the firm had the genuine intention of outsourcing some of their operations out of Cornwall if they could not have accesses funding to help them plug the cost value gap on expanding their operations. Assuming that it is also unlikely that the project would have won the amount of funding required from other sources. This would have meant the loss of 15 jobs in the local area immediately at the longer term risk of all the 174 jobs in the area being lost if the partial outsourcing of their operations was successful. From this respect we can say that the 15 jobs safeguarded and any new jobs created have a high level of additionality and low level of deadweight given that they would have been taken elsewhere without gap funding. Further, the loss of jobs through outsourcing of production would have had negative benefits on the supply chain and employee spend locally although this can not really be classed as significant.

G.50 There is some degree of leakage from the local area and indeed the region, some supply chain benefits are lost as the parts and materials required for production are specialist and come from all over the world although some supply chain benefits in more basic materials will be

felt. Similarly, the employee who is best for the job may not necessarily, although would ideally, come from within the region.

G.51 In terms of multiplier and spin off effects, at this stage, it would be making large assumptions to say that any firms would really benefit from this extension at Watson Marlow but as business expands this is a possibility.

G.52 In measuring the value for money of the project it is important to consider that as business develops, more jobs will be created the economy of the project will appear better. The current gross cost per job created or safeguarded of the project is in the region of £45,000.[37] This does not represent particularly good value for money but should be considered within the context of keeping a major employer such as Watson Marlow Ltd in the Falmouth area and as such the project is, overall, assessed to have been effective.

G.53 The aim when building the Production unit was not to keep costs as low as possible but to ensure that the build was of a high standard & met the BREEAM requirements. With an emphasis on quality, references were sought for the shortlisted building contractors. Fortuitously the firm with the best references was also the cheapest and so the building appears to represent good quality for good value. The challenge for Watson Marlow Ltd now will be to try and maximise employment and GVA benefit from the new facilities to ensure that the project is as efficient and effective as it can be.

Cross cutting themes

G.54 The cross cutting themes were seen by the project management team as one of the most laborious aspects of the funding requirements – not because they were difficult to meet but because the requirements are inherent to Watson Marlow's way of operating. The BREEAM excellent rating shows that the build has been done in as sustainably and environmentally friendly manner as possible. In terms of equality, the firm has an open employment policy but does not positively discriminate and therefore nobody would be selected nor denied work on the basis of race, ethnicity, gender or sexuality.

Future

Risks to the project

G.55 Whilst the project has met its goals to a certain extent, the promised number of additional jobs have not yet been created and the difference that the project is likely make to local GVA will not be known until the additional business operations have been running for at least a full year. The threats to the promised outputs are clearly related to the recession and continuing economic downturn; if business demand is lower than expected at the time that the funding applications was made then the anticipated jobs and turnover may never materialise. Behind this is the threat that if supply is much lower than expected, the building will not be needed, by Watson Marlow at least, in the longer term. However, this is a worst case scenario and a more realistic assessment of risk would be that business will take longer to build up than

[37] Base on a calculation of ERDF spend to number of jobs created or safeguarded.

originally anticipated and consequently that forecast outputs will be delivered over a longer period.

Good practice/hindsight lessons

G.56 The project is an example of good practice because of the efficient and straightforward manner in which the project was approached and delivered. The project was delivered ahead of time, very close to budget and with minimum fuss. Outputs are already being delivered.

G.57 The successful delivery of this project can be attributed to the effort that went in to planning and assessing the risks involved before the project began – this reduced risks on the critical elements of the delivery. One lesson to be taken from the project from the private sector side was around the structure and terminology used in public sector funding.

Conclusions & assessment of effectiveness overall

G.58 Overall, the project is a straightforward example of how the Convergence fund has created opportunities for local businesses in priority areas to capitalise on economic opportunities in the Convergence Fund area and

G.59 Overall this project shows that with positive and decisive action, local public-private sector projects can be swiftly and easily implemented to the benefit of the local area and wider region. Other businesses may be interested to learn that, if the case is genuine, they can make a case for Convergence programme funding and this could be the key to retaining and creating high-value jobs in the local economy through smaller projects.

Table G-5: Watson Marlow Ltd Project Faster Outputs & Results to March 2010

OUTPUTS			
	Square metres of floorspace (m2)	**Premises built achieving BREEAM "excellent " rating**	**Hectares of land for development**
Target	1801	1	0.42
Actual	1801	1	0.42

RESULTS				
	Number of jobs created	**Gross increase in GVA**	**Number of jobs safeguarded**	**Private sector investment (£m)**
Target	8	£9,340,00	15	4.93
Actual	2		15	4.40

Wave Hub

Project details

Table G-6: Summary of project details

Programme (Convergence or competitiveness)	**Convergence**
Name of Project	Wave Hub Development and Construction Costs
Status (commissioned/endorsed/contracted)	Contracted
Amount allocated £	Development Costs: £1,950,00 Construction Costs: £18,000,000
Amount spent £	Development: £1,755,000 Construction: No ERDF spend yet.
Match allocated £	Development: £650,000 Construction: £15,250,000 (DBIS / DECC £9.51m ; SWRDA £6.39m as of June 2010)
Match spent £	Development: £585,000 Construction: £12,100,000
Priority Axis	One: Innovation and Research and Development
Priority Axis Strand	Environmental goods & services
Project description	The Wave Hub is a groundbreaking renewable energy project to create the UK's first offshore facility to demonstrate the operation of arrays of wave energy generation devices. Many different devices are being developed in the UK and elsewhere to generate electricity from the power of the waves. After the devices have been tested as prototypes elsewhere, the Wave Hub provides an area of sea with grid connection and planning consent where arrays of devices can be operated over several years.
Intended/actual start date	Development: 01/01/2007 Construction: 01/06/2009
Intended/actual completion date	Development: 30/08/2009 Construction: 30/11/2010

Source: SQW Consulting

Issues

G.60 The Wave Hub is the project receiving (or set to receive) the largest amount of funding under the Convergence Programme and is of huge strategic importance to Cornwall and the wider region. Its importance lies in both the innovative nature of the project – it is the most advanced project of this type in the world and also in the project's role in the creation of a low carbon energy sector in the area.

Rationale and objectives

G.61 The Wave Hub is a demonstration project for technology to generate electricity from waves. It involves installing an "electrical socket" off the north coast of Cornwall into which companies developing Wave Energy Conversion devices (WECs) can then install groups (arrays) of machines and test their performance over periods of several years in a realistic, fully monitored marine environment that also has a simplified route to permitting and consenting the devices.

G.62 An external appraisal and several economic assessments and options appraisals were carried out as part of the successful development phase and the project is currently in the middle of construction - six of the seven construction contracts required to finish the build have been awarded.

G.63 The wider rationale for the project is to help demonstrate that the generation of electricity from the sea is doable and reliable. The project contributes to a reduction of dependence on fossil fuels and paving the way for a greener future for electricity. Within the Convergence programme the rationale for the project is to develop Marine Renewables Industry in Cornwall creating high value and suitable knowledge jobs both directly and through companies attracted to the area as a result of the project. According to the ARUP appraisal of the Wave Hub project "The case for market failure in the development of renewable energy technology is strong, particularly because of the *positive externalities* of reducing carbon emissions."[38]

G.64 Wave Hub, when complete, fits in exactly with the four objectives of the Convergence Programme:

- transforming the economy to a more knowledge based, high value added economy with a broader range of sectors, and a reduced dependence on low paid jobs
- increasing the range and quality of employment opportunities available to the community
- managing economic growth in a sustainable manner
- take a leading role in investing in the drivers of a low carbon economy, including increasing carbon literacy, overcoming market failure, and accelerating technological change.

More specifically it is a perfect example under the Priority One axis of projects that are particularly innovative or research intensive and can help drive the knowledge economy forwards in the long term and at the cutting edge. It is also a perfect strategic fit with the Lisbon Agenda's aim for Europe to be the most dynamic knowledge-based economy in the world capable of sustainable economic growth. Wave Hub can be at the centre of sustainable economic growth in the region.

G.65 The objectives of the Wave Hub project are as follows:

[38] ARUP Appraisal of the WaveHub (Construction Costs) External Appraisal, 2009.

- demonstrate the commercial viability of alternative wave energy systems
- make Cornwall & the Isles of Scilly and the South West of England the destination of choice for WEC developers to conduct commercial scale development
- support WEC developers in crossing the funding gap after the research and development stage
- create a new industry and job opportunities in Cornwall & the Isles of Scilly and the South West, expanding on the existing marine and engineering industries that are present in the region and creating opportunities for inward investment
- enhance the science and the knowledge base in Cornwall & the Isles of Scilly and the South West, expanding on the existing marine and engineering industries that are present in the region
- provide opportunities for Cornwall & Isles of Scilly firms and academic institutions to develop new skills and business opportunities
- enhance Cornwall & the Isles of Scilly, the SW region and the UK's reputation in the field of renewable energy and marine energy in particular
- complement existing UK marine renewable initiatives such as the European Marine Energy Centre (EMEC) in Orkney and the New and Renewable Energy Centre (NaREC) in Blyth and help establish the UK as a world leader in marine renewable energy
- produce more energy from renewable marine resources and lessen the dependency on non-renewable fossil fuel.

G.66 Whilst some of these objectives will take a considerable amount of time to come to fully come to fruition there is no reason why they are not all achievable in the longer term under a project of this magnitude and strategic importance. The achievement of many of these objectives will be realised from autumn 2010 when the construction of Wave Hub is complete. The project has the capacity to be truly transformational for the economy Cornwall and the wider region, providing the catalyst for an entire sector that is entirely sustainable.

Inputs and activities

G.67 The Development Phase of the project is now complete. The total development costs were £2.34 million. Of this, £1,755,000 was from Convergence Programme Funding out of an allocation of £1,950,000 and the remaining £585,000 was taken from a match funding allocation of £650,000 from SWRDA and DECC/DBIS. The under-spend is attributed to the work being achieved at a lower cost than expected.

G.68 The Construction phase has been awarded total funding of £ 33.9m. This is made up of £18m of Convergence programme funding, £9.51 m from BIS/DECC and £6.39m from SWRDA. As of May £12.1m had been spent although none of this is ERDF as the decision was made to draw the BIS/DECC funding down first. It is anticipated that the majority of this money will

get spent, the plans include £3m of contingency funds, again related to the likely impacts of storms and bad weather on the project delivery so if it is not needed the project could under-spend by up to £3m. With the contractors now selected and construction under way, a large amount of this money should be spent over the next three-six months. The construction is due to be complete in autumn 2010.

G.69 The project development activities comprised a series of technical studies, negotiations and professional consultations to provide a robust and practical basis for implementing the Wave Hub project and to ensure all the necessary technical data, consents and agreements are in place. This has included getting the lease of the sea bed and ensuring all the legal paperwork is in order.

G.70 The construction of the Wave Hub and the underlying cable pipe is a complex process of significant scale with several large capital projects including:

- connection to the Western Power Distribution system at the site of a former coal-fired power station in Hayle
- a sub-station building housing electrical and telecommunications equipment
- a duct beneath the Towans through which the cable will be routed
- a sub-sea cable laid under the Towans, under the beach and then across the sea bed
- a terminal distribution unit (effectively, a junction box) where the cable divides into four, each of which then connects to a WEC array
- navigation marks.

G.71 In addition to this, the marketing of the Wave Hub to prospective customers as well as external stakeholders, press and the local community is an ongoing task. A full time Manager for the Wave Hub has now been appointed.

Outputs and results

Intended and actual

G.72 The Wave Hub Project does not have as many target outputs as other projects under the Convergence fund but its overall impact on the economy of Cornwall should be substantial, it was anticipated that the project, when complete and underway would generate an additional 548 jobs in the region and will bring in an additional £23,600,000 of GVA. However, given the changed economic circumstances of the last two years these targets are currently being re-negotiated with low, medium and high options and they are likely to be lower than originally anticipated. That said the overall outcome of giving Cornwall and the Isles of Scilly a significant stake in a new and exciting worldwide industry and all the benefits that can be reaped from that should remain the same.

Challenges experienced in delivery

G.73 It is unsurprising that in a project of this scale there have been challenges to tackle in the delivery of Wave Hub, these have been varied but key challenges to highlight have been:

- working with a new industry where everything is untried and untested and there are many 'firsts'
- adhering to strict procurement requirements of public sector funding to which the marine and offshore industries are not accustomed
- meeting all the legal requirements for consent and planning and getting the required documentation back from all parties with the requisite comments and approvals.
- Mother Nature! To do a lot of this work - surveys on the sea bed in particular - the sea has to be calm
- the impact of the recession on the industry has made it difficult to access finance and investment.

G.74 All in all these challenges have been met either through good organisation and management or through working carefully with partners such as DECC to mitigate risks.

Additionality and value for money

G.75 Overall, the project has allowed Wave Hub technology to be developed in Cornwall far earlier than it might otherwise have been giving the area a competitive edge and allowing the region to get ahead in what is a very competitive game. Because of Cornwall's location it is likely that a project along these lines would have gone ahead at some point in the future but by then the region would have been playing catch up rather than positioning themselves as a global leader in wave hub technology.

G.76 The economic impact of the project and the degree to which the project will truly prove its worth and value for money depend on the extent to which Wave Energy Converter firms expand and how they see Cornwall fitting in with their plans. As the 2009 Economic Impact Update by Arthur Little highlights the wave energy market has been slower to develop than anticipated in 2007 and growth in the global market to 2020 is also likely to be slower than forecast. That aside, the project alongside PRIMARE has already begun to attract other firms in the sector to the area. The project works closely with PRIMARE and other firms to make the most of knowledge transfer and relevant expertise and as the construction completes and Wave Hub is in use this cluster is likely to grow.

G.77 Due to the specialist nature of the project a lot of the work so far has not been able to be carried out by local firms – so far just one contract (for the construction of the sub-station building) has been awarded locally. However, there is a much greater chance for firms moving forward and the arrival of companies from around the world to use the facility will greatly enhance supply chain opportunities. One threat must be that the companies come to the Wave Hub for testing and then take the knowledge away from the area with them to benefit other areas. However this risk is offset by the obvious gains to be made locally from

hosting a world leading facility. The Wave Hub management team are committed to enabling opportunities for local companies wherever possible.

G.78 Furthermore, the project has spurred further investment in the immediate area such as the Hayle Harbour Regeneration plans. The project also has the ability to help retain graduates and their expertise (from CUC, Exeter etc) within the local economy creating new opportunities (directly and indirectly) in a high-value knowledge intensive sector.

Risks to the project

G.79 There is the reasonable risk that wave energy technology gets surpassed by other new energy and new engineering methods before the project is fully realised and that something 'bigger or better' or more reliable takes over from wave energy.

G.80 However the greatest and more probable risk is competition from elsewhere in the world. Wave Hub currently has a lead but other countries including Scotland, Ireland, Spain and Portugal are catching up on the technology and Wave Hub needs to use its lead whilst it can to embed firms within the region and prove that Cornwall is the leading place for marine energy.

G.81 In addition, the most direct risk to the project finishing on time and on budget is the weather, although as mentioned before, significant contingency costs are in place to meet this risk.

Good practice/hindsight lessons

G.82 The project, so far, appears to be well managed and well delivered. A strong project team that have had the dedicated time and resource to work on the project appears to be the crux of this and though many challenges have been highlighted they have been surpassed. That said, the project is far from over and its success cannot yet really be judged.

G.83 The project team are the first to admit that there have been lessons to learn along the way and that can of course be expected form a project of this scale. The key lessons highlighted are firstly on technical expertise and ensuring that the external teams and consultants do have the required knowledge to deliver what is needed; and the second is around keeping all parties fully informed, keeping relationships going and generally ensuing that everyone involved is singing from the same hymn sheet.

Conclusions & assessment of effectiveness overall

G.84 Overall it must be remembered that we are looking at the Wave Hub project before it has been completed and so it is impossible to second guess its impact however the following conclusions can so far be drawn:

- The project is well under way and will deliver on its overall aim of handing Cornwall a leading place in the development of the Marine energy sector
- However, the projects end results are unlikely to be as positive as anticipated – economic circumstances have changed and the industry has changed and with a long

term project that is as innovative as this one, changes should be expected and targets must not be too rigid.

Table G-7: Results Table (No outputs for the project target or actual)

RESULTS		
	Gross new jobs created	**Gross Increase in GVA**
Target	Development: 1 Construction: 548	Construction: £23,600,000
Actual	Development: 0 Construction: 0	Construction: £ 0

Source: SWRDA Performance Monitoring Data

Annex H: Assessment of reasonableness of targets

Assessment of output targets

Table H-1: Assessment of output targets for Convergence

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**
O01 - Number of businesses assisted to improve their performance (6,440)	PA.1 gross spend per unit of £62,300 and PA.2 gross spend per unit of £25,800 Using the 0.52 additionality ratio found in our business impact survey (see on), PA.1 net spend per unit of £120k and PA.2 net spend per unit of £49,600	Spend per unit comparisons are available for net business assists. For example, BIS[39] state an average of £9,705 (bus. dev and competitiveness interventions), £24,640 (science, innovation and R&D innovations), and AWM[40] found a range of £11k-£82k		There were 70,000 business units in Cornwall and the IoS in 2008 (source: Econ-I) The target of 6,440 assists represents 9% of business units in 2008	Comparing the spend per unit to external benchmarks suggest the targets are achievable
O02 - Number of new business assisted (Subset of businesses assisted) (210)	Spend per unit unavailable for sub-sets. See figures above for O01		The PA.1 target of 210 equates to approximately 14% of the PA.1 business assists target The PA2 target of 700 equates to approximately 14% of the PA.1 business assists target	The baseline data suggest that approximately 5,100 new start-ups were created in Cornwall and the Isles of Scilly in 2007	Targets appear achievable

[39] BIS (then BERR) (2009), *Impact of RDA spending: National report*. Figure refers to business development and competitiveness interventions unless stated otherwise
[40] AWM (2009), *Performance Benchmarks*, prepared by SQW. Figure refers to Enterprise and Business Development interventions

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**
O03 - Number of environmental goods and services enterprises assisted (subset of 001) (280)	Spend per unit unavailable for sub-sets. See figures above for O01		The PA.1 target of 280 equates to approximately 18% of the PA.1 business assists target The PA2 target of 350 equates to approximately 7% of the PA.1 business assists target	The baseline data suggests that in 2007 there were around 800 business units operating in the Cornwall and IoS environmental sector (Source: Econ i) The review of performance data shows a low number of contracted environmental business assists to date	Target appears very challenging given the small population of business units in the environmental sector Recommend revising target down as set too high at the time of developing OP
O04 - No of firms involved in collaborative research & development projects (subset of 001)) (280)	Spend per unit unavailable for sub-sets. See figures above for O01		The PA.1 target of 280 equates to approximately 18% of the PA.1 business assists target		18% of the business assists target appears achievable given the focus of PA.1
O05 - Number of businesses within the region engaged in new collaboration with UK knowledge base (subset of 001) (280)	Spend per unit unavailable for sub-sets. See figures above for O01		The PA.1 target of 280 equates to approximately 18% of the PA.1 business assists target The PA.2 target of 210 equates to approximately 4% of the PA.1 business assists target		18% of the business assists target appears achievable given the focus of for PA.1
O06 - Number of research and innovation centres supported (6)		No benchmark available			

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**
O07 - Proportion of premises constructed/upgraded to at least the BREEAM standard of excellent or equivalent (incubators etc) (90%)	No unit cost calculation as target is proportionate	No benchmark available			
O08 - Number of new business assisted (subset of 001) (700)	Duplicate output category. See O02	Duplicate output category. See O02	Duplicate output category. See O02	Duplicate output category. See O02	Duplicate output category. See O02
O09 - Environmental goods and services enterprises assisted (subset of 001) (350)	Duplicate output category. See O03	Duplicate output category. See O03	Duplicate output category. See O03	Duplicate output category. See O03	Duplicate output category. See O03
O10 - Businesses advised on improved environmental performance (subset of 001) (1,400)	Spend per unit unavailable for sub-sets. See figures above for O01				
O11 - Businesses engaged in new knowledge base collaborations (subset of 001) (210)	Duplicate output category. See O05	Duplicate output category. See O05	Duplicate output category. See O05	Duplicate output category. See O05	Duplicate output category. See O05

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
O12 - Premises built achieving BREEAM "excellent " rating (80)	PA.2 spend per unit of £1.58m and PA.4 spend per unit of £1.40m	No benchmark comparator			
O13 - Square metres of new or up-graded premises/facilities (93,000)	PA.2 spend per unit of £1,360 and PA.4 spend per unit of £1,870 The CEA additionality benchmark[41] for sub-regional physical infrastructure interventions is 0.54. Using the 0.54 additionality ratio the PA.1 net spend per unit is £2,520 and PA.2 net spend per unit is £3,460	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 targets are achievable
O14 - Major investment projects (2)	Unit cost comparison not applicable				
O15 - Premises built achieving BREEAM "excellent " rating or equivalent (0)	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12

[41] BIS (2009), *Research to improve the assessment of additionality*

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**
O16 - Square metres of floorspace (m2) (60,000)	Duplicate output category. See O13	Duplicate output category. See O13	Duplicate output category. See O13	Duplicate output category. See O13	Duplicate output category. See O13
O17 - Hectares of land for development (58)	PA.4 spend per unit of £7.91m The CEA additionality benchmark[42] for sub-regional physical infrastructure interventions is 0.54. Using the 0.54 additionality ratio the PA.4 net spend per unit is £4.27m	BIS state a benchmark of £4.75m per net hectare of land remediation			Comparing the spend per unit to external benchmarks suggest the target is achievable
O18 - Previously developed land prepared / developed (subset of land for development) (10)	Spend per unit unavailable for sub-sets. See figures above for O17				
O19 - Redundant buildings developed for new economic use (40)	PA.4 spend per unit of £2.78m	No benchmark comparator			
O20 - Historic buildings / sites developed for new economic use (20)	PA.4 spend per unit of £5.59m	No benchmark comparator			
O21 - Sustainable Integrated Development Strategies prepared (7)	PA.4 spend per unit of £16.0m	No benchmark comparator			

[42] BIS (2009), *Research to improve the assessment of additionality*

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**
O22 - Projects achieving BREEAM "excellent" rating or equivalent (80)	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12	Duplicate output category. See O12

Assessment of results targets

Table **Error! No text of specified style in document.**-1: Assessment of results targets for Convergence

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
R01 - Gross new jobs created (2,187)	Overall Programme spend per unit is £29,800 Gross spend per units: PA.1 - £43,900, PA.2 - £23,100, PA.3 - £26,800, PA.4 - £29,800 Using the 0.52 additionality ratio found in our business survey, net spend per units: PA.1 - £84,400, PA.2 - £44,400 Using the CEA benchmark for physical interventions of 0.54 additionality ratio gives a net spend per unit of: PA.3 - £49,630, PA.4 - £55,185	AWM evidence for spend per units of net 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 baseline data suggest that in 2007 Cornwall had around 215,000 FTE workers. A rise of 15,412 gross jobs (the programme target) equates to just over 7% of this total	The spend per units are broadly in line with the large range provided by external benchmarks – all within the AWM range of £41k-£138k, but further away from the BIS benchmark Over the 7 years of the programme, adding 7% to the overall Cornish employment figure appears achievable. Between 2004 and 2007 the number of FTE workers grew by 21,000 from 194k to 215k
R02 - Gross jobs safeguarded (837)	Overall Programme spend per unit is £52,300 Spend per units range from £37,000 per job in PA.2 to £114,578 in PA.1	No benchmark comparator		The baseline data suggest that in 2007 Cornwall had around 215,000 FTE workers. Safeguarding 8,767 gross jobs (programme target) equates to 4% of this total	Over the 6 years of the programme, safeguarding 4% of the overall employment figure appears achievable
R03 - No of patents granted and other IPRs and other IPR devices (140)	PA.1 spend per unit of £685,000	No benchmark comparator			
R04 - Number of additional firms involved in business/cluster networks (700)	PA.1 spend per unit of £137,000 and PA.2 spend per unit of £120,000	No benchmark comparator			

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
R05 - No of SMEs launching new or improved products (1,956)	PA.1 spend per unit of £49,000	No benchmark comparator			
R06 - Gross increase in GVA (539.4m)	Overall Programme spend per unit is £0.85 – i.e. for every 85p of Programme spend, a return of £1 of GVA (1.2 : 1) Spend per units range from £0.66 in PA.2 to £1.25 in PA.1	BIS found an achieved net GVA to cost ratio or 7.3 : 1 – i.e. for every 14p of programme spend, a return of £ of GVA		The baseline data suggest that in 2007 Cornwall's gross GVA was £6,923m. A gross increase of £539m (programme target) equates to 8.6% of this total Between 2004 and 2007 the Cornish GVA increased from £5,988m to £6,923m. A rise of £935m in three years	Comparing the spend per units to external benchmarks suggest the targets are achievable Adding £539m of GVA over the lifetime of the programme appears achievable given growth in GVA over time and business survey results (see on)
R07 - Gross jobs created in environmental sectors (subset of job created) (560)	Spend per unit unavailable for sub-sets. See figures above for R01		The PA.1 target of 560 equates to approximately 26% of the PA.1 gross new jobs target The PA.2 target of 700 equates to approximately 13% of the PA.1 business assists target	The baseline data suggest that in 2007 FTE employment in Cornwall's Environmental sector was around 2,400 The overall programme target of 1,260 jobs is equal to 53% of the Cornish total in 2007	Target appears very challenging given the small number of employees in the Cornish environmental sector Recommend target is reduced
R08 - Private sector investment arising from support (360m)	PA.2 spend per unit is £0.35 – i.e. for every 35p of spend, matched by £1 of private sector investment (2.9 : 1) PA.4 spend per unit is £0.71 – i.e. for every 71p of spend, matched by £1 of private sector investment (1.4 : 1)	No benchmark comparator			
R09 - Number of companies using ICT (new and upgraded) (4,410)	PA.2 spend per unit of £28,700 and PA.3 spend per unit of ££10,800	No benchmark comparator			

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
R10 - Number of jobs created (13,225)	Duplicate result category. See R01	Duplicate result category. See R01	Duplicate result category. See R01	Duplicate result category. See R01	Duplicate result category. See R01
R11 - Number of jobs safeguarded (7,930)	Duplicate result category. See R02	Duplicate result category. See R02	Duplicate result category. See R02	Duplicate result category. See R02	Duplicate result category. See R02
R12 - Gross jobs created in environmental sectors (700)	Duplicate result category. See R07	Duplicate result category. See R07	Duplicate result category. See R07	Duplicate result category. See R07	Duplicate result category. See R07
R13 - Number of additional firms involved in business/cluster networks (subset of businesses assisted) (1,050)	Duplicate result category. See R04	Duplicate result category. See R04	Duplicate result category. See R04	Duplicate result category. See R04	Duplicate result category. See R04
R14 - Number of businesses using new infrastructure (10,000)	PA.3 spend per unit of £10,800	No benchmark comparator			
R15 - Number of businesses benefiting from up-graded ICT infrastructure (10,000)	Duplicate result category. See R09	Duplicate result category. See R09	Duplicate result category. See R09	Duplicate result category. See R09	Duplicate result category. See R09

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
R16 - Number of businesses with improved performance (GVA) (6,000)	PA.3 spend per unit of £18,000 Duplicate of output 001				
R17 - Private sector investment £m (157)	Duplicate result category. See R08	Duplicate result category. See R08	Duplicate result category. See R08	Duplicate result category. See R08	Duplicate result category. See R08

Assessment of impact targets

Table **Error! No text of specified style in document.**-2: Assessment of impact targets for Convergence

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

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 (10,590)	Overall Programme spend per unit is £43,300 Spend per unit range from £34,900 per job in PA.2 to £58,000 in PA.1	AWM evidence for spend per unit of net 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 10,590 net jobs is equal to 69% of the target for gross new jobs (15,412)	The baseline data suggest that in 2007 Cornwall had around 215,000 FTE workers. A rise of 10,590 net jobs (programme target) equates to 5% of this total Between 2004 and 2007 the number of FTE workers grew by 21,000 from 194k to 215k	The spend per unit is broadly in line with the large range provided by external benchmarks – fitting within the AWM range but higher than the BIS benchmark However, the gross to net ratio of 69% appears very challenging
Net additional GVA, £m (370.5)	Overall Programme spend per unit is £1.24 – i.e. for every £1.24 of Programme spend, a return of £1 of net GVA (0.8 : 1) Spend per unit range from £1 in PA.2 to £1.66 in PA.1 (0.6 : 1)	BIS[43] found an achieved net GVA to cost ratio or 7.1 : 1 – i.e. for every 14p of programme spend, a return of £1 of GVA	The programme target of net GVA (£371m) is equal to 69% of the target for gross GVA (£539m)	The baseline data suggest that in 2007 Cornwall's gross GVA was £6,923m. A net increase of £371m (programme target) equates to just over 5% of this total Between 2004 and 2007 the Cornish GVA increased from £5,988m to £6,923m. A rise of £935m in three years	The spend per unit is significantly more achievable than the external BIS benchmarks i.e. the target is low However, the gross to net ratio of 69% appears challenging
Net additional safeguarded GVA, £m (99.3)	PA.1 spend per unit is £3.27 – i.e. for every £3.27 of spend, returns a net £1 of GVA safeguarded (0.3 : 1) PA.3 spend per unit is £1.54 – i.e. for every £1.54 of spend, returns a net £1 of GVA safeguarded (0.65 : 1)	BIS[44] found an achieved net GVA to cost ratio or 7.1 : 1 – i.e. for every 14p of programme spend, a return of £ of GVA		The baseline data suggest that in 2007 Cornwall's gross GVA was £6,923m. A net safeguarding of £99m (programme target) equates to 1.4% of this total	The spend per unit is significantly more achievable than the external BIS benchmarks i.e. the target is low

[43] BIS (then BERR) (2009), *Impact of RDA spending: National report*. Benchmark figures refer to business development and competitiveness interventions unless otherwise stated
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