



## Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme

# Thematic Evaluation

## Workspace Thematic Report

May 2015

Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme evaluation supported by ERDF Convergence through the Convergence Support Team project, Cornwall Council and Cornwall and Isles of Scilly Local Enterprise Partnership



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## Thematic Evaluation

### Workspace Thematic Report

**May 2015**

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## Executive summary

This report provides an assessment of the importance, implementation and impact of workspace and workspace focused projects funded through the Convergence Programme 2007-2013. The assessment is based on monitoring data, programme documents, evaluation evidence, site visits and consultations.

New and upgraded workspace was funded through Priority 2 and Priority 4. Both Priorities funded much more than workspace including site acquisition and servicing, business support, transport and regeneration focused projects<sup>1</sup>. The rationale for the inclusion of workspace as a priority for the Convergence Programme was research which identified that the existing stock was old, no longer fit for purpose and there was a development viability gap that was likely to prohibit property development investment, thus limiting the provision of ready to occupy accommodation for start-ups and expanding companies. Given the expectation of growing demand over the Convergence period within existing 'hotspots' such as Truro and across Cornwall more generally (for example Falmouth, Bodmin and other centres) a mismatch was identified between demand and supply. The existence of market failure meant that many businesses were occupying cramped, inflexible workspace that was hampering productivity and growth and having a negative impact on the image and attractiveness of the key towns and Cornwall and the Isles of Scilly as a whole.

Under Priority 2 workspace could be funded across Cornwall and Isles of Scilly. In contrast Priority 4 funding could only take place within specific areas covered by a Strategic Investment Framework (SIF) which defined strategic priorities; these were; Isles of Scilly and Penzance, Bodmin, Camborne Pool Redruth, Falmouth, St Austell, Newquay and Truro. Three SIF teams were established to deliver projects within Priority 4. Within both Priorities it was clear that the funding given to develop new or upgraded workspace was in support of delivering the wider Programme objectives relating to high growth, high value added businesses rather than providing workspace to simply increase choice, supply and quality for all.

The provision of workspace has been concentrated within the SIF areas and particularly within the Camborne Pool Redruth area. This is largely accounted for by the historic development work undertaken by CPR Regeneration. In 2012, CPR Regeneration was taken into Cornwall Development Company (CDC), with a number of staff transferring across and maintaining their focus on the CPR area. The new CDC SIF Team built upon and extended the progress that had been made when it took over responsibility. In some SIF areas there were very few projects supported. There is evidence of other clusters likely to emerge as a result of ERDF investment around Falmouth and Newquay Aerohub that may generate substantial outputs but these are likely to be beyond the life of the Convergence Programme and may need additional public sector funding in order to be realised.

The analysis shows that the process of developing the SIF documents (strategies for each of the SIF areas) was not fit for purpose in terms of generating a set of projects eligible for ERDF funding and capable of being delivered within the timescale of the Programme. Successful delivery was

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<sup>1</sup> Full details are set out in the sister Transport, Business Support and Regeneration Theme Reports

furthered hampered across the whole by institutional changes at a regional and local level as well as policy shifts and frequent organisational restructuring particularly within CDC and towards the end of the Programme CPR Regeneration. Combined with the ambitious targets for outputs, results and impacts generated in a positive economic environment but delivered in a more challenging one, the number and scale of projects is unlikely to deliver the quantum of benefits set out in the Operational Programme.

There was no defined allocation of Priority 4 SIF funding across the identified SIF areas. However, compared to some individual SIF areas (within the focus of the CDC SIF team) it could be considered that the Isles of Scilly appear to have secured a higher level of ERDF funds. This is due, at least in part, to having a discrete professional team within the Council of the Isles of Scilly and to the direct oversight and involvement of councillors and the community.

There was a clear need for project development support to applicants both from the private sector and the public sector in designing and developing their projects to align with the Priority 4 and Priority 2 objectives and ERDF funding eligibility. The provision of the Development Pot (to undertake viability assessments, valuations, costings and other due diligence) and its use by the SIF teams was a significant factor in bringing forward projects for delivery.

The requirement for supported projects to achieve BREEAM excellent or equivalent has helped developers to recognise the benefits and has helped to deliver more environmentally friendly and higher quality developments than would otherwise be the case.

The survey of businesses occupying the workspace indicated a relatively high displacement rate. While respondents were overall positive about the schemes, a relatively high proportion indicated that in the absence of the projects they would have sought alternative accommodation, albeit that this may have been less suitable and impacted on the ability of the business to implement key initiatives. In addition, a significant proportion of beneficiaries identified that their competitors are located within Cornwall and the Isles of Scilly. Overall, when compared with benchmarks, the workspace theme does not appear to offer good value for money. This is due to a number of factors including the relatively high level of displacement and the higher construction costs<sup>2</sup> due to the comparatively isolated location of Cornwall and the Isles of Scilly.

The following lessons have been identified for future programmes:

- public sector support will be needed to accelerate the quantum and quality of owner developer and speculative new workspace for a range of business activity;
- there is a need for a range of workspace - including grow-on space to support, for example, securing and maintaining the appropriate use and focus of the Innovation Centres<sup>3</sup>
- the process of developing strategies that identified specific projects (for example, SIF Strategies) needs to have clear guidance with regard to their purpose and content. Those with responsibility for delivery should be involved in the development of the strategies to create a sense of ownership and to ensure that the projects are deliverable;

<sup>2</sup> Based on CDC SIF Evaluation January 2015

<sup>3</sup> This lesson is a cross reference from the Innovation Thematic Report

- related to the need for ownership and responsibility is the importance of having local delivery capacity;
- there is a need for greater clarity about roles and responsibilities. In particular, there is a need to articulate the role of the team tasked with assisting project development and the role of the Programme appraisal team. It is important that the 'development team' do not become a first round appraiser;
- recognition that any Programme support team - regardless of background and experience – requires time to establish itself and become operational, with structural changes kept to a minimum particularly in projects with a short life-span;
- applicants from both the public and private sector need support to ensure their design is in line with strategic and other programme objectives – which requires money, expertise and support;
- a dedicated in-house professional services team is useful in speeding up development and reducing costs;
- policy shifts and changing administrative arrangements cause delays and underperformance;
- more collaboration and learning should be encouraged between Programme development teams with related objectives;
- local champions are needed to make things happen at a local level; and
- significant clusters of activity are needed to change perceptions.

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# 1 Introduction

AMION Consulting, ICF International and Spirul were appointed by Cornwall Council on behalf of the Convergence Programme Local Management Committee (LMC) to undertake a thematic evaluation of the Cornwall and Isles of Scilly European Regional Development Fund Convergence (ERDF) Programme. The evaluation has been structured to focus, in particular, on exploring the impact and difference that the programme has made and its cost effectiveness, in the following four thematic areas:

- Business support;
- Innovation and Research and Development (R&D);
- Workspace; and
- Transport infrastructure.

In addition the evaluation has also explored a number of more qualitative and process-related issues in relation to the themes above, plus a further two focusing on:

- Regeneration/place-based interventions; and
- Environment.

This document contains the Thematic Report for Workspace and forms one of six individual thematic reports listed above to accompany the final overall report. It provides an assessment of the importance, implementation and impact of workspace and workspace-focused projects funded through the Convergence Programme 2007-2013. The assessment is based on;

- analysis of Programme Management Information on expenditure, and outputs and results relative to targets;
- a review of programme/ project documentation and other elements of the existing evidence base, including the Annual Implementation Reports, the SQW Interim Programme Evaluation (2010), Priority 2 and Priority 4 Strategic Investment Frameworks and available project evaluations, in particular the CDC SIF Evaluation Phase 1 and Phase 2<sup>4</sup>;
- a series of site visits; and
- stakeholder consultations based upon structured topic guides.

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<sup>4</sup> CDC SIF Evaluation Phase 1 Evaluation 2012(AMION Consulting) and CDC SIF Evaluation Phase 2 2015 (AMION Consulting).

## 2 Workspace

The provision of high quality, sustainable, fit for purpose workspace was a clear priority for support through the Convergence Programme 2007-2013. Research<sup>5</sup> to inform the development of the Operational Programme<sup>6</sup> found that the existing stock of workspace was old, no longer fit for purpose and that there was a development viability gap that was likely to prohibit private sector developers from undertaking property investment and speculative investment - thus limiting in particular the provision of ready to occupy accommodation for start-ups and expanding companies. Furthermore the study was carried out at time when there was latent demand for better quality workspace. Given the expectation of growing demand over the Convergence period within existing 'hotspots' such as Truro and across Cornwall more generally (for example Falmouth, Bodmin and other centres), it became apparent that there was a clear mismatch of demand and supply. The existence of market failure meant that many businesses were occupying cramped, inflexible workspace that was hampering productivity and growth and having a negative impact on the image and attractiveness of the key towns - identified in other research as being economic and social growth poles.

Investment in new and upgraded workspace, including the re-use of historic buildings, therefore provided a mechanism for delivering a number of Operational Programme objectives including:

- unlocking the economic potential of place in the key towns;
- being part of a wider set of activities to generate integrated place making in the key social and economic areas with multiple and complex needs; and
- assisting and securing enterprise and investment across Cornwall and the Isles of Scilly (including more rural areas) to encourage and grow knowledge based, high value added businesses.

Workspace could be supported under Priority 2 (Enterprise and Investment) and Priority 4 (Unlocking the Economic Potential of Place)<sup>7</sup>.

The relevant strategic objectives of Priority 4 aimed to:

- accelerate the regeneration of Camborne Pool Redruth and St Austell and the Clay Country through the provision of infrastructure and other support which assist the development of a sustainable, knowledge based economy; and
- 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.

Investment through Priority 4 was much broader than just workspace and included substantial investment to support transport projects, site acquisition and servicing and other activity including regeneration. Details of these projects investments are fully set out in the following

<sup>5</sup> Cornwall and the Isles of Scilly Employment Space Strategic Assessment 2007 – 2017 (AMION Consulting July 2007).

<sup>6</sup> Convergence Programme for Cornwall and Isles of Scilly, Operational Programme 2007-13 (amended version)

<sup>7</sup> Innovation Centres supported under Priority 1 are not considered as workspace due to their operational focus. This is an important State Aid distinction.

sister documents to this thematic report: transport theme, environment theme and regeneration theme reports.

The relevant strategic objectives with Priority 2 aimed to:

- increase the productivity of business through the provision of high quality support services in key areas including internationalisation, ICT take up and use, and investment support; and
- increase the scale of investment and re-investment by the private sector in Cornwall and the Isles of Scilly.

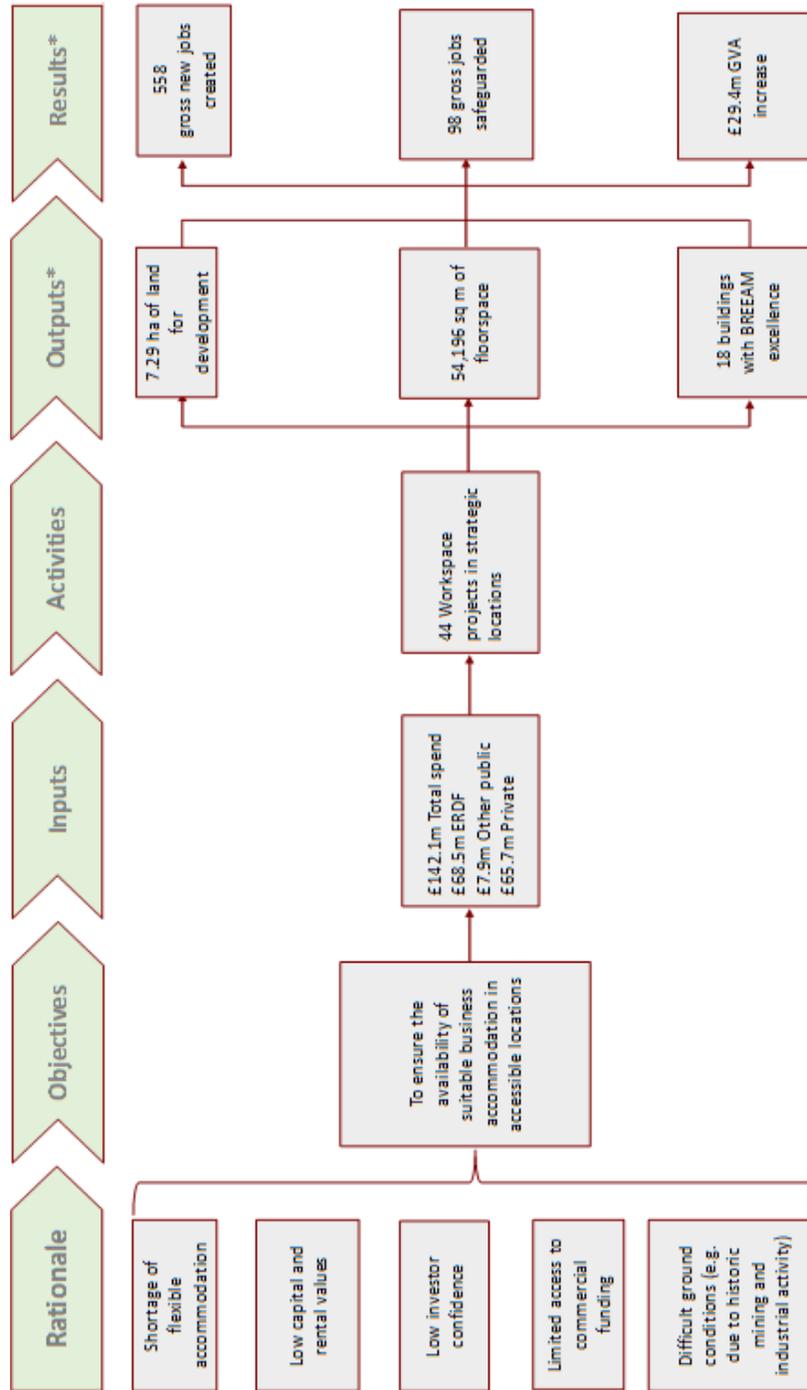
Again workspace only accounted for a relatively small proportion of the activities supported under Priority 2.

Within both Priorities it was clear that the funding given to develop new or upgraded workspace was in support of delivering the wider Programme objectives relating to high growth, high value added businesses rather than providing workspace to simply increase choice, supply and quality for existing and new businesses. In addition, the funding to support workspace developments had to minimise the impact on the environment and generate wider benefits, with the condition that all approved projects must achieve BREEAM excellent rating or equivalent. The distinction between the two Priorities related to Priority 4 being limited to the key towns whilst Priority 2 could fund activity across the rest of Cornwall. In particular, the Priority 2 Strategic Investment Framework (SIF) highlighted the opportunity to fund suitable activity within more remote rural areas.

In overall terms, a broad range of activity has been supported with no major omissions, although it has been suggested by stakeholders that more site acquisition and servicing should have been undertaken to provide a pipeline of development ready sites that will enable new workspace and associated works to be developed by the private sector or to be brought in the next programme.

Figure 2.1 provides an overview of the 'logic chain' underpinning the Workspace theme and shows how the overall rationale and objectives relate to the resources committed and activities undertaken and consequently to a range of outputs and results.

Figure 2.1: The broad range of supported activity



\* Achieved and forecast as at September 2014 (according to project monitoring database)

## 3 Funding and implementation

### 3.1 Introduction

Both Priority 2 and Priority 4 allowed for investment in new and upgraded workspace to support high growth, high value added businesses, with the re-use/refurbishment of historic buildings as a key target. Both priorities also permitted site servicing (utilities and infrastructure) either as part of a wider project or as a standalone activity with the expectation that such pipeline activity would enable appropriate development at a future date within or beyond the Programme period. As workspace was not a standalone theme or priority there was no discrete funding allocation. There are targets and outputs but no associated results and impacts.

### 3.2 Priority 4: Realising the Potential of Place

The indicative funding allocation of 163million euros within Priority 4 is split by policy focus rather than towns or activity as set out in Table 3.1.

Table 3.1: Indicative range allocated		
Policy focus	Allocation range	Euros
Integrated Place Regeneration	40%-60%	65m - 98m
Realising Place Potential	30%-50%	49m – 82m

Activities supported included new and upgraded workspace, site servicing and re-use of historic buildings. Priority 4 required all activities to fit within the Sustainable Integrated Development Strategies (which were referred to locally as SIFs) to be produced for each of the key towns. These were intended to set the framework for investment and included a robust baseline of current conditions, a review of current land use, an assessment of transport related matters, a clear set of aims and objectives, and investment proposals covering infrastructure, business development and skills and learning. They also set out long-term plans for sustainable economic growth, milestones, risk assessment and implementation arrangements to be reviewed and updated periodically.

The SIF approach was a direct response to the need to establish a clear strategic rationale and fit for all interventions within each of the key towns. The SIF process was initially led by the South West of England Regional Development Agency (SWRDA) working with local authorities who had responsibility for developing the SIF document for each town<sup>8</sup>. These documents were substantial and required significant input and resource. In a number of cases, they were clearly intended as economic strategy documents with a life and remit that extended beyond the Operational Programme period. However, the number of projects listed in each of the SIF documents, arguably presented a ‘wish list’ rather than a refined set of clearly articulated deliverable projects with a strong strategic fit, which singly and/or collectively could address the identified economic

<sup>8</sup> It is not clear if all SIF documents were endorsed by the then Programme Monitoring Committee (PMC).

and social needs of the towns, in addition to delivering Priority 4 outputs, results and impacts. The SIF approach and delivery was not fit for purpose.

Three SIF delivery teams were funded through Priority 4 to directly support the implementation of the SIFs:

- the Isles of Scilly;
- CPR Regeneration; and
- a larger team within Cornwall Development Company which had responsibility for St Austell and the Clay Country, Newquay, Bodmin, Penzance and Truro SIFs.

The team within CDC comprised a professional services team as well as project development and programme management. All three were 'new teams' set within existing structures - Isles of Scilly Council, CPR Regeneration and Cornwall Development Company. The professional services team within the Places and Sites Delivery Team within CDC were intended to be a resource for the CDC and the IoS SIF teams but the latter's use of the CDC team reduced substantially over time. Other than within CPR Regeneration and the Isles of Scilly the staff involved in delivery of the SIFs were not intended to be the same or even overlap with those involved in their concept and development. Whilst CDC staff became involved in the development of the Truro and the Penzance and Isles of Scilly<sup>9</sup> SIFs this resulted from the institutional change (with the creation of Cornwall Council) rather than a deliberate policy shift.

The Priority 4 funding identified above only relates to projects receiving ERDF funding. It excludes the operational cost of the 3 SIF teams and their respective 'development pots' (also funded under Priority 4) which were used extensively to undertake viability assessments, valuations, costings and other due diligence in many cases directly or indirectly related to workspace projects (some of which gained ERDF support and some did not). The SIF team costs have been included within the Regeneration theme<sup>10</sup>. As noted in that report, the availability of the 'development pots' was critical to the ability of the SIF teams to progress projects to application stage. Without such a pot it is clear that many fewer projects would have gained ERDF support.

The inclusion of a dedicated professional services team within the CDC SIF helped to progress projects from concept to fundable propositions. Working relationships between the CDC SIF team and DCLG took a while to establish and be understood internally and externally. However, the situation improved greatly towards the end of the Programme with many examples of flexible working between the teams. It was intended that the Isles of Scilly SIF team would have use of the CDC professional services team but this only happened in practice on a few occasions. The Isles of Scilly and CPR SIF teams largely used their development pot allocations and the skills of their teams to 'resource' feasibility, development and project compliance activity all to good effect. In general however there was little or no collaboration between the SIF teams so opportunities for learning and sharing best practice were not taken forward.

<sup>9</sup> The involvement related to Penzance and not the Isles of Scilly part of the SIF document

<sup>10</sup> Thematic Programme Evaluation ERDF Convergence: Regeneration Theme April 2015

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### 3.3 Priority 2: Enterprise and investment

The aim of this Priority has been to re-structure the economy to one with a higher proportion of high value added businesses, underpinned by more productive enterprises across the business base. The Priority 2 SIF<sup>11</sup> set out criteria against which proposed employment space projects seeking Convergence Funding should be assessed. It stated:

‘Employment space projects that are funded through the Convergence Programme should be:

- (i) aspirational developments with appropriately high environmental and design standards; and
- (ii) focused, in particular, on knowledge-based<sup>12</sup> and/or high value added<sup>13</sup> uses. The Operational Programme notes that the emphasis is likely to be on office-based accommodation. However, industrial projects with an ability to accommodate a high office content and with high environmental and design standards will also be considered. In general, warehousing and distribution are generally ineligible. This approach supports sustainable development and space flexibility.

Employment space resources will be used to fund projects that:

- develop employment space which contributes to fulfilling the ambitions of Cornwall and the Isles of Scilly as a knowledge-based and high value added economy;
- facilitate the delivery of market ready employment sites and premises, which meet sectoral and geographical requirements and the needs of businesses and inward investors;
- bring forward sites and premises in locations that are consistent with market demand and spatial priorities;
- ensure that employment space is flexible enough to meet the changing needs of businesses;
- realise the employment space opportunities created by existing and new infrastructure, in particular, transport, and Information and Communication Technology (ICT) and other assets;
- promote high levels of sustainability and design quality and environmental excellence, including on site renewable energy;
- meet high equality and diversity standards; and
- deliver the infrastructure needs and requirements to support quality and attractive business space.

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<sup>11</sup> Priority 2 Employment Space-Strategic Investment Framework, November 2008

<sup>12</sup> “Those industries which are relatively intensive in their inputs of technology and human capital” (OECD, 1999).

<sup>13</sup> Activities with a relatively high Gross Value Added (GVA) per employee or that have high total factor productivity.

To enable the achievement of these criteria, a wide range of activity was considered eligible under Priority 2 including - site acquisition, site remediation, site servicing, new and upgraded premises and public realm.

The Operational Programme identified a total ERDF and National budget of 184.5 million Euros (see Table 3.2).

<b>Table 3.2: Summary Financial Table (€m)</b>			
	<b>ERDF</b>	<b>National</b>	<b>Total</b>
2 Enterprise and Investment	130.01	54.50	184.52
<b>Total Convergence</b>	<b>458.06</b>	<b>211.36</b>	<b>669.42</b>

As set out in Table 3.3, Priority 2 funds were allocated across six strands.

<b>Table 3.3: Priority 2 funds</b>		
<b>Strand/activity</b>	<b>Allocation range</b>	<b>Funding range</b>
New Enterprise	10%-15%	18.5m - 27.7m
High Growth Companies	15%-20%	27.7m – 36.9m
Targeted Business Support	20%-30%	36.9m – 55.4m
Business Infrastructure	30%-45%	55.4m – 83m
Access to Finance	10%-15%	18.5m - 27.7m
Environmental goods and services	10%-15%	18.5m - 27.7m
<b>Total EU and national funding</b>		<b>184.52</b>

Priority 2 makes it clear that workspace - new or upgraded - was to be funded under the Business Infrastructure (for a modern economy) strand. It states 'in areas of market failure, support will be provided to ensure appropriate accommodation is available for enterprises investing and re-investing in Cornwall and the Isles of Scilly. The emphasis was to be on office based accommodation targeted at knowledge based business and appropriate space for high value added business activities. Priority was to be given to the key towns where there is the potential to support the growth of high value added businesses, and rural areas with the potential to support knowledge based businesses'.

Thus, a total of between 55 million and 83 million Euros was expected to be invested in workspace development. Assuming a split of ERDF and national funding in proportion to the overall priority, an ERDF allocation of between 39 million and 58 million Euros or £28.5 million and £42 million<sup>14</sup> was to be made available under Priority 2 for workspace projects. The costs associated with the DCLG 'team' responsible for taking forward private sector workspace applications under Priority 2 is not included in the above funding amounts.

With regard to commissioning it is clear that the approach did not work well. For Priority 4 workspace the decision was taken to view all projects in the SIF documents as having been

<sup>14</sup> Exchange rate 73p to 1euro March 2015.

‘commissioned’ despite the lack of any appraisal of their strategic fit with the Programme. Under Priority 2 developers and owner occupiers made direct approaches to case officers. Whilst there was clearly a sifting process by SIF teams and DCLG case officers with regard to the approaches adopted by developers and the public sector, and staff worked hard to design in strategic fit and alignment with Programme objectives, there was no clear commissioning approach to bring forward workspace. While the paperwork suggested that the commissioning approach was adhered to, this was less evident in day-to-day practice.

## 4 Workspace projects and spend

### 4.1 Overview

In total, 44 projects have been identified as having workspace as a prime objective as set out in Table 4.1. Amounting to a total investment of just over £142 million, of which ERDF funding was approximately £68.5 million, this represents an intervention rate of 48.2%.

Of the 44 projects supported and classified as workspace:

- 27 were funded under Priority 2: Enterprise and Investment; and
- 17 were funded under Priority 4: Realising the Potential of Place<sup>15</sup>.

It should be noted however, that a number of projects (in the region of 10) funded under Priority 2 were almost wholly assisted in their development by the CDC SIF team but, for operational reasons at a Programme level, were funded under Priority 2.

With regards to funding:

- Priority 2 ERDF investment was £39.2 million with a total investment of £77.6 million, giving an intervention rate of 50.6%. This suggests workspace spending was within the range of spending set out for such activity within Priority 2 and was very much at the upper end of that range; and
- Priority 4 ERDF investment was £29.18 million with a total spend of £64.5 million, giving an intervention rate of 45%.

Table 4.1: Workspace projects and spend				
		ERDF	Total	Intervention Rate
Priority Sites Ltd	P4	£881,566	£2,626,961	33.6%
David Paull (CNC) Engineering Ltd	P2	£150,000	£753,000	19.9%
Severn Subsea Technologies Limited (formally Calidus Engineering Limited)	P2	£270,000	£1,092,000	24.7%
Cornwall Council	P4	£1,126,248	£1,821,589	61.8%
HG Sites Ltd	P2	£1,381,904	£2,707,418	51.0%

<sup>15</sup> As noted above a number of projects supported under P2 were developed by the CDC SIF team.

<b>Table 4.1: Workspace projects and spend</b>				
		<b>ERDF</b>	<b>Total</b>	<b>Intervention Rate</b>
Practical Developments (SW) Ltd Plot 6 Treleigh Project Account	P2	£638,577	£1,206,205	52.9%
Balanus Assets Ltd	P4	£1,833,455	£3,312,691	55.3%
R M Developments Ltd	P2	£331,807	£623,248	53.2%
WPD Property Investments Limited	P2	£2,030,474	£6,258,851	32.4%
Hallenbeagle Estates Limited	P2	£3,814,896	£6,912,542	55.2%
Practical Developments (South West) Ltd	P4	£6,360,718	£11,813,395	53.8%
Marlin Properties (Cornwall) Ltd	P4	£367,487	£734,975	50.0%
Krowji Ltd	P2	£1,914,264	£3,465,279	55.2%
ClearFlow Ltd	P2	£431,380	£877,476	49.2%
MARK Product Limited	P2	£25,000	£50,000	50.0%
Robotmother Ltd	P4	£1,132,465	£2,131,183	53.1%
Pendennis Shipyard Limited	P4	£7,137,000	£23,887,000	29.9%
Watson Marlow Limited	P4	£768,737	£1,024,983	75.0%
Council Of The Isles of Scilly	P4	£348,750	£387,500	90.0%
Council Of The Isles of Scilly	P4	£1,828,268	£2,068,269	88.4%
St Agnes Island Hall	P2	£1,987,000	£2,180,750	91.1%
Acorn Developments	P4	£2,072,056	£3,833,436	54.1%
Cornwall Air Ambulance Trust	P2	£1,044,511	£2,089,023	50.0%
Cornwall Council	P2	£371,069	£1,091,384	34.0%
Fortdown Developments Ltd	P2	£2,071,081	£3,562,306	58.1%
Cornwall Council	P2	£11,637,072	£22,333,885	52.1%
BBCB Limited	P4	£89,036	£241,536	36.9%
Indiana Developments LLP	P4	£3,101,941	£5,610,632	55.3%
Goonvean Ltd	P4	£314,013	£785,033	40.0%
D B Gilbert Esq, Property Developer	P4	£1,013,585	£1,690,297	60.0%
St Austell Printing Company Ltd	P2	£3,479,033	£6,494,546	53.6%
Brownfield Investments Limited (Baldhu)	P2	£958,152	£1,801,632	53.2%
Brownfield Investments Ltd (Headworks)	P2	£1,369,988	£2,412,907	56.8%
Walker Threemilestone Limited (Business Park)	P2	£2,637,450	£4,853,205	54.3%
John and Shirley Carley	P4	£447,244	£873,071	51.2%
Wodskou Properties Limited	P4	£361,816	£1,650,493	21.9%
Thorne Developments Limited	P2	£308,227	£566,514	54.4%
Chenoweth Business Park Ltd	P2	£291,595	£523,996	55.6%
South Kerrier Alliance Community Interest Company	P2	£538,393	£967,329	55.7%

<b>Table 4.1: Workspace projects and spend</b>				
		<b>ERDF</b>	<b>Total</b>	<b>Intervention Rate</b>
Spiral Construction Limited (Grants only)	P2	£265,650	£531,300	50.0%
United Kingdom Historic Building Preservation Trust	P2	£310,915	£587,541	52.9%
Cornish Crabbers LLP	P2	£180,000	£733,000	24.6%
Spinnaker International Ltd	P2	£196,979	£492,448	40.0%
Borlase Smart John Wells Trust Ltd	P2	£643,902	£2,437,695	26.4%
		<b>£68,463,704</b>	<b>£142,098,524</b>	<b>48.18%</b>

The intervention rate of 48.18% shown in Table 4.1 above is an overall ERDF intervention rate and is not the same as the gap funding rate for workspace projects which relates to project value.

## 4.2 Location

With regard to the location of the workspace projects the vast majority (36 of the 44) were located in the 7 SIF towns. While Priority 4 was limited to these areas, Priority 2 had a wider geographical limit. Of the 27 Priority 2 projects only 8 were located outside the SIF towns. Table 4.2 shows the location of the workspace projects, expenditure, the percentage of funding and the relevant ERDF intervention rate.

<b>Table 4.2: Location of workspace and funding</b>						
<b>Location</b>	<b>No of projects</b>	<b>ERDF</b>	<b>Total</b>	<b>% ERDF</b>	<b>% Total</b>	<b>Intervention Rate %</b>
CPR	14	£21,532,776	£44,205,631	31.45	31.11	48.71
Falmouth	4	£9,063,202	£27,093,166	13.24	19.07	33.45
IoS	3	£4,164,018	£4,636,519	6.08	3.26	89.81
Newquay	4	£5,558,717	£10,576,149	8.12	7.44	52.56
St Austell	4	£7,908,572	£14,580,508	11.55	10.26	54.24
Truro	4	£5,412,834	£9,940,815	7.91	7.00	54.45
Bodmin	1	£361,816.00	£1,650,493	0.53	1.16	21.92
Penzance	2	£11,726,108	£22,575,421	18.78	16.47	51.94
Other	8	£2,735,661	£6,839,823	4.00	4.81	40.00
<b>Total</b>	<b>44</b>	<b>£68,463,704</b>	<b>£142,098,524</b>	<b>48.18%</b>		

Table 4.3 shows the relevant target outputs, results and impacts for Priority 4 and Priority 2. It is not possible to make statements regarding the achievement of impacts against the amount of spend within either Priority 4 or Priority 2, as the Operational Programme did not set expected linkages between the different strands of activity to be supported within the priorities and associated outputs, targets, results and impacts.

However, within Priority 2 it is clear that the funding provided under the business infrastructure strand - given that it was at the upper end of the allocated range – was expected to deliver close to or even the full amount of new and upgraded floorspace.

<b>Table 4.3: Priority 2 and Priority 4 outputs</b>			
<b>Priority 4 and P2 indicators</b>	<b>P4 Outputs, Results and Impacts</b>	<b>P2 Outputs, Results and Impacts</b>	<b>P2 and P4</b>
<b>Outputs</b>			
Square meters of floorspace (sq m)	60,000	93,000	153,000
Hectares of land for development (ha)	58		
Previously developed land prepared / developed (ha)	10		
Redundant buildings developed for new economic use	40		
Historic buildings / sites developed for new economic use	20		
Strategic Investment Frameworks prepared	7		
Projects achieving BREEAM Excellent rating or equivalent	80%	80%	80%
<b>Results</b>			
Numbers of jobs created	3,751	5474	9225
Numbers of jobs safeguarded	2,517	3413	5930
Private sector investment (£'m)	157.0	£360m	517
Gross increase in GVA (£'m)	131.3	£191.6m	322.9
<b>Impacts</b>			
Increase in net GVA (£'m)	86.8	£126.7m	213.5
Additional net employment	2,481	3,621	6102

Table 4.4 shows the outputs, results and impacts associated with the 44 identified workspace projects. It also shows the proportion of Priority 4 and Priority 2 targets accounted for by contracted outputs, results and impacts and the proportion of the target represented by those achieved and forecast to be achieved by 2015<sup>16</sup>.

Under Priority 1 three Innovation Centres were supported: Pool Innovation Centre; Tremough innovation Centre and Health & Wellbeing Innovation Centre. Together they provide 6,645sqm

<sup>16</sup> DCLG data September 2014

of lettable space. This space is not included in the workspace outputs set out in Table 4.3 above as Innovation Centre space is considered to be different from private sector provider space by EU and as such attracts a different rate of intervention.

It is not possible to comment robustly on the extent to which the Priority 2 or the Priority 4 funded workspace has been occupied by knowledge based/high value added businesses as no records are kept of those occupying the speculatively provided workspace. For owner/developer occupied workspace the occupants are known and there is some indication that businesses receiving assistance could be considered to have been classified as such. For this evaluation developers of speculatively provided workspace were asked to provide a list of occupants to aid an assessment of value for money. A number but not all developers provided this information. The list of businesses indicates that a large number of occupants would be unlikely to be classified as high value, high growth businesses.

<b>Table 4.4: Workspace theme – outputs, results and impacts</b>							
P2 and P4 Workspace	Cost: ERDF: £68,463,704				P2 and P4 target	Contracted as a % of P2 & P4 target	Achieved + Forecast as a % of P4
	Contracted	Achieved	Forecast To 2015	Achieved + Forecast			
<b>Outputs</b>							
Historic buildings/sites developed	4	1	0	1	20	20%	5%
Sustainable Integrated Development strategies prepared					8		
Redundant buildings developed for new economic use	6	1	0	1	40	15%	2.5%
Hectares of land for development	8.3	1	6.3	7.3	58.0	14%	12.5%
Sq m of floorspace <sup>17</sup>	78,918	38,500	15,696	54,195	153,000	51%	35.4%
Projects achieving BREEAM “excellent”	33	6	12	18	35	94%	51%
<b>Results</b>							
Private sector investment (£m)	£50.9m	£52.7m	£13.0m	£65.7m	517	9.8	12.7
Gross new jobs created	952	238	320	558	9,225	10%	6%
Gross jobs safeguarded	174	98	0	98	5,930	3%	1.7%
Gross increase in GVA (£m)	£48.8m	£5.2m	£24.2m	£29.4m	323	15%	9%

<sup>17</sup> Five projects under the Workspace theme had no contracted floorspace outputs.

As noted above, there was no apportionment of funding for the different activities supported under Priority 4. Likewise, there was no hypothecation of funding by SIF location. It is not possible therefore to say ex post what proportion of Priority 4 outputs the workspace activities were intended to deliver. A simple comparison of the proportion of expenditure incurred against the proportion of outputs, results, and impacts whilst interesting is unlikely to yield anything useful in terms of policy.

The analysis shows that the targets for almost all outputs relevant to workspace were not achieved and are unlikely to be achieved by the end of the Programme monitoring period. In terms of the Priority 2 (PA2) workspace target of 93,000 sq m, the analysis suggests that the PA2 projects supported under the Workspace theme were contracted to deliver just over a third of this at approximately 35,000 sq m and that by the end of the Programme only some 23,000 sq m will be delivered. The number of projects contracted to deliver BREEAM excellent is close to the target of 80% and the number forecast to achieve this is similarly high.

The analysis also shows that relatively few workspace projects were undertaken within Priority 4 (although it should be noted that a number of initially Priority 4 supported workspace were then funded under Priority 2). There are some emerging clusters of activity in Treleigh, Tolvaddon, Falmouth and Newquay Aerohub but to date, few actual clusters have been built to a sufficient scale to achieve a shift in perception (except perhaps within CPR). The fact that the majority of the activity took place within the Integrated Place Regeneration area of CPR is not unexpected, given the locational focus of Priority 4, the existence of CPR Regeneration and its clear strategic vision, and the dedicated team with the expertise and resource to develop projects into fundable propositions. Furthermore there was also a lack of effective competition to CPR applications particularly towards the end of the Programme in terms of fundable, deliverable projects in other areas that met the strategic aims of the Programme.

A very positive outcome from the workspace projects supported is the number taken forward by private sector developers and owner occupiers. Whilst this is in contrast to the situation under Objective 1 where a much greater proportion of workspace developed was taken forward by the public sector although this shift was at least in part due to the ability of the public sector during the Objective 1 period to fund the acquisition and servicing and remediation of sites.

However, the successful engagement of the private sector is particularly notable given the requirement for all workspace projects to achieve a BREEAM rating of excellent or equivalent which could have acted as a barrier to development. Consultations with developers have also indicated that this was not the case and that there is now a generally held view that achievement of such a rating has become the 'norm' rather than an additional prohibitive requirement. Developers also acknowledged the level of support that they received from case officers and the professional services team, particularly in terms of designing in environmental considerations.

It should also be noted however, that the limited outputs, results and impacts outlined above do not present the whole story with regard to the benefits delivered or likely to be delivered by the workspace projects supported. A recent evaluation of the CDC SIF team activity<sup>18</sup> found that:

<sup>18</sup> CDC SIF Evaluation, AMION Consulting 2015

*'Alongside new employment floorspace, it is projected that investment under Priority Axis 4 will unlock the future development potential of a further 32.8 ha of employment land. Key schemes include:*

- *Aerohub – works to open up 19.7 ha of land for workspace development at the Aerohub Enterprise Zone;*
- *Carludon A391 Road Improvement – 5.7 ha of land opened up through works to improve and realign the A391;*
- *Extension to Victoria Business Park – works opened up access to 4.1 ha of developable land;*
- *Redruth Brewery Quarter – 2.3 ha of land opened up for mixed use development through public realm and flood risk alleviation works; and*
- *Wheal Harmony – estimated 1.1 ha of land unlocked through site remediation and servicing works.*

*Further to this, it is anticipated that works at Truro East Park and Ride will catalyse wider regeneration aspirations for the creation of the Truro East District Centre comprising of a Cornish Food Centre alongside new housing provision.*

*Overall it is estimated that sites unlocked through SIF investment could provide capacity for in excess of 87,000 sq m of new workspace accommodating almost 2,600 further gross jobs. Allowing for additionality, this level of activity could create more than 1,000 net additional jobs.*

*Whilst the sites unlocked through the SIF investment could make an important contribution to future economic growth within Cornwall, it is anticipated that significant further public sector funding support will be required to bring these forward to address viability constraints. Reflecting benchmarks for funding support set out in the market review, it is estimated that further funding support of more than £50 million would be required to enable the identified sites to be fully developed out.'*

In addition under Priority 2 Tolvaddon Employment Infrastructure (an extension to Tolvaddon industrial estate and Hayle North Quay including the Marine Business Park, Hallenbeagle projects) will also contribute to bringing forward land for development in the next programme.

Consultations and the documentation review indicate that the location, quantum and type of workspace projects that came forward for funding were due in a large part to the influence of a number of external conditions and events since 2007. These include:

- **The institutional landscape:** this was significantly different during the process of drawing up the Operational Programme and the SIFs, to that in which the SIF programme has been developed and delivered. Major changes have taken place at the local, regional and national level that have affected the development and delivery of the SIFs. The most notable and influential developments include the formation of the Unitary Cornwall Council, together with the closure of - the South West Government Office, the European Partnership Office (EPO) and the SWRDA. When SWRDA closed, the Department for Communities and Local Government (DCLG) became the Accountable Body for the ERDF Convergence Programme.

Furthermore, the Regional Growth Fund (RGF) was introduced, which had different criteria to traditional Regional Development Agency (RDA) funded projects. It is also clear that the new systems and processes including the standardisation of the appraisal templates caused some delay to Programme delivery.

- **Policy shift:** the Priority 4 SIF documents identified in the region of 150 projects (including projects other than workspace). The CDC SIF team immediately undertook a delivery review and produced an Interim Delivery Plan identifying 40 projects. At the January 2010 CDC Board meeting the Board took the view that interim delivery programme and associated projects were not sufficiently transformational and this view was agreed by the PMC. As a result, the SIF senior management teams across Cornwall and Isles of Scilly undertook a detailed review of the projects to identify those which would deliver key strategic and transformation priorities' (in line with the new Cornwall Council Economic White Paper) and in doing so would 'make the greatest contribution to Priority 4 of the Convergence Programme 'Unlocking the Economic Potential of Place'.

The Final SIF Review Report and Delivery Plan (October 2010) represented a very significant shift in focus from the January 2010 interim delivery plan, on account of the recommendation by the CDC Board that the SIFs should be far more focused on delivering key strategic and transformational priorities rather than 'spreading the jam too thinly'. The process of developing an accepted project delivery plan took approximately one year. The SIF review document approved by the PMC fully acknowledged that this focus meant that target outputs would not be achieved as a result of fewer 'standard' workspace projects being undertaken.

As a result of the policy shift, two clear approaches to project development were discernible in the management of the CDC SIFs - proactive and reactive. The key priority projects, Newquay Aerohub, Falmouth Docks and the Eco-Town<sup>19</sup> at St Austell with dedicated project leads were managed very closely with a clear proactive approach to their development. Detailed monitoring of activity and progress is evident and close working relationships with the project promoters were developed. Accounting for significant ERDF SIF spend, the success of Priority 4 was heavily linked to their delivery. Projects which were not considered priorities were managed less closely. Their progress depended largely on the capacity and motivation of the project promoter be it public or private sector.

- **Team structure:** The structure of the SIF delivery teams within CPR Regeneration and CDC with responsibility for 6 of the 7 SIF areas has evolved significantly over the course of the Programme. Within CDC there was initially a dedicated SIF team sitting alongside a professional services team. There were also area co-ordinators responsible for particular SIFs. In 2012 the CPR team was absorbed into the CDC team and as a result of a number of the institutional, policy and internal CDC structural changes, there was no longer a discrete SIF team within CDC. Instead, the professional services team was embedded into the CDC project services team - albeit with a primary role to service SIF projects. There are also fewer area co-ordinators within the team, with resources re-directed and contract staff utilised to support the delivery of priority projects. The contract staff appear to have been

<sup>19</sup> St Austell and Clay Country Eco-town is a plan to build a new town on a cluster of sites owned by the mining company Imerys near St Austell.

more closely aligned with the bespoke project teams than the CDC based SIF team. The early and frequent restructuring of the teams, in particular the CDC SIF team made delivery more challenging and particularly so for a short-life funding programme. With regard to the Isles of Scilly there was a small but stable and focussed team which has clearly contributed to the success in securing funding for a number of workspace (and other) projects.

Consultations and a review of activity indicates that a considerable amount of the CDC SIF's team's time was used in sifting out unsuitable projects or helping to bring forward projects that ultimately did not reach the funding stage for a variety of reasons. Many projects received just a few hours of support largely to illustrate to the applicant that the project was not eligible or needed considerable input to remove barriers to development, whilst others, which aligned more closely with the Convergence Programme objectives, and therefore had more chance of delivery, received more support. Within CPR and the Isles of Scilly the SIF teams, due to their geographical focus, longer history and greater 'local' knowledge and involvement in the concept of projects, were better able to identify inappropriate projects at an earlier stage and concentrate on those that were fundable propositions.

## 5 Impact and value for money

### 5.1 Gross impacts on jobs and GVA

Two sources have been used to provide estimates of the gross jobs and Gross Value Added (GVA)<sup>20</sup> created/safeguarded by the projects that have received support:

- the programme monitoring database that includes data on outputs, results and impacts by project; and
- the quantum of employment floorspace development by each project – the number of reported jobs created/safeguarded in the monitoring database appears to be relatively low, given the amount of floorspace brought forward. This is thought to be due to a large proportion of the floorspace being currently unoccupied as well as to deficiencies in the monitoring data. Therefore, to understand the potential longer-term employment impact, standard employment density benchmarks have been applied to the estimates of floorspace. Based on the HCA's employment densities guide, a composite employment density of 30 sq m (NIA) per full-time equivalent job has been applied. An occupancy rate of 90% has also been assumed, along with a gross to net internal floorspace ratio of 85%.

In relation to the employment floorspace approach, the GVA impact has been based on the reported/estimated number of jobs created/safeguarded. GVA per employee benchmarks have been derived from the 2013 Annual Business Survey, adjusted to reflect:

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<sup>20</sup> GVA is a measure of the economic value of goods and services produced in an area. It is defined by the Office for National Statistics (ONS) as "... the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production".

- current prices, based upon HM Treasury GDP deflator benchmarks;
- full time equivalent employment, based upon UK level employment data derived from the Business Register and Employment Survey (BRES); and
- productivity differentials at the Cornwall level, utilising sub-regional productivity statistics.

A standard GVA per employee of £36,700 has been applied, reflecting these adjustments.

The analysis has focused on the 25 projects for which information has been provided in relation to floorspace developed (achieved and forecast). For these projects, the gross employment impact for the workspace theme reported in the monitoring data is 556 jobs. This increases to a potential impact of 1,382 jobs based on the quantum of employment floorspace brought forward.<sup>21</sup>

Table 5.1: Gross jobs and GVA increase estimates (25 projects)			
	Achieved (Monitoring returns)	Achieved & forecast (Monitoring returns)	Employment floorspace based
<b>Business advice</b>			
Gross direct jobs	236	556	1,382
Gross GVA	£4.28m	£27.24m	£50.72m

## 5.2 Net additional impact

### 5.2.1 Overview

In determining the net additional impact of the workspace theme, the key issue to be addressed is the additionality of the intervention – the extent to which activity has taken place at all, on a larger scale, earlier or within a specific designated area or target group as a result of the assistance received by each of the programme beneficiaries. The assessment of additionality has principally been informed by the results of the survey, as summarised above. Reference has also been made to a range of other information sources, including travel to work origin destination data derived from the 2011 Census.

In order to assess the additionality of the workspace theme, the following factors have been considered:

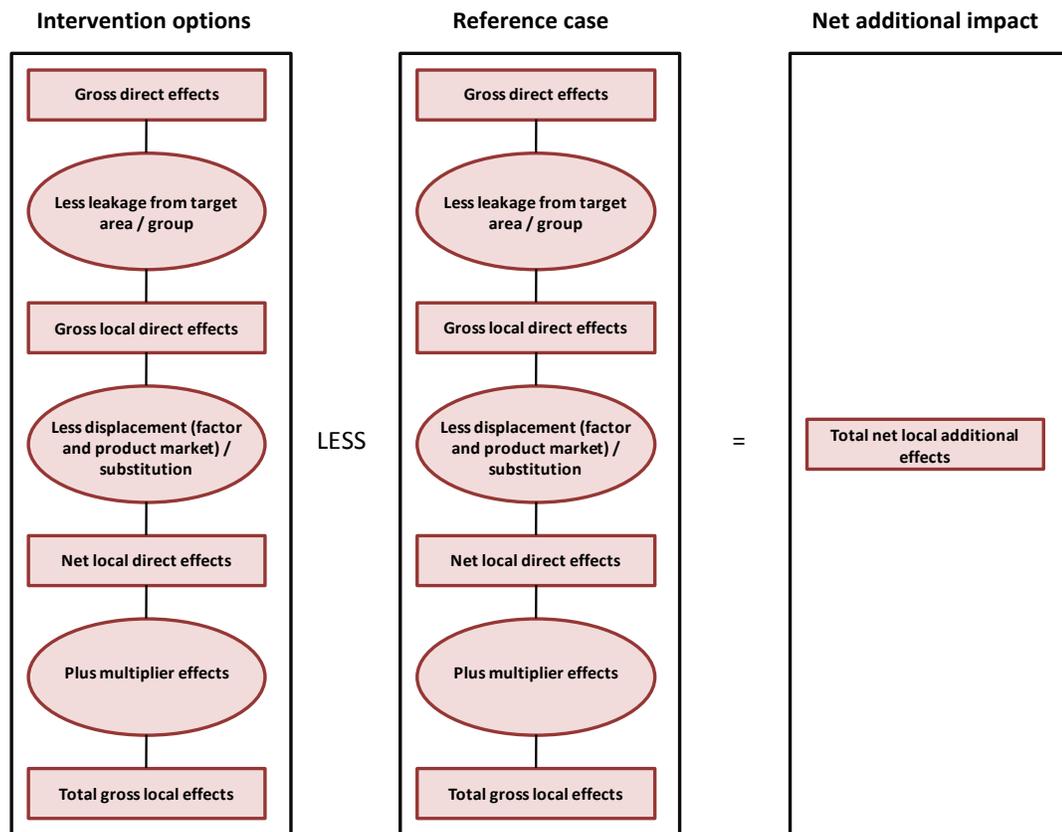
- **leakage** – the proportion of outputs that have benefited those outside of the target area;
- **displacement** – the proportion of the outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets;

<sup>21</sup> 39 projects provided information relating to the quantum of floorspace contracted. If it is assumed that all of this floorspace is brought forward, then potentially some 2,012 jobs could be created (applying the assumptions outlined under the employment floorspace approach described above), generating a GVA per annum impact of £73.86 million.

- **multiplier effects** – further economic activity associated with additional local income and local supplier purchases have been considered as part of the assessment; and
- **deadweight** – outputs which would have occurred even in the absence of the business support provided.

The approach to assessing the net additional impact in relation to each of these factors is shown diagrammatically in Figure 5.1. The assessment of additionality has been undertaken at the Cornwall and the Isles of Scilly level.

**Figure 5.1: Net additional impact**



### 5.2.2 Net additional employment

In determining the net additional jobs generated through the workspace programme, the following adjustments have been made:

- Leakage – just 1% of the employees of surveyed businesses commuted to workspace from outside of Cornwall. Analysis of travel to work origin destination data from the 2011 Census indicates that approximately 5% of all employees within Cornwall commute into the area. As such, a leakage rate of 5% at the Cornwall level is considered to be prudent<sup>22</sup>.

<sup>22</sup> For the Isles of Scilly the leakage figure will be close to zero but given small number of employees this is not expected to impact on the analysis.

- Displacement – a displacement rate of 70% has been adopted based on business responses to the occupier survey. While respondents were overall positive in relation to the schemes, a relatively high proportion indicated that in the absence of the projects they would have sought alternative accommodation, albeit that this may have been less suitable and impacted on the ability of the business to implement key initiatives. The rate also reflects local market conditions, with respondents indicating that a significant proportion of their competitors are located within Cornwall and the Isles of Scilly.
- Multiplier effects – a rate of 1.4 has been applied. This is slightly lower than the sub-regional mean for capital projects identified within guidance published by BIS, reflecting the responses of businesses to the occupier survey. This indicated that overall levels of expenditure on goods and services were relatively low for businesses within the sample, although a relatively high proportion of supply chain purchases was from other businesses located within Cornwall and the Isles of Scilly.
- Deadweight – at a project level, it is considered that none of the schemes delivered would have been viable in the absence of ERDF assistance. This reflects both general market conditions and wider abnormal costs associated with developing brownfield sites and historic assets. As such, a rate of 0% has been adopted.

The additionality adjustments have been applied to both the estimates of gross employment from the monitoring data and based on the quantum of employment floorspace delivered, in order to derive the net additional impact. Overall, it is estimated that the programme could create/safeguard between approximately 222 and 551 net additional jobs.

Table 5.2: Net additional employment									
	Gross direct	Less leakage	Gross local direct	Less displacement	Net local direct	Multiplier	Total local direct	Less deadweight	Total net local additional
Monitoring data – achieved	236	5%	224	70%	67	1.4	94	0%	94
Monitoring data – achieved & forecast	556	5%	528	70%	158	1.4	222	0%	222
Employment floor-space based	1382	5%	1313	70%	394	1.4	551	0%	551

### 5.2.3 Net additional Gross Value Added

The estimate of net additional GVA has been based on the same additionality adjustments as outlined in Section 5.2.2 above. However, leakage has been assumed to be zero, as GVA is a workplace based measure.

Due to the significant deficiencies and gaps associated with the monitoring data, an average GVA per employee ratio of £36,700 has been applied to the gross and net additional job estimates

from the monitoring data, in order to determine, what is considered to be, a more accurate estimate of GVA. This is consistent with the employment floorspace based approach.

The assessment of GVA has also allowed for varying assumptions in relation to the persistence of employment impacts. Two scenarios have been modelled as follows:

- annual net GVA – this scenario assumes that the GVA benefits associated with new employment will persist for one year;
- five year persistence – this approach allows for employment benefits to persist for three years. This is consistent with DCLG’s guidance on valuing the benefits of regeneration.

The net additional GVA impact for the programme as a whole is shown in Table 5.3.

<b>Table 5.3: Net additional GVA (£000s)</b>		
	<b>One-year persistence</b>	<b>Five-year persistence</b>
Monitoring data – achieved	3,638	18,189
Monitoring data – achieved and forecast	8,570	42,851
Employment floorspace based	21,302	106,511

### 5.3 Value for money

Table 5.4 sets out the public sector economic costs and benefits for the workspace programme, specifically in relation to the 25 projects for which information has been provided on floorspace developed (achieved and forecast), recognising that it is the occupation and wealth creation activities of the businesses that generates the value to the economy. It identifies the cost per net additional job and the Benefit Cost Ratio (BCR), based on a comparison of the net additional GVA impact and public sector cost.

<b>Table 5.4: Value for money assessment (25 projects)</b>	
	<b>Workspace theme</b>
<b>Public sector costs (£m)</b>	
ERDF	45.6
Total public sector	55.8
<b>Benefits – net additional employment</b>	
Monitoring data – achieved	94
Monitoring data – achieved & forecast	222
Employment floorspace based	551
<b>Benefits – net additional GVA, one-year persistence (£m)</b>	
Monitoring data – achieved	3.64
Monitoring data – achieved & forecast	8.57

Employment floorspace based	21.30
<b>Benefits – net additional GVA, five-year persistence (£m)</b>	
Monitoring data – achieved	18.19
Monitoring data – achieved & forecast	42.85
Employment floorspace based	106.51
<b>Cost effectiveness</b>	
Cost per net additional job monitoring data – achieved	592,583
Cost per net additional job monitoring data – achieved & forecast	251,528
Cost per net additional job employment floorspace based	101,194
BCR, monitoring data achieved, one-year persistence	0.07
BCR, monitoring data achieved & forecast, one-year persistence	0.15
BCR, employment floorspace based, one-year persistence	0.38
BCR, monitoring data achieved, five-year persistence	0.33
BCR, monitoring data achieved & forecast, five-year persistence	0.77
BCR, employment floorspace based, five-year persistence	1.91

When compared with benchmarks, the workspace theme does not appear to offer good value for money. The HCA's Best Practice Note on calculating cost per job identifies a gross cost per net additional job range of £14,200 to £49,900 for regeneration and property development projects, with a mid-point in this range of £32,050.

Again, on the basis of the BCR analysis, the workspace programme does not seem to offer good value for money – the central valuation benchmark for industrial and commercial property projects identified within DCLG's Valuing the Benefits of Regeneration report is 5.8:1, assuming benefits duration of five-years. This compares to just 0.8:1 or 1.9:1 under the workspace programme, based on the monitoring data or employment floorspace developed respectively. This is due to a number of factors including the relatively high level of displacement and the higher construction costs<sup>23</sup> due to the comparatively isolated location of Cornwall and the Isles of Scilly. For example, capital build costs are in the region of 50% more expensive<sup>24</sup> on the Isles of Scilly.

## 6 Conclusions

The provision of workspace has been concentrated within the SIF towns and particularly within the CPR area. This is largely accounted for by the historic development work undertaken by CPR Regeneration. In 2012, CPR Regeneration was taken into Cornwall Development Company (CDC), with a number of staff transferring across and maintaining their focus on the CPR area. The new CDC SIF Team built upon and extended the progress that had been made when it took over responsibility. There is evidence of other clusters likely to emerge as a result of ERDF investment

<sup>23</sup> Based on CDC SIF Evaluation January 2015

<sup>24</sup> Figure provided by the Isles of Scilly Council April 2015

around Falmouth and Newquay Aerohub that may generate substantial outputs but these are likely to be beyond the Convergence Programme period and may well need additional public sector funding. In some SIF areas there were very few projects supported.

The analysis above shows that the process of developing the SIF documents was not fit for purpose in terms of generating a set of projects eligible for ERDF funding and capable of being delivered within the timescale of the Programme. Successful delivery was further hampered by institutional changes at a regional and local level, as well as policy shifts and frequent organisational restructuring within CDC and, towards the end of the Programme, CPR Regeneration. Combined with the ambitious targets for outputs, results and impacts generated in a positive economic environment but delivered in a more challenging one, the number and scale of projects is unlikely to deliver the quantum of benefits set out in the Operational Programme.

There was no defined allocation of Priority 4 SIF funding across the SIF areas. However, compared to some individual SIF areas within the focus of the CDC SIF team it could be considered that the Isles of Scilly appear to have secured a higher level of ERDF funds. This is due - at least in part - to having a discrete professional team within the Council and direct oversight and involvement of councillors and the community.

There was a clear need for project development support to applicants both from the private sector and the public sector in designing and developing their project to align with the Priority 4 and Priority 2 objectives and ERDF funding eligibility. The provision of the Development Pot and its use by the CDC and other SIF teams was a significant factor in bringing forward projects for delivery.

The requirement for supported projects to achieve BREEAM excellent or equivalent has helped developers to recognise the benefits and has helped to deliver more environmentally friendly and higher quality developments than would otherwise be the case.

## 7 Lessons for the future

The following lessons have been identified for future programmes:

- public sector support will be needed to accelerate the quantum and quality of owner developer and speculative new workspace for a range of business activity;
- there is a need for a range of workspace - including grow-on space to support, for example, securing and maintaining the appropriate use and focus of the Innovation Centres<sup>25</sup>
- the process of developing strategies with associated projects (for example, SIF Strategies) needs to have clear guidance with regard to their purpose and content. Those with responsibility for delivery should be involved in the development of the strategies to create a sense of ownership and to ensure that the projects are deliverable;
- related to the need for ownership and responsibility is the importance of having local delivery capacity;

<sup>25</sup> This lesson is a cross reference from the Innovation Thematic Report

- there is a need for greater clarity about roles and responsibilities. In particular, there is a need to articulate the role of the team tasked with assisting project development and the role of the Programme appraisal team. It is important that the 'development team' do not become a first round appraiser;
- recognition that any Programme support team - regardless of background and experience – requires time to establish itself and become operational, with structural changes kept to a minimum particularly in projects with a short life-span;
- applicants from both the public and private sector need support to ensure their design is in line with strategic and other programme objectives – which requires money, expertise and support;
- a dedicated in-house professional services team is useful in speeding up development and reducing costs;
- policy shifts and changing administrative arrangements cause delays and underperformance;
- more collaboration and learning should be encouraged between teams with related objectives;
- local champions are needed to make things happen at a local level; and
- significant clusters of activity are needed to change perceptions.