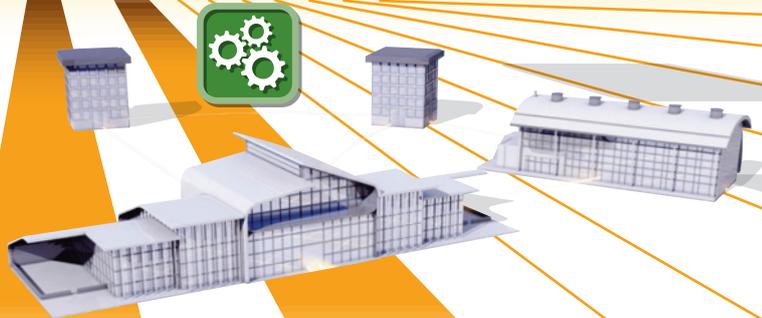


European Structural and Investment Fund Strategy

**CORNWALL &
ISLES OF SCILLY**
LOCAL ENTERPRISE PARTNERSHIP



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Chairman's foreword

Cornwall and the Isles of Scilly (C&IoS) is an extraordinary region; a land of extremes and edge and difference. Its wealth resides in its breathtaking landscape, its ground-breaking history, its diverse people and the wildly creative expression of their culture and lives, and the resulting fusion of this spectacular natural and social capital.



For all of these reasons, it's a place we care about deeply. But we also have very real challenges and our economy suffers from two fundamental weaknesses: low remuneration due to low skilled jobs and low productivity. This strategy is all about how we change that and make our communities better places.

So, how will we do it? We won't achieve our vision by doing things the way they've always been done. C&IoS have been in receipt of EU funding for over 20 years and although progress has been made, we haven't closed the productivity gap with the rest of Europe. We need to continue to make bold investments if we are to realise our ambitions. It's also time to try new things.

We will be market led and focus on our areas of competitive advantage. This will include sectors where we can compete globally and export knowledge as well as products and services. We will also invest in front end research, development and innovation. That's where the highest returns and productivity gains are to be made. Our history teaches us that and we will need to make sure the value of that R&D is leveraged throughout the supply chain. However, unless we give our people the skills to benefit from these investments then we will have achieved little and that's where we need to connect people to our growth sectors and economic assets, such as the Aerohub Enterprise Zone and our expanding low carbon economy.

We have consulted widely on this strategy and engaged with our Local Authorities, communities and businesses. Specifically, we have listened to the businesses who make up the backbone of our economy. That's why we are proposing to package support around those businesses with the potential to grow. This will include access to finance, business support and export advice.

We strongly support the move away from non-repayable grants and envisage our next programme being a mix of grants, loans, guarantees and other financial tools that enable the funds to be recycled and re-used. This is an area where public funds can help to facilitate private sector investment.

All of this is captured under three investment headings; Future Economy; Growth for Business and Conditions for Growth. We're planning a journey that builds on what is unique and special and uses it to evolve, rather than transform our region assuring and sustaining our future economic prosperity.

A handwritten signature in black ink, appearing to read 'C. Pomfret', with a long horizontal stroke extending to the right.

Chris Pomfret
Chair, Cornwall and Isles of Scilly
Local Enterprise Partnership

Raglavar an Kaderyer

Kernow ha Syllan yw rannvro koynt; tir a bennow pella, hag amal, ha dyffrans. Hy rychys a drig yn hy thirwel pur yntanus, hy istori nowythyanse, hy fobel dhivers ha displetyans awenek yn hwyls aga gonisogeth ha'ga bewnansow, ha'n tuedhyans a syw a'n benncita naturek ha kowethasek ma.

Rag pub an achesonys ma, yth yw le may kemeryn with a-dro dhedhi yn town. Mes ynwedh yma genen chanjys pur wir ha'gan erbysieth a wodhev dhyworth dew wannder selvenel, gober isel der oberennow isel aga sleyghneth hag askorruster isel. An strateji ma yw yn tien a-dro dhe'n fordh may treyllyn henna ha gul agan kemenethow leow gwell.

Ytho, fatel wren ni y wul? Ny wren ni kollenwel agan hunros dre wul taklow y'n fordh may fons pub prys gwrys. Kernow ha Syllan re beu ow tegemeres arhesans UE dres moy es 20 bledhen ha kyn feu gwrys avonsyans, ny wrussyn ni degea an aswa askorruster gans remenant a Europ. Yma edhom dhyn a besya gul kevarhewans hardh mar mynnyn kollenwel agan gorvynnow. Yth yw an prys ynwedh dhe assaya taklow nowyth.

Y fedhyn ni ledys gans an varhas ha fogella war agan parkow a brow kesstrivek. Hemm a wra synsi ynno ranngylyghyow may hyllyn kesstrivya yn norvysel hag esperthi skians dres askorransow ha gonisyow. Ni a wra kevarhewi ynwedh yn hwithrans, displegyans ha nowythheans bleynnek. Henn yw an le may fo gwrys an dehwelyansow uhella ha'n gwaynyow askorruster. Agan istori a dhysk henna dhyn. Yma edhom dhyn a surhe bos talvosogeth an R&D ma ynniys dres an gadon brovians. Byttegyns, marnas ni a re dh'agan pobel an sleyghnethow dhe gemeres prow dhyworth an kevarhewiansow ma, ena y fydh kollenwys genen bohes lowr hag ena yw an le may fo edhom dhyn kesunya pobel dh'agan ranngylyghyow tevyans ha kerthow kepar ha'n Parth Negysieth Aerohub ha'gan erbysieth isel-karbon usi owth efani.

Ni re geskusulyas yn efan war an strateji ma hag omworra gans agan Awtoritys Leel, kemenethow ha negysyow. Yn arbennek, ni re woslowas orth an negysyow neb a furv mellow keyn agan erbysieth. Henn yw prag yth eson ni ow profya fardella skoodhyans a-dro dhe'n negysyow na gans an gallos tevi. Hemma a wra synsi ynno hedhas dhe arhas, skoodhyans negys ha kusul esporth.

Ni a skoodh yn krev an gwayans dhe-ves a rontow anattaladow ha dismygi y fydh agan towlen nessa kemmysk a rontow, lendyans, mewghyow ha toulys arhansek erel hag a wra gallosegi bos eylgylyhs ha dasusys an arhasow. Hemm yw lown may hyll arhasow poblek gweres dhe esya kevarhewians an ranngylygh privedh.

Pub oll a hemma yw preydhys yndann teyr fennlinen kevarhewians; Erbysieth Devedhek; Tevyans rag Negys hag Ambosow rag Tevyans. Yth eson ni ow towlenna vyaj a dhrehev war an pyth yw dibarow hag arbennek ha gul devnydh anodho rag esplegya agan rannvro, yn unn surhe ha sostena agan sewena erbysiethek devedhek.



Chris Pomfret
Kaderyer, Keskowethyans Leel Aventur Kernow hag Enesek Syllan

Executive Summary

Cornwall and the Isles of Scilly's economy faces a number of challenges which are reflected in low wages, low productivity and relatively low skills attainment. Our objective to exceed the expected growth in terms of GVA of the overall Cornwall and Isles of Scilly economy by an additional £338 million shows we have set challenging and aspirational targets.

We want Cornwall and the Isles of Scilly (C&IoS) to be geographically and culturally distinct, respected as a unique blend of people and place where the environment is valued both as a business asset and an inspiration for life. A place where businesses and individuals can work together with communities that thrive to reach their full potential; confident, outward looking, connected to each other and to the world. The 2014-20 programme needs to focus on increasing productivity, realising market-led opportunities and taking well judged risks if we are to achieve this vision.

We will use EU Structural and Investment Funds (SIF) to deliver sustainable growth through innovation, increasing our competitiveness and consolidating our existing assets, capitalising on opportunities for distinct competitive advantage presented by our natural and cultural resources. We will grow bedrock industries such as food, farming and marine and develop a strong creative sector with world class art, theatre and heritage.

We have consulted widely on this strategy and engaged with businesses, communities and local stakeholders, including the Local Nature Partnership and the Health and Wellbeing Board. The institutions and people of Cornwall and the Isles of Scilly support our proposed approach and this is reflected in Cornwall Council and the Council of the Isles of Scilly's endorsement of this strategy.

However, we have aligned our approach with the EU 2020 vision and the UK Government's Industrial Strategy. So, whilst our vision is rooted in our region, it is global in scope.

Our SIF Strategy consists of three key areas of activity:



Future Economy

Investment which will capitalise on Cornwall and Scilly's strengths and unique characteristics to exploit new and emerging markets



Growth for Business

Investments which will accelerate increases in productivity and competitiveness in the area's businesses



Conditions for Growth

Investments which will address continuing blocks to growth, in infrastructure and human potential

We are proud of the achievements of previous EU programmes, but the region has a pioneering spirit and we want to try new things to drive growth and productivity. We will promote Community Led Local Development and champion the use of Financial Instruments rather than non repayable grants.

We aspire to make our investments some of the greenest in Europe and have actively designed sustainability into our delivery mechanisms and governance. It is our intention to become a net exporter of energy. However, we are not just focused on energy production: we want to help all our businesses reduce their impact on the environment, lower energy costs and decrease carbon emissions. It's about doing things differently and developing skills and knowledge as much as infrastructure: taking our people along this journey and addressing inclusion issues will be fundamental to our ambition and success.

Our investment model



Future Economy

FE1 Drive growth in our region's economy through RD&I investment to support our business base (existing and new) in integrating into the supply chains of key identified global markets where we can have a significant competitive advantage

FE2 Investment in activities with growth potential that develop Cornwall and the Isles of Scilly as a 'green and marine' region



Growth for Business

G4B1 Simplified, single point access to business support: channelling demand to appropriate solutions

G4B2 Investments to increase levels of R&D and innovation across Cornwall and the Isles of Scilly's business base

G4B3 Provision of infrastructure including high quality workspace for business growth

G4B4 Increase workforce productivity through skills and career development programmes



Conditions for Growth

C4G1 To invest in digital infrastructure and digital skills for growth

C4G2 To implement support programmes to optimise carbon management and to improve resources and energy efficiency

C4G3 To remove physical barriers to business growth and improve the economic viability of areas including through infrastructure investments

C4G4 To develop communities that are economically and socially resilient, sustainable and inclusive through a Future Cornwall and Isles of Scilly Programme

C4G5 To improve progression into the labour market

Innovative Finance and Financial Instruments

Community Led Local Development

1 Strategic context for the LEP area

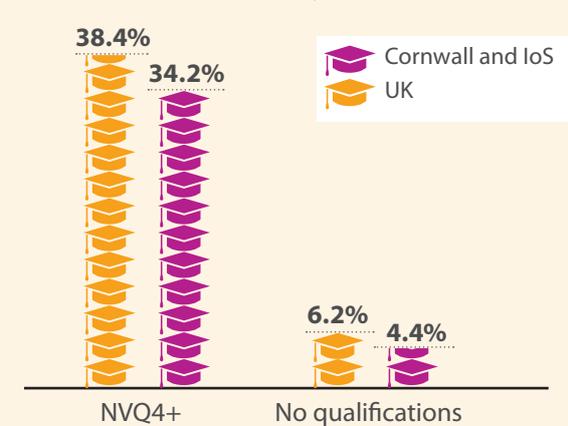
Our economic challenges and barriers to growth

C&IoS has a GDP which stands at 64% of the EU average (2011 figures). Despite impressive growth rates and a significant pre-recession improvement (peaking at 78% in 2006), structural weaknesses remain within our economy. The main economic characteristics of the region are set out below;

GVA per person (2011)



Skills - economically active (2012)



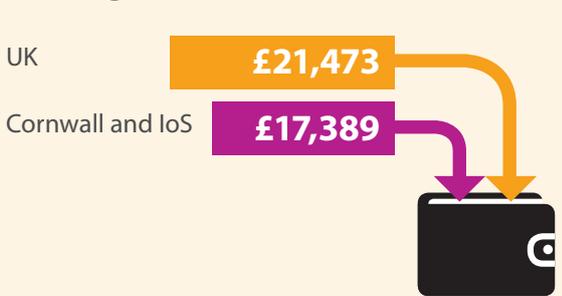
Innovation - R&D spend / GDP (2009)



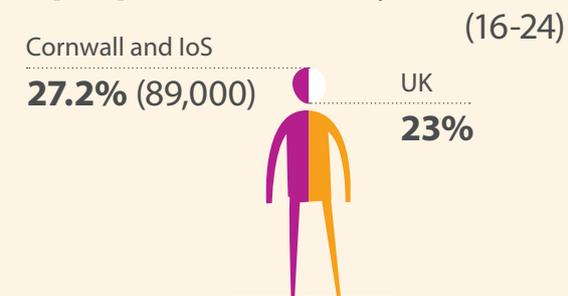
No. of people at risk of poverty (and not on benefits) (2012)



Average income (2012)



% people economically inactive (16-24)



The region's economy has benefited from significant EU funding since 1994, through the LEADER I, LEADER II, Objective 5b, Objective One, Convergence and Rural Development Programmes, and these have had a positive impact on economic performance, especially in comparison with other parts of the UK. In some cases, transformational investments such as Combined Universities in Cornwall, Superfast Broadband, Innovation Centres, Wave Hub and investments in the added-value food processing sector have not had time to impact on historical GDP figures. C&IoS has been recognised as a Less Developed Region from 2014-2020 and still faces real economic challenges. These are set out in the headline evidence base and full evidence bases in appendices 1 and 2.

Between 2000 and 2007 GDP in C&IoS increased with an overall growth rate of 6.1%. Since 2008 output has declined with average growth rates of -3.6%. Growth in the first period was higher than growth at a UK level, but lower in the second period. C&IoS total Gross Value Added (GVA) stood at £7bn in 2012. Total GVA was rising during the period 2004 to 2008 at which point it peaked. In nominal terms, GVA fell in 2009, rose in 2010 but in 2011 and 2012 fell back below the 2009 total.

Over the last ten years GDP in C&IoS has been increasing, with an overall growth rate of 9.1% from 1999 to 2009. This growth has been faster than growth at a UK level. C&IoS total Gross Value Added (GVA) stood at £7.5bn in 2011. Total GVA was rising during the period 2004 to 2008 at which point it peaked. GVA fell in 2009, but has since recovered in nominal terms.

The progress achieved in GVA has not, however, significantly closed the gap with other areas. Our economy generates less added value per head than other areas and is less productive, this is characteristic of our peripherality and small business base – a clear weakness in the economy and an area of focus for future investment. It is important that our EU Structural and Investment Fund Strategy enables a step change in our economy to contribute to improving GVA and productivity.

The Economic Productivity in Cornwall – constraints and challenges report prepared by Cornwall Council (May 2010) highlights constraints

and challenges to economic productivity in our region. It identifies that there is no one single cause of low productivity but this is likely to be a combination of factors including the lack of large employment units, an above average level of part-time workers, a lower proportion of the population with NVQ4+ and relevant competitive skills, a lack of labour mobility and competition, capital stock and industrial structure, travel time from London and the lack of urban areas. This is supported by an OECD Report – How regions grow 2009 which suggests that policies that will help to promote regional growth should include a combination of investments in infrastructure, human capital and innovation.

Employment and economic activity levels

Economic activity rates in C&IoS have shown growth in the 2000's and are now similar to the UK average. Unemployment levels are lower than the UK. However, this needs to be set in the context of employment growth levelling off in recent years. A continuing challenge is that the percentage of economically inactive people in C&IoS is higher than the UK average.

C&IoS's population has continued to grow and is now 534,500 (2011). This growth is largely driven by in-migration, which is dominated by people of middle to older working age. This is adding to the number of economically active people in the medium term, but will lead to a higher number of older (generally economic inactive) people. C&IoS already has an ageing population, in line with the national trend, but more marked in terms of percentages of the total population and a larger percentage of its population aged 65 years and older. This creates both market opportunities and structural economic weaknesses, having direct impacts on levels of productivity and GVA per head.

Employment is still predominantly in lower value added sectors, such as tourism and food and drink, although most sectors have lower productivity than the UK average, with a continuing dependence on part time and often seasonal employment and continuing issues of low pay. Overcoming this is a key challenge.

In relation to pay, earnings can be used as an indicator of the competitiveness of the economy. In general, there has been an upward trend in employee earnings in C&loS, although earnings for both males and females still remain low when compared to UK figures.

Enterprise and innovation

Micro, small and medium sized enterprises are an integral and central component of our economy and a key driver of growth and employment. 99.8% of the 21,105 enterprises in C&loS in 2012 are classified as small and medium sized enterprises (88.7% are micro enterprises, 10% are small enterprises and 1.2% medium enterprises).

This high percentage of SMEs is similar to the national trend, although an important factor is that C&loS has a lower proportion of employees in the larger sized businesses than the UK average. This presents the continuing challenge of ensuring priorities and actions identified to support businesses are relevant and accessible to SMEs and micro enterprises. As the dominant size of firm, a 'small improvement in their productivity could have a significant effect on the economy'. The ability of these enterprises to access finance and, in particular, working capital is therefore vital, to ensure that businesses reach their growth potential and increase productivity.

Proxy indicators for levels of entrepreneurship show that C&loS is developing a strong position. Self-employment levels are high when compared to the UK average (one in five of the workforce is self-employed, compared to one in eight across the UK). Start up and survival rates, over a five year period, are also high at 49% compared to the 45% UK average. The Isles of Scilly has the highest number of enterprises per head of population outside London, although in some cases this is as a result of a lack of employment opportunities with large scale employers.

The UK Competitiveness Index provides a benchmark or proxy for innovation. Based upon 'an integrated measure of competitiveness focusing on both the development and sustainability of businesses and the economic welfare of individuals', ranking for C&loS shows levels of competitiveness as being low, with a rank

of 314 out of the 379 local authority areas, down from 309 in 2009.

An analysis of sector make up over time shows that the economy has changed, with some sectors declining whilst others are expanding. Business services, retail, distribution, hotels and catering, construction and food and drink still dominate and there is a high dependence on agri-food and tourism which cannot be overlooked when developing investments to increase productivity. The evidence base, however, suggests that no one sector, or group of existing sectors, offers greatest potential for growth. Our focus, therefore, is on emerging high value sectors and identifying and investing in those within existing sectors with promising growth potential.

Infrastructure

Peripherality remains a continuing constraint for C&loS, with distance from markets a key issue and a number of gaps in the strategic transport network.

These include:

- congestion points in the road network acting as a block to the development of employment space, economic growth and productivity;
- the need to encourage more sustainable forms of travel;
- due to their location as a group of five inhabited islands, 28 miles from the coast of Cornwall, the Isles of Scilly have a financially fragile freight and passenger transport system which needs investment to minimise cost and increase resilience.

Cornwall's lack of a single dominant centre in terms of population and functionality, impacts upon the economy and future growth potential. C&loS is dominated by a dispersed network of key town based economies surrounded by a network of rural villages, hamlets and communities. The interrelationships within this settlement pattern are different from in most other rural areas as we lack the agglomeration effect of a large city region. There is, therefore, a need to invest in appropriate infrastructure to underpin growth.

Significant progress has been made in the current European Programmes in relation to employment workspace to address a shortfall in provision and issues of poor quality stock but, as a Less Developed Region, further investment in infrastructure is required.

Social inclusion and skills

Access to the labour market and skills levels are key components of addressing social exclusion and addressing economic issues within C&IoS.

The skills profile of the area is important as it forms a building block, not only for overall economic growth, but also for individuals. Skills are an important consideration within the arena of social inclusion, providing access to employment, personal advancement, increased earnings and, for some, a route out of worklessness. Progress has been made on increasing skills, but challenges remain with an imperative for further investment in skills at lower and higher levels.

A total of 10% of the population of C&IoS live in areas of social deprivation and in some areas this is linked to the decline of historically significant industries. This deprivation is particularly evident in towns and this has resulted in some specific areas being the focus of previous and current funding programmes. It is, however, noted that issues of rural deprivation are also of importance where smaller 'pockets' exist in dispersed locations; an issue exacerbated by a lack of employment opportunities in these areas and by a lack of access to public transport and digital connectivity.

Worklessness and low wages impact upon child poverty. 18.4% of children aged under 16 lived in poverty in C&IoS in 2010, a total of 16,460 children. Although this is lower than the England average of 21.1%, there are geographic variations across Cornwall, ranging from just 2.5% to 56.2% (nearly three times the England average). The solutions to this are complex and require a joined up approach across all funding streams.

The percentage of people with higher level skills of NVQ4+ has increased by over 10% over the last 8 years. This has moved closer towards the UK average, but the challenge remains to increase the number of people with NVQ4+ to the UK level or higher. At the other end of the scale, the percentage of people



with no qualifications has remained relatively static in terms of total percentage of 16-64 year olds and also as percentages of the economically active and of those in employment.

Isles of Scilly

The Isles of Scilly lie 28 miles off the mainland and incorporate 5 inhabited islands. The islands have a population of 2,203. Resident numbers are relatively stable but with an increase since 2001. The population is ageing.

The Island's economy is heavily reliant upon tourism and agriculture and estimates suggest that 85% of the economy is tourism related. The tourism sector also supplies the critical mass for infrastructure such as ports and air. The economy is dominated by micro and small businesses.

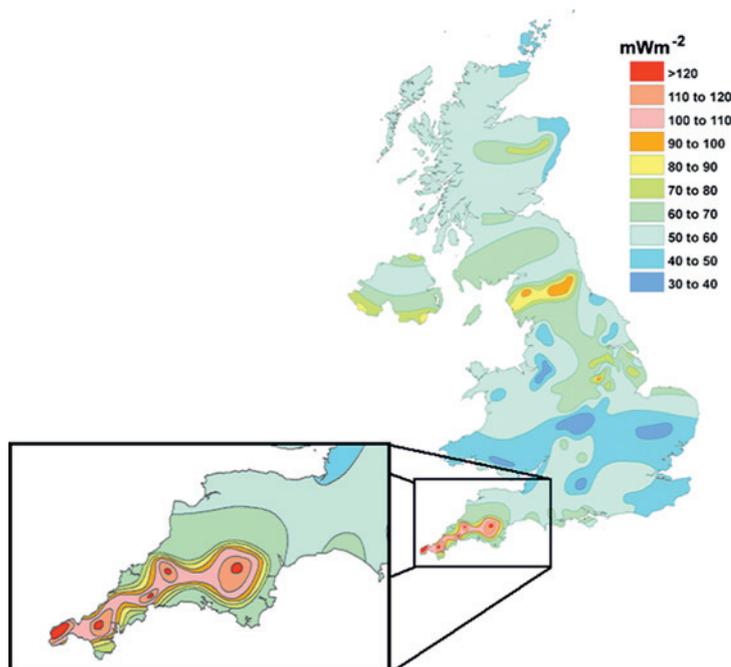
Other economic factors:

- High levels of self employment - treble that of the South West and England
- A higher percentage of people working at or from home than that of the South West and England
- Some local residents have a number of part-time or seasonal jobs, but there is also considerable underemployment, reflecting the limited career opportunities available and the seasonal nature of employment
- Incomes are significantly lower than the national and regional averages, due to the preponderance of low paid, part time and seasonal jobs
- High costs of living are associated with scarcity of accommodation and transportation of freight to the islands and the cost of travel to and from the islands

Previous EU programmes have addressed a number of the larger investment needs on the islands. The 2014-2020 C&IoS ESIF strategic priorities and identified areas for investment are relevant to the whole Less Developed Region including the Islands. Skills and workforce development programmes and the business support framework will deliver both on the mainland and on the Islands and activity will be tailored to meet the distinct needs of the Isles of Scilly. A CLLD programme will ensure a broad package of support for the remaining investments to be identified. A number of outstanding investments as identified in the Isles of Scilly Economic Plan 'Island Futures' will be addressed over the programming period. This will be through a number of funding sources including ESIF funding. ESIF funding from the C&IoS ESIF Strategy will be used to complement investments from other sources on the Islands.

Isles of Scilly transport connections

Transport connections to the Isles of Scilly have experienced a number of challenges since 2012. There is a need to secure long term connectivity to the islands and address issues around inter-island travel. Capital investment in this vital infrastructure can make the links commercially viable without revenue subsidy and further infrastructure investment is vital to the future economic wellbeing of the islands.



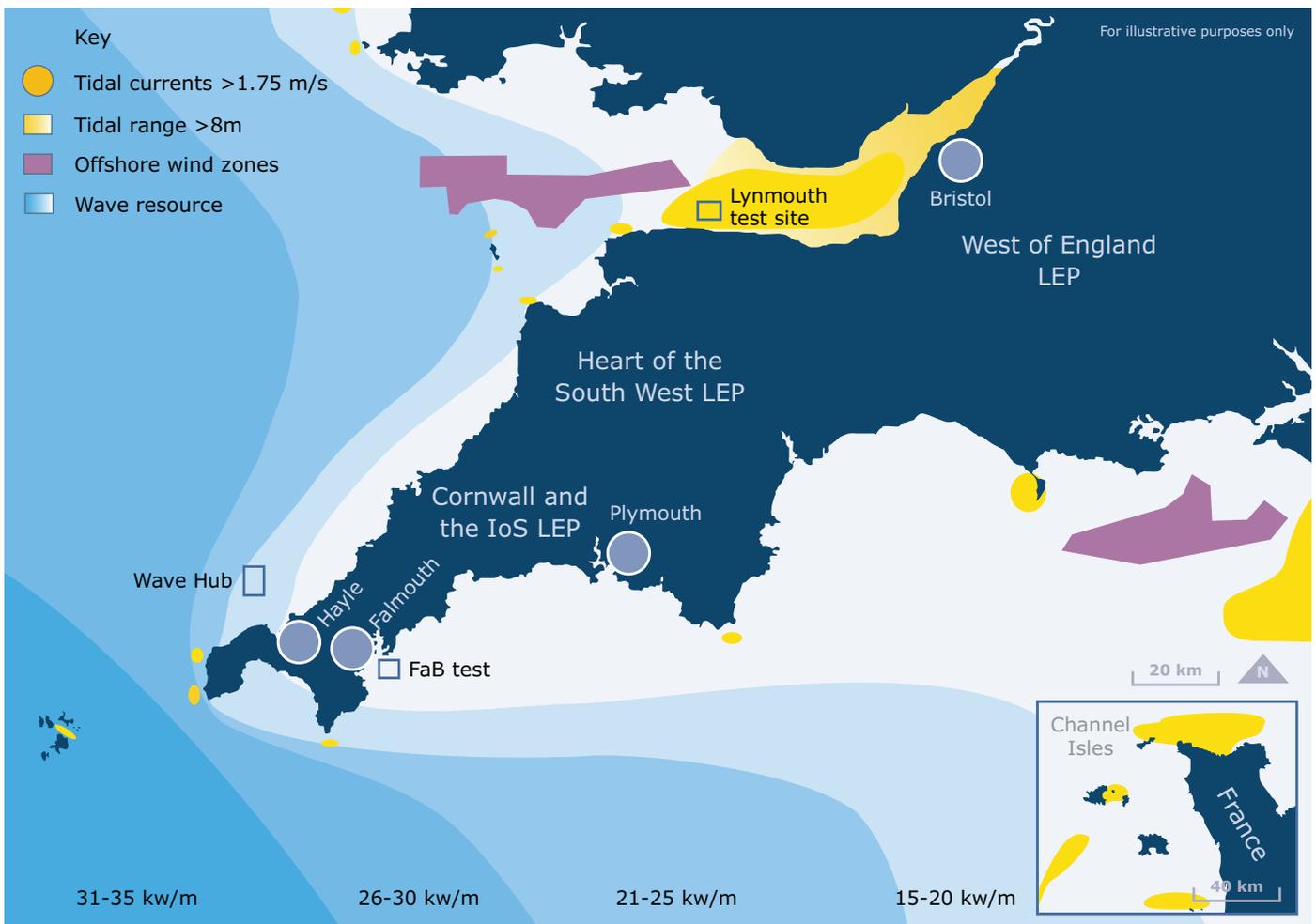
Some large investments have been made through previous programmes including airports and St Mary's Quay which addresses a number of the pressing issues. Further investment in the 2014-2020 programme is required at mainland destinations and with mainland integration of transport services as identified in the EUSIF Strategy and CloS SEP.

Our assets and opportunities

We have structural economic weaknesses and threats to growth, but we also have compelling opportunities which will shape our future economy. Our SWOT analysis forms part of our headline evidence base (see section 3) and sets out our emerging strengths and existing assets.

We have made bold investments in higher education and research infrastructure that will continue to be at the forefront of our business growth strategy. Skills levels and participation have increased and we have an opportunity to build on our academic assets and invest in front end research, development and innovation and make sure the value of that R&D is leveraged throughout the supply chain. This will require a market-led approach to Smart Specialisation.

Our offshore renewable potential is significant with 34GW of potential in the wider South West. This provides a focus for future investment and we anticipate collaborating with our partners to deliver the vision of the South West Marine Energy Park and the Plymouth City Deal. This sector has the potential to deliver 1,400 jobs by 2030 but the real potential will come in the export of knowledge, products and services to a global



We have structural economic weaknesses and threats to growth, but we also have compelling opportunities which will shape our future economy.

market.

Cornwall already produces 330MW from existing renewables and this is just the start. We will encourage the sector utilising existing assets such as Wave Hub and Fab Test, but we will also provide GBI support, invest in research and development and support inward investment. There are also significant opportunities associated with developing a local energy market.

Our natural environment has the potential to generate a nationally significant proportion of renewable energy in developing markets such as offshore marine and geothermal energy. The scale of our geothermal asset is significant, with recent estimates indicating that the temperature resource in Cornwall could produce as much

as 4GW of electricity, 5% of the total UK average electricity demand.

C&IoS was at the heart of the first industrial revolution and we will be at the heart of the green revolution, as we move towards a low carbon economy. We will build on this proud tradition, but this isn't about looking back. Our mining heritage has left us a strong engineering skills base and a world class reputation that will drive the development of other engineering based sectors, including aerospace. Strategic investment in Newquay Cornwall Airport (NCA) has taken place under our current programme to enhance this key infrastructure provision, with complementary investment arising from the designation of the area

as an 'Enterprise Zone' (EZ). The EZ is the largest development site in the region; it has created 175 jobs to date and has the potential to create over 2,000 more. This is in an R&D intensive sector, with high productivity and earnings 46% higher than the UK average. A large runway, clear airspace and a developing cluster make the Aerohub a key part of our future investment plan.

A number of infrastructure advances have been set in motion to improve productivity, including the creation of three innovation centres, the Wave Hub and rail and road improvements. A further key investment has been in digital infrastructure, with the roll out of Superfast Broadband. This investment has significantly reduced the challenges associated with our peripherality by decreasing distance to markets for both local businesses and inward investors as well as providing additional social and environmental benefits. By the end of the rollout period in 2015, 95% of homes and businesses in C&IoS are set to benefit from Superfast Broadband. There are now opportunities for additional investment to further capitalise upon world class connectivity and to support businesses and communities to make full use the opportunities presented. In order to specialise in digital markets and to grow our vibrant creative industries, it is essential that our connectivity remains competitive.

Previous investments in world class research facilities, such as the Environment and Sustainability Institute and the European Centre for Environment and Human Health, provide us with a distinct advantage in terms of cutting edge research and development potential. These assets will provide researchers with access to unrivalled resource and facilities to ensure our spirit of innovation and inventiveness thrives. These research institutions, combined with our distinct rural geography and excellent broadband facilities, make us an enviable location for the development of e-health and wellbeing.

The development of workspace (including the Innovation Centres and R&D facilities) at key employment locations has addressed some of the previously identified need. However, we have identified a requirement for grow on space and flexible workspace in addition to the more traditional type of building. The Cornwall Local Plan Employment Land Review estimates that a supply of around 150ha is needed to meet demand. Due to the economic downturn, only 7.6ha of additional workspace was delivered between 2009 and 2012, but this is only a third of what was required. We anticipate the next programme period coinciding with an upturn in demand, resulting in a continued requirement for intervention to bridge the 'cost-value' gap and unlock development opportunities.



Our economy is dominated by micro businesses employing fewer than ten employees and whilst the majority of these organisations remain relatively stable in employment and growth terms, a small proportion of 'high growth' companies have a disproportionately beneficial effect upon the wider economy.

Recent analysis by NESTA suggests that high growth companies accounted for 1.9 million new UK jobs between 2002 and 2005 (out of a total of 3 million) and 1.3 million out of 2.4 million new jobs between 2005 and 2008. These companies fell within the definition of SMEs and were more likely

to grow organically and create employment rather than grow through acquisition (as is often the case for their larger counterparts). These high growth SMEs enjoy rapid growth over short time periods as a result of their ability to innovate and react quickly and competitively to market opportunities, either by themselves or within various tiers of larger supply chains. We will invest in these high growth businesses and encourage productivity improvements through a culture of innovation



and the provision of high quality business support, access to finance and export assistance.

To our long-established national and international reputation in the arts we can now add evidence of significant growth on the broader front of Creative Industries. These include the more traditional visual arts, crafts, performing arts, literature and music, but also film, television and radio, digital media, architecture, design and designer fashion. Over the past decade, the creative sector has grown at twice the rate of the economy as a whole and is well placed for continued growth as demand for creative content grows. According to ONS 2011 data, the second fastest growing sector since 1999 in the region is 'arts, entertainment and recreation' at 8.2%, reinforcing the potential in this market.

Cornwall is unique amongst rural areas in the UK, and potentially in the wider European context, in that it supports a density of creative businesses normally found only in urban environments. The

10,000 FTEs working in the sector benefit from, and contribute greatly to, the quality of amenity, quality of life and distinctiveness of C&IoS. Recent improvements in the digital infrastructure and HE provision mean that the sector is well placed to improve the value and reach of its IP, products and services.

The agri-food sector is a key element of the economy of C&IoS. In percentage terms, 11.3% (compared to 4.5% for GB) of the Cornwall's employment is in core agri-food and 29.1% (compared to 15.0% in GB) in all food and drink related sectors. In addition to underpinning the employment base of C&IoS, it also represents over 6.5% of GVA (the equivalent figure for the UK is 3%). C&IoS is the second most important area in the UK in terms of quality pasture land, and in the top ten in Europe. It is therefore not surprising that dairy farming is the most important form of primary food production in the region, producing some of the foods most associated with Cornwall, such as clotted cream, Cornish Yarg and Cornish Blue Cheese.

Despite considerable growth in the sector, average productivity levels remain low (51% to 68%) compared to national averages, providing a key opportunity for growth in the future. Our strong agricultural assets and the legacy from previous programmes will allow us to deliver a suite of activity designed to promote the adoption of best practice and an investment in agri-tech designed to elevate the practical and technical skills of the primary production sector, its advisors and the wider supply chain.

Whilst our business base is diverse, it is not large and we are realistic about potential absorption rates. That's why we plan to identify businesses from any sector with the potential to move towards high growth and support them on their journey.

However, unless we give our people and communities the skills to benefit from these investments, we will have achieved little. Consequently, we must connect people to our growth sectors and economic assets such as the Aerohub Enterprise Zone and our expanding low carbon economy. There has been a reduction in the number of younger people (aged 16-29) leaving C&IoS. Fewer have left over the last ten years -

aided by the greater provision of higher education opportunities. We will make the most of this important factor by continuing to invest in skills development closely linked to the skills needs of our diverse business base in general and our high value sectors in particular.

Opportunities exist to up-skill businesses, to develop sustainable supply chains and make investments which support growth for business so that they are equipped to improve levels of innovation and increase contributions to growth and productivity targets. Underlying weaknesses and threats remain, and we must create the right conditions for growth. Areas of focus will include investing in key economic and transport infrastructure and addressing pockets of social exclusion.

The area's unique location, physical geography, age profile, industrial and cultural heritage, clustering of research expertise and previous public and private investments in new technologies offer a springboard for the testing and development of a future economy. With green and marine at its heart, focus will also extend to the potential of health and wellbeing sectors.

The C&IoS SIF Strategy builds on, and reflects the lessons learnt from previous Structural Fund programmes and this knowledge and experience is a key asset in itself. There is evidence of success in

the shape of high quality HE and research facilities, award-winning innovation centres and bespoke workspace. We have also seen the agri-food sector double in size from 2000-2008. Although full programme level evaluations are not yet available, we know that there has been a high level of economic growth since 1995. However, the area's relative ranking has changed little; productivity measures are still below the national average and there are continuing challenges in relation to basic and higher level skills.

C&IoS's SIF Strategy seeks to bring all of the EU Structural and Investment funds together at a local level. This co-ordinated approach will allow for a strategic focus on delivering sustainable economic growth, set within a specific local context, whilst contributing to both national and EU growth and productivity targets. This is complemented by a strong community focus. The emphasis is on supporting growing business, with a focus on the green economy, to ensure the region's growth is smart, sustainable and inclusive.

We have an opportunity to use EU funding and our unique geographical, cultural and economic conditions to turn our challenges into opportunities for future economic growth. We have set out how we will turn these opportunities in to reality, through our approach to Smart Specialisation.



All future investment in C&IoS will take into account the legacy of investment from the Objective One and Convergence programmes. Some of the strategic linkages to these investments are explored in the table below.

Previous investment	Future potential investment	Links to EU SIF Strategy
<p>Higher Education undergraduate provision via Combined Universities in Cornwall: the creation of higher education learning opportunities have been created under the Objective One and Convergence Programmes through investment in physical infrastructure.</p>	<p>Undergraduate requirement now fulfilled. CUC Universities continue to create additional courses and opportunities based upon this infrastructure (from other funding sources). Additional investment opportunities relate to higher level research skills linked to business needs (see below: research capacity)</p>	<p>Not applicable – but links to other areas for investment below</p>
<p>Research Capacity: Convergence investment has provided a baseline of new physical assets (European Centre for Environment and Human Health, Academy for Innovation and Research, Environment and Sustainability Institute, Peninsula Medical School)</p>	<p>To further the linkages between our existing business base (and our identified Smart Specialisation markets) and the capabilities of the research centres in order to support business growth</p>	<p>Future Economy Growth for Business</p>
<p>Superfast Broadband: significant investment in digital infrastructure to enable 95% network coverage.</p>	<p>To ensure digital infrastructure and speeds are at the heart of addressing our peripherality to provide access to markets for our businesses and to encourage inward investment (with additional social and environmental benefits)</p>	<p>Conditions for Growth</p>
<p>Innovation Centres: investment under the Convergence Programme into 3 Innovation Centres (linked to identified Priority Sectors) that have created good quality, connected workspace for over 150 businesses and which have provided a supportive business incubation environment to nurture growth</p>	<p>To take these benefits to a wider business base, support innovation outreach and further exploit these investments</p>	<p>Growth for Business</p>

<p>Wave Hub/FabTest: investment into world class technologies to support R&D in relation to marine renewables technologies</p>	<p>To invest in further R&D linked to these physical assets to support sector growth, individual business growth and development of local supply chains to embed the benefits within C&IoS</p>	<p>Future Economy</p>
<p>Newquay Cornwall Airport (NCA): investment was made to enable this facility to become a Civil Aviation airport. Investment has opened up opportunities to create an Aerohub (now also a designated Enterprise Zone) that seeks to develop a cluster of related business uses.</p>	<p>To further the opportunities for economic growth (new businesses moving in, existing business growth) within this location. Links to Smart Specialisation (aerospace assets)</p>	<p>Future Economy Growth for Business</p>
<p>Food Innovation Centre: investment was made into a centre that could work with food processing businesses to develop new products, test new production and packaging processes, etc</p>	<p>To invest in businesses so that they can use the services and facilities provided at the Food Innovation Centre to aid their business grow and improve productivity</p>	<p>Growth for Business</p>
<p>Duchy College Future Farm: investment in a state of the art dairy unit with the added facilities that will enable herd scale research and demonstration activity to be undertaken</p>	<p>To invest in Agri-tech related activity that will support research activity in ruminant animals</p>	<p>Future Economy Growth For Business</p>
<p>Business support: Investment in business support interventions (with a focus on accelerating the productivity of high-growth businesses/ those characterised by high value added products and services) has resulted in an increase in job creation and GVA beyond original contracted targets.</p>	<p>To build on Convergence investment in business support, focusing activities on accelerating the productivity of those businesses able to make the greatest contribution to C&IoS' economy.</p>	<p>Growth for Business</p>
<p>Various added value food processing units e.g. Trewithen Dairy, Dairy Crest, Cornish Cheese Company etc: investments designed to increase the processing capacity of these businesses</p>	<p>To further increase their processing capacity and drive improvements in productivity across their supply chains</p>	<p>Growth for Business</p>

2 Our vision

The LEP vision

We have a clear vision for growth as set out in the Economic Growth Strategy for Cornwall & Isles of Scilly (2012 – 2020). We plan to make C&IoS the natural place to grow great businesses, by focusing investment on our four priorities and our guiding principle as set out below.

Our target is that by 2020 we will have exceeded the expected growth, in terms of GVA of the overall C&IoS economy, by an additional £338 million; equating to an additional £1,450 per annum per person employed.

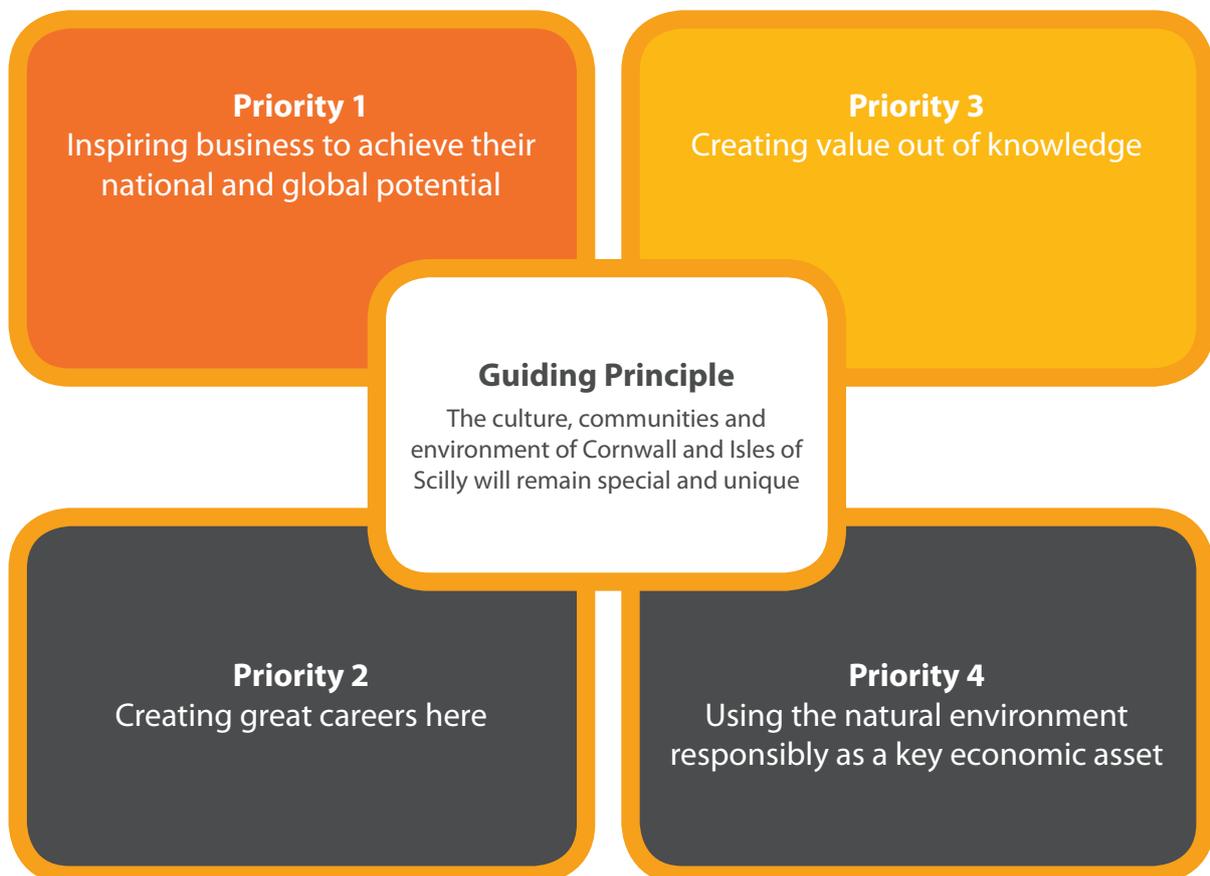
The 2014-20 EU Programme is a key part of realising this vision and the LEP's economic development strategy has driven the development of the EU SIF Strategy. We will further refine our strategy and investment priorities through the development of our Strategic Economic Plan (SEP) and our 'Growth Deal' negotiations with government.

What does success look like in 2020 and beyond?

We will have realised our vision and achieved our ambition when C&IoS has harnessed the energy to drive change: powering our future from renewables; switching small businesses on to big ideas and plugging Cornish innovation into global markets.

Investment in projects and programmes which increase productivity will have helped us move towards our goal of the GDP per head being above 75% of the EU average with a significant increase in SME productivity and higher paid jobs.

We will have pioneered new industries that make the most of the region's special environment and developed new, innovative and commercial renewable energy technologies. We will have built on existing European investments, such as Wave Hub and harnessed untapped resource in geothermal energy. Earnings will have increased



as these high value sectors flourish and new businesses start.

We will have upgraded the energy grid infrastructure and collaborated with local communities, utility companies and world class technology developers to make Cornwall a leader in the development of Smart Grids. Our businesses will be more efficient as a result, with GHG reductions down and low carbon practices, processes and products widespread.

We will provide exemplar collaborations between community and commercial organisations in green technologies and will support both businesses and individuals to realise the benefits of a low carbon economy. Production will be up and so will the number of firms bringing new products to market.

Our new workspaces will be high quality and flexible, with bespoke business friendly facilities. Businesses already expanding through our network of Innovation Centres at Pool (ICT), Truro (health/wellbeing) and Falmouth (creative and environmental technologies) will have grow-on facilities which match their ambitions.

Investments to unlock areas with economic potential and reduce physical infrastructure barriers will have connected our skilled workers with our key economic assets. We will have improved linkages for the Isles of Scilly, met challenges associated with our peripherality and distance to market and stimulated private sector investment in previously unviable sites.

Our region will have contributed to increasing UK productivity through maximising investments in Further and Higher Education to support widening participation, social inclusion and knowledge transfer, whilst building strong linkages between research and development and business.

We will have a more equal society, with less economic inactivity and increasingly resilient communities, better able to solve their problems and meet future challenges.

EU funding will have supported the region's strategic skills priorities and closed the gap with the UK in terms of those qualified at NVQ Level 2 and NVQ Level 4. Our apprenticeship and scholarship programmes will have increased the number of people progressing through the labour market and participating in education and training.

We will have increased the number of businesses actively innovating by investing in world class research and development, linked to the region's unique natural assets and sectoral strengths. This will be aligned with the needs of businesses and the focus on offshore renewables, agri-tech, e-health and the digital economy will have ensured we are exporting knowledge as well as products and services. This will be complemented by enhanced access to ICT and supporting enterprises to develop products and services via ultrafast broadband.

Our bedrock industries, such as agriculture, food, fisheries and tourism will have taken advantage of best practice, new technologies and new market opportunities to increase business competitiveness and productivity.

Our cultural and creative industries will be flourishing in a way that produces a distinctive connection between industry development, quality of life, creativity and the development of new types of tradable intellectual property especially in the context of rapidly developing digital and new media capacity. The sector will provide high value jobs, promote learning and will strengthen a strong sense of place. Our vibrant cultural offer supported by our outstanding natural environment will give C&I a distinctive edge and an international profile.

3 Strategic Priorities and Intervention Logic

This section sets out how our evidence base (appendices 1 and 2) and SWOT analysis inform our strategic priorities.

Strengths, weaknesses, opportunities and threats analysis

The following table provides an overview of the headline evidence base:

Strengths	Weaknesses
Improvements in our HE/FE infrastructure: better facilities, breadth of courses, increased student and research capacity within world class research clusters	Peripherality and distance from markets contributing to low GDP and GVA
Strong Cornwall brand, increasingly linked to high quality values and positive external image nationally and internationally	Low levels of R&D investment, innovation and competitiveness contributing to low earnings (81% of UK average)
A rapidly growing third sector facilitating innovative delivery (emerging Social Enterprise Zone)	Overall levels of low productivity and seasonal dependence on low skilled jobs (including significant 'bedrock' sectors such as tourism and agri-food)
Vibrant creative sector which can drive innovation	High and persistent levels of worklessness and pockets of severe deprivation (including those associated with health issues)
Unique natural resources with significant energy production potential	Skills levels that are below the national average (basic and higher level)
Long history of collaborative partnership working	Lack of regulatory framework for renewable energy project development (geothermal/local energy markets)
One the best digitally connected rural areas in the world	Low levels of business productivity, numbers of exporting businesses, innovation and product development
High levels of self-employment	
Concentrations or clusters in technologies (e.g. marine renewables, e-health, agri-tech, digital economy)	
Strong and long established enterprise culture	

Opportunities	Threats
Capitalise upon FE and HE infrastructure to increase R&D, innovation and create the conditions for growth	Internal and external connectivity; Failure to address bottlenecks in strategic infrastructure that will then 'block' further development to support economic growth and reduce resilience
Emerging markets and sectors (e-health/renewables/agri-tech) leading to opportunities to increase productivity and shape the future economy	Failure to address low levels of research and innovation could lead to a further decline in relative competitiveness
Exploit our existing competitive advantage in relation to superfast broadband to facilitate growth for business by improving content and access to markets	Failure to address climate change impacting on resilience
Abundant environmental assets to increase productivity and growth in key low carbon sectors	Failure to address the productivity of bedrock industries compounding overall economic performance
Large numbers of agile SMEs and impressive business survival rates create potential for accelerated growth for business if appropriate and bespoke support (finance/export/start up) can be delivered	Continuing barriers to finance for SMEs
Existing physical assets and social capital which have the potential to grow (Innovation Centres/Aerohub/Wavehub) with further infrastructure investments to enhance conditions for growth	Lack of flexibility and join up in national approaches leading to sub optimal outcomes
Potential to develop replicable pilot/research projects to lead the UK/EU future economy (smart energy infrastructure)	Inability to exploit our natural resources for renewable energy due to constrained grid capacity
	Increased national and international competition and globalisation of trade

There is a direct link from our evidence base and SWOT analysis through to our Strategic Priorities and the outputs and outcomes we will deliver. This is set out in the investment logic chain (appendix 3).

Our intervention logic chain has identified three strategic priorities where investment will drive economic growth and deliver our vision;



Future Economy
Investment which will capitalise on Cornwall and Scilly’s strengths and unique characteristics to exploit new and emerging markets where we have an identified competitive advantage. We will utilise research, development and innovation as a recognised driver of growth.



Growth for Business
Investments which will accelerate increases in productivity and competitiveness in the region’s businesses.



Conditions for Growth
Investments which will address continuing blocks to growth, in infrastructure and human potential.

Cornwall
and IoS
LEP EU SIF
strategic
priorities



Future Economy



Growth for Business



Conditions for Growth

Objectives

FE1 To drive growth in our region's economy through RD&I investment to support our business base (existing and new) in integrating into the supply chains of key identified global markets where we can have a significant competitive advantage

FE2 To invest in activities with growth potential that develop Cornwall and the Isles of Scilly as a 'green and marine' region

G4B1 Simplified, single point access to business support: channelling demand to appropriate solutions

G4B2 Investments to increase levels of R&D and innovation across Cornwall and the Isles of Scilly's business base

G4B3 Provision of infrastructure including high quality workspace for business growth

G4B4 Increase workforce productivity through skills and career development programmes

C4G1 To invest in digital infrastructure and digital skills for growth

C4G2 To implement support programmes to optimise carbon management and to improve resources and energy efficiency

C4G3 To remove physical barriers to business growth and improve the economic viability of areas including through infrastructure investments

C4G4 To develop communities that are economically and socially resilient, sustainable and inclusive through a Future Cornwall and Isles of Scilly Programme

C4G5 To improve progression into the labour market

Strategic Priority 1



Future Economy (Smart Specialisation)

‘To ensure C&IoS is prepared for the future through developing a low carbon economy which can deliver sustainable economic growth by developing an innovation culture and readying our businesses to compete in an increasingly global market place’

Objectives

Future Economy 1

To drive growth in our region’s economy through RD&I investment to support our business base (existing and new) in integrating into the supply chains of key identified global markets where we can have a significant competitive advantage

Future Economy 2

To invest in activities with growth potential that develop Cornwall and the Isles of Scilly as a ‘green and marine’ region

Context and key challenges

Smart Specialisation is an internationally recognised approach to addressing new growth opportunities. It is based on regions identifying a limited number of priorities for investment where they have an identified competitive advantage based on where they have physical, knowledge and enterprise assets.

C&IoS has the lowest levels of productivity of any of the LEP areas in England. This is a reflection of very low levels of research and development (R&D) expenditure and declining competitiveness. This is partly caused by the

predominance of SMEs and the lack of large businesses which generally have the propensity and resources to invest in R&D. As businesses in C&IoS spent only 0.18% of GDP on R&D in 2008 (a fall of 44% since 2005) and our competitiveness is in decline, a different approach to investment in research and innovation is required.

We will address historic poor performance in R&D through adopting targeted investments. As set out in the Future Economy Intervention Logic (appendix 4), we plan to tackle this by capitalising on Cornwall and Scilly’s strengths and unique characteristics to exploit new and emerging markets and sectors in which we have a competitive advantage.

For many years we have been acknowledged as a leader in low carbon technologies with excellent natural resources, innovation clusters and cutting edge infrastructure investments. We are well placed to develop new technologies and create high value, knowledge based low carbon economic growth. Investments in sustainable transport will underpin this and also address peripherality.

All of the above will need to be taken forward in a sustainable manner, utilising our natural capital in a way that preserves our biodiversity and landscape as key economic, social and environmental assets. Responding to the challenges of climate change will be fundamental to ensuring our economic future is secure. Building sustainable infrastructure, especially in relation to coastal protection and management, will form a key part of this approach.

In order to build an innovative and sustainable economy we aim to prioritise targeted support to companies that have the potential to exploit new market opportunities and those who can deliver the region’s ambitions to be a ‘green and marine’ area.

These strategic ambitions will be delivered through two key objectives:

FE Objective 1: To drive growth in our region’s economy through RD&I investment to support our business base (existing and new) in integrating into the supply chains of key identified global markets where we can have a significant competitive advantage

Rationale for intervention: Due to low levels of investment in R&D, competitiveness and productivity, C&IoS will seek to deliver a step change in the economy by investing in areas where we have the potential to achieve high growth through existing businesses, start ups and through

attracting high growth companies to the region.

We will achieve this through adopting a Smart Specialisation approach and following the European Smart Specialisation guidance to develop our framework. This is essential to boost regional innovation and meet the ex ante conditionality of EU Structural and Investment funding.

Our emerging Smart Specialisation Framework has identified key markets where C&IoS has, or can develop, a competitive advantage. However, in order to address some of our underlying innovation issues, it is important that we provide the right mix of financial and non-financial support to assist our enterprises to innovate and develop. This support will aim to increase the innovation capacity of businesses in C&IoS, to help them access and exploit new knowledge and ideas and to enable them to compete in increasingly global markets.

It is important that the interventions that we undertake will position our businesses so that they

Smart Specialisation Area	Specific Market Opportunities Identified	Links to the UK Industrial Strategy and the 8 Great Technologies
Agri-tech	Animal health and welfare in dairy cattle Resource efficiency in the production process Plant health	Agri-science Agri-technology Big Data Robotics and autonomous systems
Digital Economy	Digital media / gaming Software development Pervasive media (content application services)	Information economy Big Data Information economy
E-Health	E-wellbeing – using digital technologies to improve health outcomes End to end skills programme	Information economy Big Data Education (exporting)
Marine Technology	Offshore renewables (wave and wind) Advanced marine paint technologies Green ship technologies	Offshore Wind Energy Advanced materials and nano-technology Energy and its storage
Space and Aerospace Assets	Goonhilly – satellite management and applications Newquay Cornwall Airport – long runway; free airspace; unmanned vehicles	Aerospace Space Robotics and autonomous systems Big Data

can benefit from national funding mechanisms such as the Technology Strategy Board. The most recent evidence (2010-2013) shows that only 20 local businesses (out of 5464) successfully applied for TSB funding. When it comes to the value of grants the position is even worse, with only £4 million out of £922 million being secured locally. It is, therefore, critical that those businesses with the greatest growth potential are given necessary support (academic, commercial or financial) to improve their innovation strengths so they are in a position to compete for national funding.

In addition to local stakeholders, the LEP has also engaged with a range of national organisations to 'sense check' our areas for investment.

During the summer of 2013 partners in C&IoS met the Technology Strategy Board (TSB) to discuss our early thinking on Smart Specialisation. Following these discussions, the TSB agreed that the areas of intervention are credible and that we were building on our physical, knowledge and enterprise assets. Partners have also engaged directly with the Agricultural and Horticulture Board who identified areas where they felt C&IoS had a nationally competitive advantage and encouraged investment accordingly; these recommendations have been accepted by partners and have formed the basis for our agri-tech specialisms.

We have also met with the National Space Agency who confirmed that Goonhilly is seen as a key national asset and confirmed that as space is now a key Government priority there are significant opportunities to develop capacity and expertise in this area.

In addition, the LEP appointed consultants (Catalys) to help develop a methodology to take forward our Smart Specialisation work. Catalys also undertook a review of the markets identified for investment. This is reflected in our proposals.

The developing areas for investment have been linked to the UK Industrial Strategy to demonstrate how local priorities will help to deliver national ambitions. These linkages are set out in the table above.

We will look to make the most of these Smart Specialisation opportunities by providing support to drive excellence and exploit our competitive advantage in key markets and develop an innovation ecosystem across the whole of our economy to drive growth through innovation.

The key markets where we have both the assets and potential for growth are:

1. Agri-tech
2. Digital Economy
3. E-health
4. Marine Tech
5. Space/Aerospace

Each of our areas below identify our local strengths and competitive assets including maximising the leverage from the legacy of strategic assets and investments from previous programming periods. Key assets have been identified as part of the Smart Specialisation sector analysis process. These are significant capital assets and this Strategy intends to allocate revenue to further growth related to those assets and activities that further contribute to the Strategy.

The rationale for each of these markets is detailed below:

1. Agri-tech

Development of the agri-tech sector builds on our existing agricultural strengths in C&IoS by identifying where we could demonstrate a competitive advantage and is seen as a contributor to a much wider agri-food development programme for the SIF and Rural Development Programme.

The importance of this sector is demonstrated by the fact that agri-food and agri-tech make up 8 of the top 20 sectors by locality quotient (2012) for C&IoS. Agri-tech is also the only 'hit' we have on the Witty heat maps, once again demonstrating the local importance of this sector.

Agri-science is one of the Eight Great Technologies that have been identified supported by a national Agri-tech strategy. Emerging networks of national capability (Agri-tech centres of excellence, emerging Horizon 2020 Innovation Partnerships, etc) are building strong national capacity by supporting strong regional specialisation. The agri-tech sector crosses LEP boundaries so there is real potential to encourage/facilitate cross LEP working to encourage location and infrastructure synergies.

Finally, there are already well established local and national partnerships in this area. These include the Cornwall Agri-food Council, the

Peninsula Partnership for Rural Environment, The Centre for Rural Policy Research and the Food Security and Land Research Alliance. Partners also have established strong links with the Agricultural and Horticultural Development Board, and it is through working with these partners that the specific investment activities have been identified.

The Agri-food sector represents 6.5% of our total GVA and 25% of total employment. Therefore productivity gains that are derived from innovation will have significant benefit locally in addition to providing benefits and economic opportunities at a national and international level. The current collective thinking gathered from meetings with stakeholder groups is that our Agri-tech activity will centre around the theme of "Resource Use Efficiency" but with a distinct and different sectoral focus in different areas of England. In C&IoS, the major focus will be on cattle (dairy and beef) and speciality crops where the region provides a climatic advantage and added value. The importance of disease (and pest) minimisation and management for crops and livestock continues to be supported as a major component of the proposed work programmes given that this represents a major contributor to the reduced efficiency of use for all inputs (land, water, energy, nutrients etc.). It is now envisaged that the work to be done will be integrated across three scales of operation: optimised land and water management for sustainable crop and livestock production, resource-efficient whole farm management and innovative tools and technologies for resource-use efficient farming.

Local Strengths and Competitive Advantage

1. Physical Assets

Duchy College – one of the largest specialist land colleges in the UK, with previous investment in applied research facilities, dairy production, animal management and land based technologies

Environment and Sustainability Institute – new facility on the Penryn Campus delivering world class research and knowledge exchange programmes

Food Innovation Centre – based at Duchy College, the Centre works with businesses to deliver innovative solutions across all areas of food production

Climate and geography – warm maritime climate enabling early production of crops, fruit and vegetables

Diverse agricultural land – with significant production of dairy and fruit and vegetables

Marine environment – with sea on 3 of our 4 borders, we have a rich fishing and aquaculture heritage

2. Knowledge Assets

Duchy College Future Farm – new dairy unit and research facility

Duchy College Rural Business School – currently delivering the largest and knowledge exchange programme under RDPE in the UK

Rural Business Research – the most comprehensive data collection and analysis resource for farm businesses in the UK

Exeter University – research excellence in plant health, and emerging research expertise through the Environment and Sustainability Institute

Knowledge assets outside of C&IoS – research excellence from other areas including Rothamstead Research.

3. Enterprise Assets

- 25% of the workforce are employed in the agriculture and food processing sectors (over 12,000)
- Cornwall Agri-food Council - strategic partnership bringing together the public and private sectors
- 600 dairy farmers (131,000 dairy cattle – 6% of the national herd) with an estimated 120 farmers in a position to benefit from intensive research and innovation developments
- Cluster of food production and food processing businesses, actively involved in research and innovation. These include Trewithen Dairy, Ginsters, Tulip, WC Rowe, Riviera Produce, Winchester Growers and Rowe Farming
- Teagle Farm Machinery – the largest independent farm machinery manufacturer in the UK with a number of patented machines

2. Digital Economy

C&IoS's unique positioning in the context of the information economy is that it benefits from the most extensive commercial and residential deployment of superfast broadband in a rural setting in the UK (and possibly the world). Connectivity in Cornwall is comparable or superior to broadband connectivity in central London. This makes Cornwall an ideal Digital/Information Economy 'test-bed.'

The implications for this in a digital age are significant. ICT and software businesses in the digital creative industries/interactive media can now operate and remain as competitive in rural Cornwall as in Media City or London. As a result, many successful businesses are choosing to operate in Cornwall. The growth and expansion of the ICT and creative digital industries in Cornwall has been significant in recent years, being two of the few growth sectors during the recession. The benefits of superfast broadband are already being seen as presenting a huge advantage to businesses in the developing digital and creative sectors. The opportunities for innovations exploiting

the broadband infrastructure will be broad and wide, impacting on sectors as diverse as e-health and wellbeing; smart grids; smart buildings; space related industries; the creative industries and specialist design and manufacturing.

Local Strengths and Competitive Advantage

1. Physical Assets

Fibre optic broadband network – by 2014, 95% of C&IoS will be connected to the fibre optic network, with alternative technologies providing an uplift of speeds for the remaining 5%

Academy for Innovation and Research – a new £8m investment providing the home for business research and collaboration for Falmouth University, specialising in the digital economy and sustainable design

Pool Innovation Centre - an £11m innovation centre targeting digital technology businesses

High performance computing – facilities at the Environment and Sustainability Institute (linking to the Met Office)

2. Knowledge Assets

Falmouth University – expertise in gaming (supported through an FP7 project and an ERDF graduate start up programme), digital design, digital media and digital creative

Exeter University – expertise in data science/ data analysis and high performance computing

Plymouth University – expertise in data security, programming (2000 computing graduates p.a.), digital creative and artificial intelligence

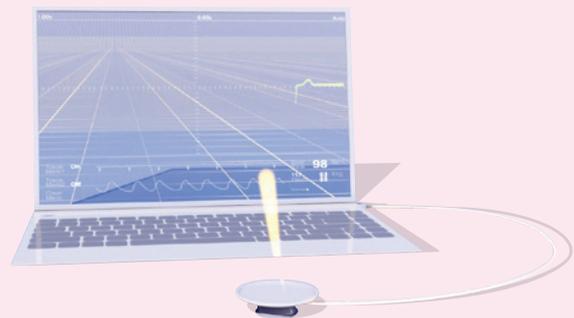
3. Enterprise Assets

- Rapid growth in the digital sector – between 2009 and 2014 employment has increased by 26%, with turnover increasing by 24%
- Over 1000 small and micro businesses in the digital sector

- Cluster of world leading software and digital science businesses – these include Headforwards, Avanti, Altcom, Sullivan Cuff and Geoscience
- Cluster of globally competitive creative industries and digital creative businesses – these include Dogbite, TigerX, ikandi and Spider Eye

3. E-Health

C&IoS are uniquely positioned to become a centre of expertise in eWellbeing, building on its existing assets. With single authorities that have co-terminus boundaries in health, social and primary care, economic development and local government, C&IoS can develop new approaches to public and private health and wellbeing that are integrated, innovative,



and can be adopted in other regions and countries.

Cornwall has internationally recognised research expertise in this field in the Universities of Exeter, Falmouth and Plymouth, a responsive education and training sector, and a dynamic, skilled SME community with appropriate IT and other infrastructure. In addition, Cornwall has an engaged voluntary and community sector involved in a number of ongoing innovative programmes providing illustrative case studies. Examples include Cornwall's Pioneer Programme working with the frail elderly to improve independence and resilience. C&IoS can demonstrate the value of these services to extreme remote island communities, rural and urban communities and to vulnerable populations. This will become increasingly important when the dichotomy between reducing resources and increasing demand becomes ever harder to bridge using more traditional approaches to healthcare.

Local Strength and Competitive Advantage

1. Physical Assets

European Centre for Environment and Human Health – research centre focussing on the links between human health and the environment; includes business collaborations, new product development and evidence based solutions

Health and Wellbeing Innovation Centre – situated within a developing health cluster, the Centre offers support to new and expanding businesses in the health and wellbeing sector

Extensive fibre optic broadband network – providing appropriate connectivity for individuals and businesses to benefit from e-wellbeing technologies

2. Knowledge Assets

Plymouth University – expertise in user led e-health, social robotics and computer aided diagnostics and dentistry

Exeter University – expertise in electronic monitoring, mathematical modelling and social sciences

University of Exeter Medical School

Falmouth University – particular expertise in user interface design, digital design and smart systems

Truro and Penwith College – working with BT Cornwall to develop new telehealth and telecare skills programmes

Health and Wellbeing Board – Strategic partnership with a remit for e-health and e-wellbeing

European Centre for Environment and Human Health – key staff in e-health

3. Enterprise Assets

- BT Cornwall – strategic partnership between BT and Cornwall Council to deliver e-health and develop a national centre of excellence
- Health is the second largest contributor to the local economy, providing huge scope to identify new, cost effective models of delivery
- Cluster of internationally recognised companies working within the digital health sector – includes Carnego Services, Sullivan Cuff and Microtest
- Large adult care sector engaged in the e-wellbeing agenda

4. Marine Technology

C&IoS has the potential to become an international market leader in this sector, given its unique location and marine energy resources including significant potential for renewable power generation.

The UK Renewable Energy Roadmap is seeking some 27 GW from wave and tidal devices by 2050. These technologies are still in the pre-commercial stage and a number of devices have already been tested off the Cornish coast. The aim in the 2014-20 period, is to see devices being tested and moved from device deployment and testing into pre-commercial and commercial applications. There is an opportunity to capitalise on the innovation and knowledge that has been developed in Cornwall locally; the unique demonstrator and test facilities on offer in Cornwall and Plymouth, the world class academic expertise and the emerging cluster of supply chain businesses in Cornwall with potential to access international markets and grow exports. There is also potential to co-operate closely on wave energy research, e.g. with the European Marine Energy Centre in Orkney, so that C&IoS

and Scotland can emerge as technology leaders in wave and tidal energy.

We will also build on our long established tradition of boat building and repair to develop new technologies to give one of our most influential sectors the opportunity to capitalise on its research and innovation strengths and open up new, global markets.

Local Strengths and Competitive Advantage

1. Physical Assets

Wave Hub - £40m offshore facility for the testing and deployment of offshore technologies

FaB Test – fast, flexible, low cost solution for testing of wave energy technologies, components, moorings and deployment procedures.

Marine Innovation Centre

South West Moorings Test Facility

Falmouth Marine School – provides technology and innovation solutions for the marine supply chain

Falmouth Harbour – 3rd largest natural harbour in the world and one of the largest ship repair complexes in the UK – accommodating vessels up to 100,000 tonnes

Plymouth University tank test facilities

2. Knowledge Assets

Plymouth University – expertise in marine management, marine engineering and hydrodynamics

Exeter University – founder member of the Marine Renewable Energy Group, with expertise in wave prediction and energy conversion, marine operations and moorings and surface and subsea electrical systems

Peninsula Research Institute for Marine Renewable Energy (PRIMaRe) - £12m joint

venture between Exeter and Plymouth Universities to develop academic excellence and knowledge exchange

3. Enterprise Assets

- Concentration of research and innovation led companies operating in the offshore renewables field, including Mojo Maritime, Fred Olsen, RCH Marine Renewable and Seacore
- Device developers now using the Wave Hub facility to test prototypes; encouraging evidence that developers are moving from testing to deployment
- Concentration of marine technology companies in the Falmouth and Penryn area with a conservative estimate of at least 100 businesses in the supply chain, employing over 1,500 people; this is further evidenced by ‘repair and maintenance of ships and boats’ being the top sector by location quotient (2012) for C&IoS
- Globally competitive businesses in ship repair and ship building – including A&P and Pendennis (both named companies in the Strategy for Growth for UK Marine Industries’)
- Private sector led research and development projects currently underway including new ship paint/anti-fouling products and green ship technologies

5. Space / Aerospace Assets

Space and aerospace assets have been included within the Cornwall and Isles of Scilly Smart Specialisation framework as it is recognised that we have assets of national significance by the UK Space Agency.

The two key assets we have are Goonhilly Earth Station and Newquay Cornwall Airport (NCA).

Goonhilly Earth Station is seen by the UK Space Agency as a key national asset and is a fully operational satellite communications teleport. Goonhilly Earth Station Ltd and Avanti both run operations from the Goonhilly site, and there are ambitious plans to link Goonhilly to the Harwell Space Catapult Centre.

Strong academic links exist at Goonhilly, with Universities of Leeds, Oxford, Hertfordshire and Manchester all developing research and training programmes.

Newquay Cornwall Airport offers one of the longest runways in the UK and is able to support aircraft of any size. It has uncongested airspace and also a comprehensive air traffic control system. NCA is part of the Newquay Aerohub which has Enterprise Zone status.

Both Goonhilly and NCA are assets that could provide Cornwall with a competitive advantage. The airport, for example, already has linkages with Wales to develop unmanned vehicles. Although it is fully recognised that we are not at a point to fully exploit these assets today, there is an ambition to fully understand the economic potential of the assets and to invest accordingly.

The Cornwall and Isles and LEP have identified four key thematic areas for Smart Specialisation investment, along with two key assets. There are several 'enablers' which cut across all of the Smart Specialisation areas. These include digital, big data, skills and, potentially, a Smart Energy Programme. The development of the Smart Specialisation Framework has been collaboratively led by the Research, Knowledge and Innovation Board. The Board is a subgroup of the LEP and membership includes LEP Board Members, representatives from the wider private sector, Combined Universities in Cornwall and our two local authorities.

Activities for investment include:

Developing and supporting appropriate models that encourage research and innovation to develop business opportunities in the identified growth markets

Undertaking collaboration with centres of excellence to support growth within, and exploit market opportunities

Making investments to build upon current physical and knowledge assets, maximise investments made under Objective One and Convergence and address identified gaps in research, innovation and knowledge infrastructure

Supporting an increase in higher level skills to underpin economic growth linked to identified Future Economy priorities

FE Objective 2: To invest in activities with growth potential that develop Cornwall and the Isles of Scilly as a 'green and marine' region

Rationale for intervention: Over a third of the UK's economic growth in 2011/12 came from the Low Carbon Environmental Goods and Services (LCEGS) sector. The low-carbon economy represents a real engine of growth for C&IoS. This includes areas such as cleantech development and innovation and can enable C&IoS to capture value from the transition to a low-carbon economy. Additionally, unlocking the unique opportunities for energy generation and value creation presented by our deep geothermal and marine energy endowments provides significant

opportunities to generate substantial amounts of renewable energy, whilst building a leading position in these technologies.

Local energy solutions, which include the localisation of energy ownership, generation, supply and markets can also benefit C&IoS through retaining more of our energy spend within the local economy. Research has estimated that up to 69% of Cornwall's electricity spend can be localised by 2030, retaining up to £351m in the economy. This also presents opportunities to increase energy security.

Natural capital is the foundation on which our economy and prosperity is built and is often undervalued in conventional economic analyses and decision making. Global unpriced natural capital costs have been estimated at c\$7.3t pa, or 13% of global GDP. Comparatively, this represents an equivalent value of £590m to the C&IoS economy. It is important that potential risks and opportunities are understood, so that we can make the best possible choices. Whilst business can act to minimise the impacts of demand for services from natural capital (i.e. through increased efficiencies), the sustainable use of natural capital also requires the understanding and management of natural capital supply. Consequently, an evidence-led strategic cross-sector approach to the sustainable management of natural capital is required. This creates demand for the development of innovative cross-sector models of land-use policy and management, which could be piloted in C&IoS.

Transport fuel costs and price inflation acts as a constraint on economic growth. The C&IoS economy can benefit from the transition to more efficient Ultra Low Emission Vehicles (ULEVs), reducing exposure to increasing fossil fuel prices, with crude oil prices expected to rise to \$150 per barrel by 2020. There is a chance to take the brakes off the C&IoS recovery by addressing transport sustainability barriers to growth. High levels of dependency on private cars and a constrained road network, in conjunction with transport poverty, act to restrict individuals' access to employment and education. With increasing fuel prices, intervention is required to prevent disadvantaged individuals from being locked out of economic activity that could contribute to both their wellbeing and C&IoS's growth.

Activities for investment include:

Delivering low carbon economic growth

Sustainably and responsibly increasing generation and use of renewable energy

Supporting the development of technology and innovations to develop the transition to a low carbon economy

Develop the renewable energy and environmental technologies sectors and supply chain in C&IoS

Use Smart Energy infrastructure to unlock and drive growth

Encourage the adoption of low carbon transport solutions

Invest in the responsible management of our natural environment that leads to economic growth

Implement innovative approaches to maximise sustainable growth for local communities and the local economy (including agri-food)

Implement innovative approaches to facilitate and mitigate harbour developments

Support an increase in higher level skills to underpin economic growth linked to identified Future Economy priorities

Strategic Priority 2



Growth for Business

'To increase productivity and competitiveness in existing businesses and to encourage and support new enterprise in Cornwall and the Isles of Scilly'

This chapter sets out how the LEP aims to target investment that will accelerate productivity and competitiveness in the region's businesses. The strategy has been developed in close collaboration with C&IoS businesses and its primary focus is to ensure that local companies have the appropriate support to grow.

Objectives

Growth for business 1

Simplified, single point access to business support: channelling demand to appropriate solutions

Growth for business 2

Investments to increase levels of R&D and innovation across Cornwall and the Isles of Scilly's business base

Growth for business 3

Provision of capital infrastructure including high quality workspace for business growth

Growth for business 4

Increase workforce productivity through skills and career development programmes

Context and key challenges

C&IoS's business base is composed primarily of small and medium sized enterprises. There are approximately 21,105 VAT registered businesses across the LEP area. However, when incorporating all registered enterprises, including those that fall beneath the VAT registration level, there are approximately 65,000 businesses in C&IoS. These SMEs and Micro businesses are key drivers for local economic growth as they make up approximately 99.8% of the total number of enterprises across the LEP area.

Cornwall and the Isles of Scilly also have the lowest levels of productivity of any of the LEPs in the country (ONS). GDP is £16,200 per annum per capita. This figure is 64% of the EU average and 61% of the UK average. GVA is £13,848 compared to the UK average of £20,873 (2011). The local business base also has low levels of innovation. For example, in 2009 R&D spend was 0.19% of GDP compared to a national figure of 1.85%. Business closures have exceeded start-ups in each of the last three years.

Export figures from HM Revenue and Customs shows that the Southwest had the smallest total value of exports for the year ending March 2013 (£12.7bn). This is 5.7% of England's total. UKTI estimate that approximately 1,000 (5%) of the total number of registered businesses in C&IoS export goods and services.

National data sources also demonstrate that there is a strong correlation between the quality of the workforce and how well an economy performs. However, Cornwall is lagging behind its counterparts in skills attainment levels. In order to achieve national levels, 13,000 people of working

age will need to achieve qualifications at NVQ level 4. In addition, approximately 75,000 people of working age are not qualified to NVQ level 2 (the national skills benchmark level).

Peripherality and physical distance from markets is also considered a barrier to local economic growth.

A comprehensive SME Competitiveness Evidence Base that identifies key drivers of productivity in order to assess where further investment is required is included at annex 2 to this Strategy.

In order to address the issues facing C&loS's businesses the LEP aims to invest in activities that will enhance the productivity and competitiveness of existing SMEs, encourage new enterprise and support business growth through innovation, exporting opportunities and investment in to C&loS.

This activity will be complemented by the provision of capital infrastructure including high quality workspace for business growth (where the evidence demonstrates a need for investment) and research, skills development, training and apprenticeship opportunities that are closely aligned to the current labour market and C&loS's emerging growth sectors.

G4B Objective 1: Provision of simplified, single point access to business support: channelling demand to appropriate solutions

In order to implement an effective local business support infrastructure, the C&loS LEP aims to deliver related activities under a single, coordinated, strategic framework and has identified the development of a bespoke local Growth Hub as a central pillar of its business support offer.

Rational for intervention: Feedback from C&loS's businesses during the EU SIF and Strategic Economic Plan consultation shows that the current

business support landscape is confused. There are too many different schemes available, each with their own targets, marketing and promotion.

The current situation in Cornwall reflects the national business support picture. A recent consultation conducted in 2013 by the Department of Business, Innovation and Skills entitled Small Business: Great Ambition has resulted in a nationwide drive to simplify, rationalise and integrate Government initiatives and local business support programmes through a Growth Hub model across all LEP areas.

The C&loS Business Support Framework will be co-designed with local companies and support providers to ensure a business-centric approach to delivery. The local offer will build on existing partnerships through initiatives such as the Plymouth and Peninsular City Deal and will also ensure strategic collaboration with national schemes, where appropriate, including UKTI, TSB, Growth Accelerator and MAS.

Business support: the local approach

C&loS's business base is predominantly made up of micro, small and medium enterprises many of whom do not meet the strict high-growth criteria set nationally for intensive business acceleration support¹. However, a significant proportion of these businesses demonstrate the potential to become high-growth. Therefore, through EU SIF intervention, the LEP aims to focus investment on accelerating the productivity of both 'high-growth' and 'growth-potential' businesses. This activity will include support to increasing the growth of those sectors and businesses characterised by high value added products and services.

The aim of the C&loS Business Support Framework is to encourage a competitive, enterprise focused culture. However, support will not be provided where displacement of other businesses and jobs is likely to take place as a result.

¹ High growth businesses are defined by the OECD as those with at least 10 employees and who have experienced growth at an annual average of 20% over a three year period.

Supporting high-growth businesses:

A research project commissioned by NESTA in 2009 provides a comprehensive study into UK business growth over the past decade. The report concludes that high-growth firms are responsible for the majority of job creation in the UK and that focusing attention on growing businesses and promoting excellence will give rise to widespread economic growth. Consequently, interventions that target firms with high growth potential are likely to be more efficient than generic business support activities for all SMEs who may lack the ambition to grow.

According to the OECD definition (which utilises employment growth data) C&IoS had only 65 high-growth businesses in 2011. Alternatively, Oxford Innovation (a national business support provider that delivers services locally) estimates that there are approximately 400 high-growth businesses in C&IoS using turnover data.

This evidence demonstrates that C&IoS have a low proportion of high-growth firms within its business base when compared to other areas across England.

Supporting 'high-growth potential' businesses:

However, it is important to note that the state of high-growth is not constant. An analysis of the market position, innovation pipeline and ability of the management to embrace these opportunities is simply a starting point. On-going monitoring of internal and external factors is a crucial factor in harnessing and exploiting growth opportunities as they arise.

Data collated in January 2014 from business support services currently operating across C&IoS estimate that there are potentially 3293 businesses that do not meet the national criteria but are considered to have the potential to become high-growth. Almost 1138 of these are start-up enterprises and 1661 are existing businesses. (The assessment procedure used consisted of desk-based research, including companies house checks, telephone interviews and face-to-face diagnostic clinics).

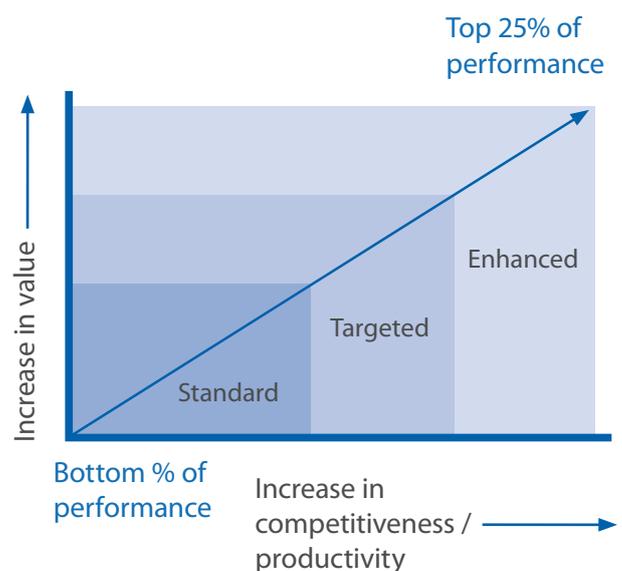
Therefore, in order to best support C&IoS's businesses to become more productive, the LEP intends to focus business support activities on both

ERDF eligible 'high-growth' and 'growth-potential' businesses. Broadening the C&IoS business support offer to include high growth potential companies will benefit a wider section of the business community whilst still focussing the most intensive support on the relatively small cohort of businesses that will deliver the highest ratio of outputs. This dual approach to business support will be offered on a sliding scale. As businesses demonstrate the willingness and the skills to grow and become more productive, they will be offered additional support.

The commissioning process for the single point access Business Support Framework will identify criteria for types and levels of intervention that will be applied throughout delivery. However, the diagram below begins to identify how businesses with the potential to contribute towards productivity will receive support to strengthen their core activities:

The Growth Hub in Cornwall and Isles of Scilly

We will allocate the majority of the funding to businesses that are high-growth or have the potential to make the greatest contribution to raising productivity in the area as set out below.



This approach will be coordinated through a local Business Support Framework to ensure a strategic and coordinated approach to business support.

This model identifies three levels of intervention: **standard**, **targeted** and **enhanced** (there will be flexibility between the levels so that those that are high growth can go straight to the enhanced support).

Standard: In order to streamline support, improve productivity levels across the business base and reach those who have not yet been able to access EU structural funds, there will be a standard offer to all businesses. At this stage there will be a diagnostic service to identify the appropriate interventions, as well as an ERDF eligibility check. This will allow for ineligible businesses to be signposted to other services. This level of support will include one-to-many services such as those offered by national government, private sector provision or any projects separately funded through the LEP. This stage is designed to support all businesses to come through the same route but move those businesses with growth potential to the more targeted and enhanced elements of the Business Support Framework.

Targeted: We anticipate that this level of support will be available to businesses that show the potential to be high-growth. This area will test the businesses ability and commitment to grow through sessions with smaller groups as well as short one-to-one support.

Enhanced: The enhanced offer will focus on those businesses that are high-growth (or can be with enhanced support). It will offer tailored support to those businesses on areas such as strategy, finance, international trading and the key changes needed in order for the business to reach its growth potential.

The development of a bespoke C&IoS Growth Hub

Activities for investment include interventions that will support businesses to:

Develop growth strategies

Implement productivity and resource improvements

Navigate the regulatory environment and access public sector procurement opportunities

Access professional advice (i.e. human resources, technical and legal)

Access appropriate finance programmes at each stage of their lifecycle

Adopt flexible working practices to address workforce health issues, disabilities in the workplace and an ageing workforce

In addition to the activities listed above the C&IoS LEP has identified the importance of **supporting businesses to expand their market reach: increasing access to local, national and international markets** as a key area of focus to be delivered under C&IoS's Business Support Framework.

Rationale for intervention: Global competitiveness and changing markets have increased the need for businesses to maximise trade opportunities in both domestic and international markets. In order to maximise growth and employment potential businesses must seize opportunities to trade and export products and services to new and emerging markets.

A recent study into the contribution of exporting to UK productivity concludes that firms that export products and services experience faster productivity than non-exporting firms² and, therefore, contribute more to national economic growth. This report also confirms

that, on average, businesses that trade online have double the turnover of businesses which do not.

Research carried out by Oxford Economics notes that approximately 68% of SMEs in the UK are now focusing on penetrating new geographic markets. This research also confirms that 40% of UK SMEs say that within three years they will generate between 21% and 40% of their revenue globally.

Export figures from HM Revenue and Customs shows that the Southwest had the smallest total value of exports for the year ending March 2013 at £12.7bn. This is 5.7% of England's total. In C&IoS UKTI estimate that only c5% of registered businesses export goods and services. There is also a lack of FDI across C&IoS. ONS data (2009) shows that 9% of employees and 2% of companies operating in Cornwall are in foreign ownership compared to a figure of 18% nationally.

Strengthening local supply-chains also has a number of benefits to a local economy: including potential for growth, future resilience, potential reduction in transport costs (and therefore emission) and driving out waste. The development of long-term, outcome based relationships across the supply chain will facilitate a culture where:

- Design and manufacture is brought closer together
- Productivity rises
- Best practice is shared across the supply chain
- Constraints are identified, removed and delivery accelerated

Therefore, the development and further integration of businesses across supply chains has been identified as a key element of the C&IoS EU SIF Strategy's business focused initiatives.

The Cornwall brand: Exploiting local branding opportunities can also open up access to new markets and allow business competitors to use mutually beneficial marketing opportunities (i.e. the use of Brand Cornwall). Businesses moving into an area can bring a large amount of high-quality jobs in a short period of time.

Supporting businesses to expand market reach

Activities for investment include:

Providing businesses with expertise and support to start and/ or increase trading in new markets: helping them to overcome barriers (legal, regulatory, cultural and financial)

Connecting local companies, clusters, networks or other multi-business partnerships to local, national and international partners

Promoting the internationalisation agenda at a local level

Supporting businesses to make the best use of the 'Cornwall Brand'

Encouraging Foreign Direct Investment into Cornwall and the Isles of Scilly

Developing local supply chains

G4B Objective 2: Investments to increase levels of R&D and innovation across Cornwall and the Isles of Scilly's business base

Rationale for intervention: The BIS Innovation and Research Strategy for Growth³ demonstrates that investment in innovation is an important driver for economic growth and productivity. This report also confirms that businesses that innovate are more productive than those that do not.

As previously defined, C&IoS's business base generally has low levels of innovation. In 2009 R&D spend was 0.19% of GDP compared to a national figure of 1.85%. This is also evidenced by low

take up of R&D tax credits and the low levels of competitiveness (Competitiveness Index, business surveys).

There is a weak innovation and R&D culture within the business base of C&IoS, the lowest of all 39 LEP areas in terms of employment in export intensive industries.

This evidence is further supported by the lack of local businesses in securing national funding schemes to support innovation. For example, between 2010 and 2013 only 20 companies from C&IoS accessed funding from the Technology Strategy Board. This represents 1% of the national total of 5464.

The position in C&IoS is even worse when considering the value of grants, with only £4 million out of £922 million being secured locally. Therefore, it is critical that local companies are supported to improve their innovation strengths so that they are able to compete for national funding streams and become more competitive. Support will include a range of activities from equipment and advice to collaboration.

Evidence also suggests that new job growth can be most successful in new company start-ups. A recent report from the Enterprise Research Centre confirms that new firms (2007-2010) accounted for 61% of all job creating companies and 36% of all job creation. Although there are issues with the overall survival rate of new companies, the need to support a culture of innovative business start-ups is a key ambition in terms of job creation.

Despite poor evidence in terms of research and innovation, strides have already been taken to address some of the fundamental weaknesses in Cornwall's innovation culture. This is demonstrated by previous European investment in facilities such as AIR, ESI and the three Innovation Centres, offering both new and existing businesses exceptional facilities and support. These investments are already delivering results in both business productivity and job growth and it is important that we continue to build on these successes and further extend the reach into the business community.

Activities for investment include:

Increasing levels of R&D and developing an innovation culture from early ideas through to commercialisation and implementation, including technical skills development

Using existing Research and Innovation Centres to drive jobs and growth

Ensuring the appropriate availability of equipment and specialist advice to meet the needs of the innovation business base and stimulate new business growth

Enabling businesses with growth potential to overcome barriers preventing them from benefiting from research and innovation and stimulating new business creation by supporting graduates (and others) to drive job creation and growth

Using social innovation to provide collaborative solutions to key challenges (i.e. energy, health and housing)

Stimulating collaborative opportunities to drive knowledge transfer, research and development and innovation to drive jobs and growth (business: business, HE: business etc.)

G4B Objective 3: Provision of infrastructure including high quality workspace for business growth

Rationale for intervention: Low commercial property values and high development costs (often as a result of contamination from Cornwall's historic mining industry) have for many years rendered commercial property development unviable in all but a few prime locations. As a result, many businesses have located in cheap but outdated accommodation, not suiting their requirements or their aspirations.

The Cornwall Local Plan Employment Land Review (2009/10) estimated that a supply of around 150ha is needed to meet demand by the end of the Plan period, reflecting a need to address longstanding stock and market challenges. Since the Employment Land Review, market capacity and delivery has remained depressed. 7.6ha of workspace was delivered in the period 2009-12. This is only a third of what the review forecast was required in this period.

Investment through the Convergence programme in workspace, land remediation and site infrastructure to create 'oven ready' development opportunities has helped to address this issue. However, the provision of market led, high quality, modern, well located workspace must remain an important objective if Cornwall is to attract, retain and grow ambitious high value businesses.

Evidence from the Convergence programme shows that the vast majority of workspace investments had an investment gap (where the market value of the development is lower than the costs of delivering the project) in excess of 50%. This is the maximum that could be provided to an SME under the state aid rules in force at the time. It is also important to note that the values and costs for each project supported through the Convergence programme were verified independently by an appropriately qualified professional.

A positive change in the macro-economic climate may improve commercial values and reduce the funding gap, although equally a rise in construction costs (which fell sharply following the recession) could easily cancel out any increase in values. However, it is reasonable to assume that closing the investment gap so that the market can function without public intervention is a medium

to long term goal and the provision of quality industrial and office accommodation, which meets the highest standards of environmental and social sustainability will continue to require public intervention during the life of the new Programme.

Activities for investment include:

The provision of demand responsive high quality well located workspace including grow-on space.

Investment in bespoke workspace for business clusters that support Cornwall and the Isles of Scilly's cultural distinctiveness or sectors where we have a competitive advantage.

G4B Objective 4: Increase workforce productivity through skills and career development programmes

Rationale for intervention: There is a strong correlation between the quality of the workforce and how well an economy performs. Therefore employment, training and skills are key areas of focus within the C&I's strategy for economic growth.

The evidence demonstrates that in Cornwall we are lagging behind our counterparts in skills attainment. The Isles of Scilly have a higher level of skills but, due to the lack of employment options, the main issue is the underutilisation of those skills. Tackling skills attainment levels is, therefore, likely to be a focus of investment.

Job Seekers Allowance (JSA) claimant rates in Cornwall are at 2.9% (DWP, June 2012) compared to 3.8% nationally. However, economic inactivity attributed to those with ill-health, disabilities and caring commitments is a significant issue within the

LEP area. For example, 28.4% of people aged 16-64 are economically inactive, which equates to 94,300 people. This is higher than the UK figure of 23.4%.

In addition, approximately £100m per year is spent in C&IoS on support and care for adults with a learning disability and unemployment rates for people with learning disabilities are over 90%. Therefore, finding new and innovative ways to address issues relating to workforce ill-health, caring commitments and those with people with disabilities (who are able to work) will add value to national initiatives designed to support people into work.

Another significant challenge for C&IoS is to establish ways of transferring skills from those working in declining industries to growing, dynamic, knowledge intensive sectors which are likely to be more productive in the future. The LEP is committed to ensuring that employers are at the heart of the design and delivery of skills development, apprenticeship and training opportunities.

This approach will be developed to enable businesses to adjust to changes in technology and markets and to prepare for the skills needs of the future. Consequently, through EU SIF, national and local interventions, industry engagement programmes will be broadened to enable business to influence the curriculum, identify education-industry links, and influence research institution activities.

Furthermore, young people in C&IoS are not attaining the skills levels or qualifications that they need to progress through the labour market. The C&IoS Employment and Skills Evidence Base (attached as appendix 2) identifies trends of long term unemployment starting in early adulthood as well as geographic variations in skills attainment levels among young people in Cornwall.

The gender attainment gap in Cornwall is also significantly greater than the national average with 72% of boys achieving level 4+ in reading, writing and maths compared to 78.4% of girls. This pattern continues into Higher Education and the Job

Seekers Allowance claims for the under 25 cohort is also heavily weighted towards males.

EU SIF investment will be used to encourage and enable young people to access relevant vocational and academic skills development routes. This intervention will increase the number of young people undertaking skills training and provide a greater breadth of advanced and higher level apprenticeships as well as aligning to future national and local initiatives to support young people into employment.

Issues facing the Isles of Scilly: There are particular challenges for the Isles of Scilly. Incomes are significantly lower than national and regional averages due to the preponderance of low paid, part time and low skilled jobs. However, there are high levels of employment on the Islands, although, this is due to the levels of self-employment and many people have multiple jobs. The majority of employers are micro SMEs and there is no 16+ education provision, restricting participation in mainstream skills and training activities, including HE, FE or Work Based Learning, by both individuals and businesses.

The additional costs for delivery on the islands can also be prohibitive. Due to the small population size there is little opportunity to reduce costs through delivery to large cohort groups. Additional costs for traditional skills and training on the islands are in the region of £100-£200 for one day courses, upwards of £1,500 for a full level 2 NVQ and between £3,000 and £6,000 for apprenticeships.

In order to ensure a sustainable economic future the LEP will work with its partners to implement new and innovative ways of tackling low academic performance, economic inactivity and the lack of young people engaging in higher-education across the LEP area. This activity will include research, skills development and training and apprenticeship opportunities that are closely aligned to the current labour market and C&IoS' emerging growth sectors.

Activities for investment include:

A comprehensive programme of high-level skills development activity

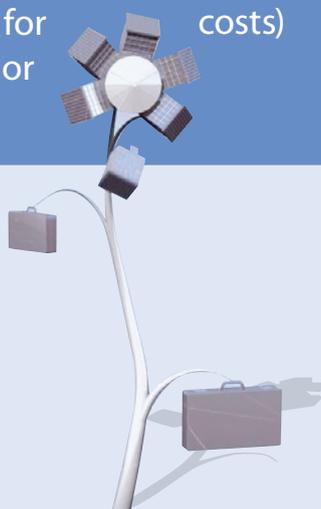
- Graduate placement schemes and internship programmes
- Specialist skills development programmes, including the delivery of PHDs and MRes in local businesses
- Development of Higher Apprenticeship delivery and take up alongside Academic High Skills

Programmes to overcome economic inactivity attributed to those with ill-health, disabilities and caring commitments

- Projects to support those with ill-health to stay in work i.e. one to one support, minor equipment needs: Business support (HE, legal technical training advice for employers)
- Projects to enable people to work effectively from home
- Self-employment programmes for those with significant ill-health or disabilities

Employer designed career and skills pathways for the future economy of Cornwall and the Isles of Scilly

- The development of a full support offer to employers, employees and those entering the labour market to support skills and career development
 - Employer consortia and industry engagement programmes to enable businesses to influence the curriculum, identify industry-education links and influence research institution activities
 - Apprenticeships as part of delivery at both high-level (see above) and at a lower level to support small businesses.
 - An enhanced National Career Service offer for all working age population
 - Specific learner support for the Isles of Scilly (particularly for expenses i.e. living and travel costs)



Strategic Priority 3



Conditions for Growth

‘Investment in infrastructure, digital connectivity, employment, skills and community resilience: setting the foundation for economic growth’

This chapter sets out how the LEP aims to invest in both people and infrastructure to create the economic conditions for growth. In order to realise this ambition, the LEP have identified the following objectives:

Objectives

Conditions for growth 1

To invest in digital infrastructure and digital skills for growth

Conditions for growth 2

To implement support programmes to optimise carbon management and to improve resource and energy efficiency

Conditions for growth 3

To remove physical barriers to business growth and improve the economic viability of areas through infrastructure investments

Conditions for growth 4

To develop communities that are economically and socially resilient, sustainable and inclusive through a Future Cornwall and Isles of Scilly Programme

Conditions for growth 5

To improve progression into the labour market

Context and key challenges:

The Conditions for Growth Intervention Logic (appendix 6) highlights our challenges and sets out how the C&IoS LEP will invest in creating the right conditions for ensuring economic growth and supporting the wider Strategy.

Low earnings are a key issue and in 2012 median gross annual earnings for all employees in C&IoS

equalled £17,389, 81% of the UK average (£21,473). This is both a reflection of the micro SME dominated economy and the low skills levels of our workforce. The average household in C&IoS has higher costs compared to the national average, including for water and sewerage, energy, fuel, transport and housing. When combined with the low average earnings this leads to issues of debt and financial instability, with high levels of deprivation in some areas.

There are particular issues facing the Isles of Scilly. The geographic isolation of the islands directly affects the economic, social and environmental needs of communities and businesses. Whilst the islands enjoy high levels of employment (with high levels of self employment), individuals frequently have multiple jobs. Incomes are significantly lower than the national and regional averages due to the preponderance of low paid, part time and low skilled jobs.

Whilst improving skills attainment is a key condition for growth, investment in physical infrastructure will tackle the issues of peripherality and low productivity and underpin the delivery of the programme. C&IoS has for a long time been at the forefront of the transition to a low carbon economy. We will invest in energy infrastructure to unlock the high growth potential of the low-carbon economy, support resource and energy efficiency and promote better carbon management.

Transport connectivity is a key driver for a successful C&IoS and provides the basis for facilitating private sector investment, job creation and GVA. It enables the dispersal of development in areas with growth potential; for example in agri food, renewable energy, ICT and media. Therefore, transport connectivity can allow the dispersal of skilled jobs in a rural region.

Both the evolution of internal movements and of supply chain, require a reliable mix of transport infrastructure. This is also a prerequisite for labour mobility in a region without major agglomeration.

For example, most food and drink and agricultural businesses operate in the rural and coastal periphery of C&IoS. Food and drink alone employs 6,700 with 21,000 employed across the wider supply chain.

Product value and labour productivity can only be achieved by addressing the bottlenecks and gaps in our transport infrastructure to maximise the capacity of the network and ensure value in previous

investment. Road, rail and air need to complement one another and the markets that use them.

Where single carriageway roads are closed because of accidents or flooding, or subject to maintenance, there are often no viable alternative routes. This is particularly true of the single carriageway section of Temple to Higher Carblake: one of the last sections of the A30 not to be dual carriageway. The business survey supporting the case for this improvement demonstrated that it would increase C&IoS GVA by 1.5%: a significant improvement on the GVA of the whole economy.

Transport infrastructure is an important employer in its own right: Newquay Cornwall Airport directly supports over 500 jobs and is important in unlocking both connectivity potential and development land through the Enterprise Zone facilitating greater job and economic growth potential.

Between 2000 and 2013, there has been a 7.9% (per annum) average growth in rail patronage in Cornwall, with over 5 million rail journeys each year. The network currently provides 9 services per day to London, with 16 mainline services in Cornwall per day. Around 70% of all long distance journeys are made for economically productive purposes with 69% of business travellers doing some valuable work on journeys. Consequently, investment in the rail network remains a priority to support economic growth. The rail network currently suffers from capacity and line speed limitations due to signalling and gauge restrictions, which impact on both passenger services and freight movements. Furthermore, integration with the rest of the public transport network is limited.

Delay can impact on both productivity and perception. For business, this means a reduction in the cost of congestion and delay.

The UK National Infrastructure Plan highlights some of these issues as themes:

- The need to increase output per hour (to drive up wages and salaries)
- Reducing delay and increasing effective working hours

- Increasing aggregate demand during the construction phase of projects and offsetting against other costs of development
- Unlocking additional investment and attracting national and international investment.

The importance of investment in sustainable transport can be demonstrated by the example of previous structural funding for the Truro/Falmouth branch line taking the pressure off the A39 and ensuring business connectivity between the regional centre of Truro and the University at Falmouth.

In order to create the conditions necessary to unlock the future economic potential of C&IoS, the activity we will invest in under this strategic priority is required to ensure that our human and physical resources are fit for purpose and prepared to exploit future opportunities.

C4G Objective 1: To invest in digital infrastructure and digital skills for growth

Rationale for intervention: Cornwall will have one of the best broadband networks in any rural area in the world, with up to 95% of premises able to access broadband. In order to maximise the benefits of the Superfast Broadband provision, an integrated investment programme will be developed, aligned to the Digital Agenda for Europe 2020, to ensure that C&IoS builds a world class infrastructure to extract the maximum socio-economic benefits from the investments made.

Despite Superfast Cornwall's considerable success, 20% of adults in Cornwall have still never been online and many businesses have been slow to recognise the competitive advantage that use of Superfast could bring. Further exploitation of new and emerging technologies will be employed to address both of these issues, with ICT enabled society benefits including reduced energy consumption, additional support for aging citizens, new and alternative employment models and revolutionary approaches to the delivery of health and care services.

Activities for investment include:

Demand stimulation programme to drive exploitation of digital technology

Advice and support to ensure that businesses make effective use of previous investment in digital

Investment in digital infrastructure to support delivery of strategic aims and to develop and maintain competitive advantage

Development and delivery of a skills programme relevant to the exploitation of digital technology

Supporting digital inclusion by progressing community and individual access to technology helping excluded people to understand and benefit from the internet

C4G Objective 2: To implement support programmes to optimise carbon management and to improve resource and energy efficiency



Rationale for intervention: There are excellent opportunities to invest in promoting resource efficiency to drive growth and deliver productivity gains for the C&I economy. There is strong empirical evidence that resource efficiency makes business and environmental sense.

Creating sustainable production and consumption will secure future prosperity through:

- Improving the sustainability of products and services;
- Improving the sustainability performance of organisations;
- Deploying sustainable and responsible public procurement.

With the demand for energy and material resources expected to rise to 170% of the planet's generation capacity by 2040, economic competitiveness will be improved through resource efficiency gains, building an eco-effective economy.

Developments in energy storage will enable the emergence of decentralised energy systems and, when linked to demand response and demand reduction solutions, this will unlock productivity and resilience gains.

Natural capital underpins all other types of capital (man-made/manufactured, human, social and financial), providing the foundation on which our economy, society and prosperity is built and this is often undervalued in conventional economic analyses and decision making.

A proactive approach to natural capital management will ensure the wealth of natural assets are better harnessed to support growth, rather than acting as a constraint to our economic development ambitions. Additionally, investment in green infrastructure has been shown to demonstrate very strong leverage ratios.

Activities for investment include:

- Improving resources and energy efficiency
- Piloting new models of energy storage
- Mitigating environmental impact of future infrastructure development
- Development of green infrastructure
- Developing 'natural environment hubs' as focal points for emerging environmental business clusters
- Strengthening the economic & environmental resilience of coastal and rural communities
- Developing carbon management and resource efficiency skills

C4G Objective 3: Removing barriers to business growth and improving the economic viability of areas including through infrastructure investments

Rationale for intervention: The peripheral location of C&IoS places added importance on the connectivity of the area to the rest of the UK and beyond.

Whilst the digital connectivity has much improved, there are continuing issues surrounding the resilience of our physical (rail, air and road) networks which are vulnerable to significant events (man made and/or weather). With a limited trunk road network in and out of Cornwall, there are frequent and significant economic impacts from seasonal variations of high traffic flows and journey time reliability. Road closures and congestion have significant economic impact: there are often no appropriate diversions for high volumes of traffic (including for HGVs), directly impacting upon potential employment growth.

Consequently, addressing key bottlenecks will enhance economic opportunity.

The Isles of Scilly face particular difficulties, with the flow of goods and services to the tip of Cornwall vital to support its sustainability. Issues also relate to inter island connectivity and transport costs significantly impact on business viability.

Supporting connectivity in to, out of and within C&IoS is fundamental to the area's future economic wellbeing.

Climate is fundamental to almost all aspects of our lives; it directly affects our economy, ecosystems, food, water, health, homes, infrastructure, trade and leisure. Climate change could have a serious negative impact on C&IoS's growth potential, with the Stern Review estimating the long-term economic cost of climate change to be equivalent to losing between 5-20% of global GDP. Our economy is already vulnerable to extreme weather events and will become increasingly so in the future, as organisations and individuals will be forced to absorb the growing costs of climate change. The ability to respond to these risks and ensure the economic viability of areas is maintained and preserved is a key part of this objective.

Activities for investment include:

- Removing physical infrastructure obstacles to business growth
- Investments to improve the economic viability of areas to enable growth and mitigate against the effects of our changing climate

C4G Objective 4: To develop communities that are economically and socially resilient, sustainable and inclusive through a Future Cornwall and Isles of Scilly Programme

Rationale for intervention: Employment, education and skills are major factors in social inclusion and combating poverty. Our 'Inclusion Partnership' is revising the strategic approach to inclusion in C&IoS and is leading the work to tackle the key issues of our low wage, high living cost economy. Using our economy as the driver, we believe people in C&IoS can look forward to a more inclusive society, with an innovative approach to problem solving providing individuals and families with a better balance between income and cost. There are also particular issues of isolation for the Isles of Scilly which directly affect the economic, social and environmental needs of the islands' communities.

The increasing role of the Civil Society in C&IoS has been highlighted by recent research, demonstrating the importance of the sector to the economy (around £580m), offering new delivery methodologies in the health, social care, welfare and education sectors and reaching many people from local disadvantaged and minority groups. The announcement of the first rural Social Enterprise Zone in Cornwall in 2013 shows the commitment to using different partnership based business models to provide new service delivery methodologies for the development of new markets and to address issues of market failure.

Despite common perceptions, there are high levels of poverty, including within households in employment. Work by Experian identified that 26% (59,000) of households in Cornwall are 'at risk of poverty'. This places Cornwall in the worst 5% areas in the UK.

Cornwall has a severe debt problem and it is getting worse relative to the rest of the country. Around 40% of all CAB advice requests relate to debt: last year 29,000 people sought CAB support on this issue and personal insolvency rates in Cornwall continue to be higher than the South West and national averages.

Recent work has identified that parental employment is the single biggest determinant of family income and children in out of work families are at a high risk of poverty. Work with families will tackle the anticipated effects of welfare reform: studies have identified that large families (with 3

children or more) will be among the most adversely affected by the multiple welfare changes. Child poverty levels remain static, with approximately 18% of all children and young people aged 0 to 19 in Cornwall considered to be in poverty, and the EU investment will meet the challenge this poses to our society and economy.

Activities for investment include:

Spaces and skills for social innovation; building community capacity to solve their own problems

Developing the VCSE sectors to meet community challenges

Tackling in-work poverty and reduce average household indebtedness

Tackling low aspiration and inactivity through families

C4G Objective 5: To improve progression into the labour market

Rationale for intervention: We have high levels of economic inactivity. On average over the past three years, approximately a quarter of those aged 16-64 were economically inactive (this excludes those who are unemployed and seeking work) and this figure has remained relatively consistent for some time. There are an estimated 32,100 workless households in Cornwall, 19% of total households. Of these, the majority (27,300) relate to adults who were inactive rather than unemployed which shows our real issue is with inactivity rather than substantial unemployment.

The majority of this inactivity is health and disability related, identifying the need for specific, targeted interventions. In addition, specific support to find new work and employment opportunities for these individuals is required. Often the most difficult to place with employers, there are increasing opportunities (often through digital

technologies) to engage and encourage alternative work methods.

Current unemployment rates are on a par with the national average, but there is a small entrenched long term unemployed 'group' which has remained at over 20% of JSA claimants for the last year.

The unemployed are far less skilled (43% are below NVQ2, double the rate for the employed).

Adults with disabilities (of any kind) have a much higher unemployment rate (for example: adults with LLDD (Learners with Learning Difficulties and/or Disabilities) have an unemployment rate of over 90%)

There is a clear seasonal link to the unemployment figures. In the 6 months plus category, there is a very clear pattern of people falling in and out of employment, reflecting seasonal variations. The need is therefore to develop more sustainable, rather than seasonal jobs. Re-training and re-skilling programmes will enable those with occupational experience in 'harder to place' occupations to move into the growing markets.

Although similar to the national average (4.9%), youth unemployment is still a concern, with a larger percentage long term unemployed compared with the overall claimant rate. There is also clear evidence of the seasonal nature of youth employment, with young men more likely to be unemployed than young women. There is a support gap at the age of 19+ when those who have been NEET can become invisible through the existing support mechanisms.

As our evidence identifies, we have further work to do to identify specific groups to target as the mix of issues are complex. Very specific interventions in specific geographies will be required to reach those who have, as yet, not benefitted from support. This will require a local focus and new approaches, including a recognition that 'engagement' activity is long term and costly.

There are synergies between this objective and **increasing workforce productivity through skills and career development** as identified in the Growth for Business activities.

Activities for investment include:

Enabling individuals to design, start and develop their careers

Building on and developing new solutions to tackling long term unemployment through individual approaches for those with particular needs

Using social innovation to develop alternative employment opportunities in targeted geographical areas

Tackling individual barriers for young people within the labour market

Additionality

The Strategy recognises the need to comply with European Union additionality principles, as laid out in Article 86 of the common provisions regulation (COM(2013) 246 final). Although we understand that it is for the Member State to demonstrate compliance with the regulation, this Strategy details the added value from EU funded investments. The selection of investment activities also takes account of links with other EU, national and regional priorities and this is summarised in the table overpage. Activities and investments that the LEP intends to implement will complement national programmes and will not duplicate provision.

The C&loS ESIF Strategy sits alongside and is closely integrated with the C&loS Strategic Economic Plan. The C&loS SEP is an overarching plan combining several tools to enable effective delivery. The key financial opportunity from 2014 to 2020 is of course the EUSIF. EUSIF are not, on their own, a sufficient condition for our successful transformation. The SEP outlines additional and complementary changes and tools that are required to deliver C&loS economic goals, and to optimise our contribution to UK growth and development.

The three Strategic Priorities in the C&loS ESIF are replicated in the SEP seamlessly linking these two documents in their priorities and ambitions.

Policy area	SIF strategy contribution
C&IoS Strategic Economic Plan	The C&IoS SEP is an overarching plan to guide economic development in C&IoS for which the ESIF is a key delivery mechanism.
EU 2020 Smart	Investment in widening participation and knowledge transfer, driving innovation through capitalising on world class R&D and innovation and growing productivity through enterprise to boost productivity and skills levels
EU 2020 Sustainable	Focus on development of growth, using unique natural characteristics and activities that encourage energy efficiency and low carbon growth
EU 2020 Inclusive	Investment to ensure that those in deprived areas and in poverty are engaged in finding solutions to local barriers to growth and better paid jobs
Common Agricultural Policy	The use of EAFRD (via the EU SIF, LEADER and future rural development programmes) will be key to the delivery of aims across the SIF investment activities, and these align with the six broad priorities of the Rural Development Regulation and support the delivery of Defra's four priorities, as identified in the national EAFRD programme
Industrial Strategy (IS)	The SIF Strategy identifies key sectors that might be selected for the Smart Specialisation approach. Engaging with the IS in a Less Developed Region is challenging: however, the LEP embraces the approach of working with the sectors set out in the IS, through the proposed set of interventions in the SIF Strategy
Smart Specialisation	Key sectors have been identified and are the focus of indicative activities in the SIF Strategy
Witty Review of Universities and Growth	Identifies key local research strengths in areas such as agri-tech and marine sciences, being deployed through Smart Specialisation and investment in supply chain development
UK Strategy for Agricultural Technologies	Our focus on agri-tech will support the UK vision to become a world leader in agricultural technology, innovation and sustainability, exploiting opportunities to develop and adopt new and existing technologies, products and services to increase productivity and contribute to global food security and international development
Connecting Cornwall 2030: Local Transport Plan	Promoting sustainable transport and removing bottlenecks in key network infrastructure, strengthening the response to gaps in the strategic transport network and lack of access to public transport
Cornwall Local Plan	Ensuring housing growth is predicated on economic growth and jobs, through creating the conditions for growth along with investment in business and the future economy
Health and Wellbeing Strategy	A focus on e-health and wellbeing as part of the Smart Specialisation approach, along with specific investment activity to develop communities that are economically and socially resilient, sustainable and inclusive
Cornwall Council Economy & Culture Strategy	Creating the conditions for growth, the future economy and growth for business

4 Distribution of funds

EU thematic concentration

In order to deliver our Strategy we propose a distribution of funds between ERDF and ESF and across the Thematic Objectives (TOs) which meet (or exceed) spending requirements, as set out in the table below. Allocations across thematic objectives and strategic priorities have been made on the basis of regulatory requirements and strategic intent

moderated with bottom up intelligence on project development, deliverability and match funding availability based on lessons learnt from the 2007-2013 programme and emerging evaluations.

ERDF (75% of allocation)	€442.8m	£379.1m
ESF (25% of allocation)	€147.6m	£126.4m
Total allocation	€590.4m	£505.5m

EU thematic objective	EU Regulatory Allocation	CloS Allocation
(TO1) Strengthening research, technological development and innovation	≥£191m ERDF (50% of £381m)	£295m of ERDF (78% of £379.1m) (+£7.4m of EAFRD)
(TO2) Enhancing access to, and use and quality of, information and communication technologies		
(TO3) Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)		
(TO4) Supporting the shift towards a low-carbon economy in all sectors	≥£46m ERDF (12% of £381m)	£47.5m of ERDF (13% of £379.1m) (+£500k of EAFRD)
(TO5) Promoting climate change adaptation, risk prevention and management	N/A	£10m
(TO6) Protecting the environment and promoting resource efficiency	N/A	£11m
(TO7) Promoting sustainable transport and removing bottlenecks in key network infrastructures	N/A	£40m
(TO8) Promoting employment and supporting labour mobility	N/A	£38m
(TO9) Promoting social inclusion and combating poverty	≥£25m ESF	£50.3m of ESF (40% of £126.4m) (+£23m ERDF)
(TO10) Investing in education, skills and lifelong learning	N/A	£38m of ESF (+£1m of EAFRD)

The Strategy proposes the use of funds across all of the 10 Thematic Objectives available.

Our Strategy and evidence base clearly identifies the requirement to invest in Thematic Objectives which may not be a high priority nationally. The use of these TOs supports the delivery of our Strategy and reflects our classification as the only Less Developed Region in England. The rationale is summarised below. Further economic cases for each of these Thematic Objectives are set out in Appendix 8:

Thematic Objective	LEP SIF investment activities	Rationale and alternative considered
<p>5</p> <p>Promoting Climate Change Adaptation, Risk Prevention and Management</p>	<p>Invest in the responsible management of our environment that leads to economic growth</p>	<p>The key result desired is more economically sustainable communities in C&IoS. A mix of all four EU funds is required. It would be possible to use TO3 and TO6 for business level interventions; however the TO5 activity aimed at maximising sustainable growth for local communities and the economy and ensuring the economic viability of areas. strongly aligns with LEP</p>
<p>6</p> <p>Protecting the Environment and Promoting Resource Efficiency</p>	<p>Invest in the responsible management of our environment that leads to economic growth</p>	<p>The LEP guiding principle and the economic opportunities offered demand investment in this area. TO3 and TO4 allow for investment at company level in related activities, but the specific TO6 indicators “number of companies supported with business resource efficiency” and “improving the economic viability of areas through Green Infrastructure” are more directly related to the desired outcomes and behavioural changes sought</p>
<p>7</p> <p>Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures</p>	<p>Removing physical barriers to business growth investment in activities with growth potential that develop C&IoS as a ‘green and marine’ region</p>	<p>The evidence base and SWOT show that gaps remain in transport infrastructure and have a direct impact on productivity. There is also a need to encourage more sustainable transport use within the LEP area. It is possible to use TO3 to a limited extent where direct impact on business competitiveness can be shown, but the indicators are very specific in this regard. As a Less Developed Region, use of the TO7 infrastructure indicators allows for a more flexible set of interventions to address local growth issues</p>

European Agricultural Fund for Rural Development (EAFRD) activities

The EAFRD allocation to the C&loS LEP has now been confirmed at £9,396,623. We will use EAFRD to deliver investments in the agri-food sector, support wider rural development activity which adds value to ERDF and ESF provision. As set out in our intervention logic, this will lever in over £8m of private sector investment, creating over 200 jobs and providing training for over 3,000 people.

Given the modest scale of EAFRD available to the LEP and the importance of the agri-food sector to C&loS, we will focus the majority of EAFRD on driving productivity improvements in agri-food, whilst increasing supply chain integration. We will do this by investing in agri-tech infrastructure, developing a renewables programme, business support, mentoring, grants and loans to create business growth as well as supporting skills development and assisting businesses to increase exports.

The agri-food sector is important to the economy of C&loS, as set out in our evidence base. 11.3% of Cornwall's employment is in core agri-food activities, with a further 12.6% in supermarkets, bars and restaurants and 5% in accommodation,

giving a figure of 29.1% (compared to 15% in GB) in all food and drink related sectors.

Animal production and horticulture are key sectors. We have 19% of all the cattle in the South West and dairy production is by far our biggest output. Horticultural production is increasing and, despite only 29.6km² of Cornwall's horticultural land area being farmed for fruit and vegetables, this contributes 29.5% of the South West's fruit and vegetable production — more than any other region. In addition, we have 16% and 11% of the sheep and pigs in the South West, respectively. Arable is also very important to Cornwall, at 13% of the farmed area.

Food processing has grown significantly over the past 10 years with significant local, regional, national and international businesses involved. Products range from our more traditional products (clotted cream and the Cornish pasty) to new, novel and niche products (sparkling wine, cider, beer, preserves, cheese, gin, bakery products, biscuits, charcuterie, etc), with many of these businesses using local ingredients in their production processes. Scale ranges from the very large scale e.g. (Dairy Crest, Ginsters, Tulip Foods, Sharps, etc) to small and medium businesses (Lynher Dairies, WC Rowe, Proper Cornish, Camel Valley Vineyard, Cornish Orchards, etc).

In addition to underpinning the employment base of C&loS, the agri-food sector also represents over 6.5% of GVA (the equivalent UK figure is 3%). However, despite considerable growth in the sector, average productivity levels remain low compared to national averages and addressing this issue must be a key element of activity in the 2014 to 2020 period.

Much of the current delivery in this area is "issue" based, rather than taking a holistic approach to businesses, resulting in a lack of joined up investment and this approach does not maximise productivity gains or minimise delivery costs. It is envisaged that the focus on agri-food will drive improvements in productivity beyond levels that can be achieved by DEFRA's national farm productivity offer. Due to the scale of the agri-food sector in C&loS, any additional improvement



at sector level will deliver significant productivity benefits to this bedrock sector and improve its growth trajectory.

In the 2014 to 2020 period, DEFRA plan to deliver a national farm productivity/competitiveness programme that will aim to address many issues affecting productivity at business/farm level and any activity we undertake at the C&IoS level will not duplicate or replace this activity. However, it may be possible to deploy some of our EAFRD allocation into activity that adds value to the national offer by working with businesses to maximise access to national schemes (i.e. by encouraging more, higher quality applications that address the needs of the businesses as a whole, filling any existing gaps and testing innovative delivery options such as loans).

In addition, we will also support activity that will add value to DEFRA's national offer as a key plank of our approach as this will help us to implement a more integrated approach to the delivery of activity in the agri-food sector. We will combine the adoption of best practice, diversification and increased added value with the need for new science, research, innovation and knowledge transfer.

Delivering an integrated supply chain approach in the agri-food sector will not be possible unless EU SIF funded activity and any National Rural Development Programme activity is developed and delivered in parallel and this approach is at the core of our preferred delivery model.

Information on LEADER delivery under EAFRD is emerging and early indications are that farm productivity, support for micro and small enterprises, farm diversification, rural tourism, rural services, culture and heritage and forestry will all be in scope. We will ensure that overlap with other EAFRD, ESF and ERDF activity is avoided, but as the EAFRD allocation to CLLD/LEADER groups will come from the national EAFRD pot rather than the EAFRD allocation, it can be excluded from our calculations at this stage.

The wider ESI programme (ESF and ERDF) will cater for many of the needs of businesses in C&IoS, whether they are located in a rural or an urban setting. However, eligibility issues relating to

Annex 1 (farmers, first stage processors) and non-Annex 1 (second stage processors) businesses will create gaps in provision, so dovetailing EAFRD funds into delivery activity will help to reduce these gaps. For example, many ERDF funded projects can currently assist second stage food processors (e.g. bakeries or breweries) but they cannot support farmers or first stage processors (e.g. pedigree beef breeders or cheese processors) due to eligibility issues. Adding an EAFRD strand to these projects would therefore provide a more holistic investment framework and reduce delivery costs.

We intend to make use of the full range of Rural Development Regulations measures available and access EAFRD from the range of Thematic Objectives from both the EU SIF and any future Rural Development Programme. This will enable us to achieve joined up delivery at the local level.

We propose to work with DEFRA to pilot this approach in C&IoS, to assess its potential to deliver greater benefit than isolated issues-based interventions. We are convinced that our approach will be more cost effective than the alternative and will maximise the benefits derived from the funding available.

Further detail on the EAFRD element of the ESIF Strategy is attached as appendix 9.

European Maritime and Fisheries Fund activities (EMFF)

In 2009 it was estimated that fishing contributed £10 million to GVA, but including related sectors the figure is estimated to be closer to £20 million.

Whilst the fisheries industry makes a relatively small direct contribution to GVA, it contributes to other industries. For example, the catching sector supports boatbuilding and repair, marine equipment suppliers and port and harbour facilities. In some areas, the contribution made by commercial fishing supports other commercial and recreational activities (including tourism), often with wider beneficial social impacts, especially in more remote areas, where a significant contribution is often made to maintaining local services.

Distribution of funds

We anticipate that c.£1.5m of EMFF will form part of our approach to CLLD and will fund projects that will contribute to one or more of the following key themes:

- Developing sustainable supply chains
- Market development
- Providing infrastructure and communal facilities for fishing communities and cooperatives
- Capacity building, cooperative development and networking
- Training, retention and recruitment including diversification
- Coastal communities, tourism and economic development
- Advocacy and engagement for fishermen
- Regional sustainable management engagement

Projects will need to have an on-the-ground support mechanism available to them to aid development and help them through the application process.

In 2003, it was estimated that for every £1 of output in the sector, another £2 was generated through downstream activities, such as processing, trading and ultimately retail. Therefore, we propose, to allocate £3.5m to commissioning infrastructure in this area of the sector in order to achieve maximum impact and value for money.



Photo by Nick Gregory

5 Match funding and opt-in model

Match funding sources

In recognition of the importance of ESI funds for delivering local growth, Cornwall Council has earmarked a substantial proportion of the necessary match funding for the 2014–2020 funding period from its capital programme and revenue budget.

The C&IoS LEP would like to adopt an 80% intervention rate across the programme in line with EU regulations for ERDF and ESF for the Less Developed Region. Match funding equates to £126.4m on the allocation of £505.5m. We wish to manage the intervention rate on investments at a programme level, allowing us to take a flexible approach, selecting intervention rates on an investment by investment basis allowing for 100% EU funded investments where necessary.

At this stage, the ERDF and ESF match funding requirements could be as shown below. Neither programme has identified a full match funded allocation at this time as negotiations with Opt In providers and other organisations are ongoing. This would be part of a continued dialogue with the Managing Authorities.

Our EAFRD allocation as part of the Growth Programme and from the mainstream EAFRD programme will be matched at an intervention rate of 85%.

We anticipate establishing a LEP Commissioning Team, to work closely with Managing Authorities to manage the strategic commissioning of both the EU SIF and the Growth Deal. This will ensure

a joined up approach to the provision of match funding and create a more efficient approach to delivery. The proposed ITI will provide a framework for this approach.

An offer of additional match funding in addition to the £50.5m of CloS match identified below has also been made. This is subject to additional delivery responsibilities, the structure of the Operational Programme and commitment from government on future match funding. The additional resource will serve to increase outputs of the programme by 10% and decrease the intervention rate by 10% creating a larger programme of investment.

This additional match funding has been identified in response to the offer from HMG to develop Growth Deals for local areas, with decision making over investments taken locally and with local involvement in commissioning and delivery. We are working with other public sector partners to identify synergies with their programmes and therefore, possible sources of match funding, including from partners in the health sector.

Opt-in options

At this stage we have not formally signed up to any of the opt-in models. Negotiations are well developed to ascertain which of these best meet the needs of the area's Growth Strategy. ESF opt-in discussions are advanced with MoU's in negotiation. We need to better understand baselines for existing provision as well as additionality and the outcomes and outputs envisaged in relation to the ERDF opt-ins. Details of the opt-in negotiations are summarised over the page;

ERDF and ESF	ERDF and ESF	Private sector match	CloS match	National match	TOTAL (ERDF, ESF and match funding)
Approx percentage of programme	80%	4%	7%	9%	100%
Amount in £	£505.5m	£24.9m	£46.7m	£54.7m	£631.87m

Match funding and opt-in model

Opt-In Provider	Status	Cost			Outputs
		EU Funding	Opt-In Provider Match	Private Sector Match	
Growth Accelerator (ERDF) (based on a six year project)	Continuing negotiations	£922,500	£922,500	£124,000 leveraged	31 new enterprises directly supported; 176 jobs created; £5.9m GVA, In addition a further 151 businesses will be supported beyond the core offer which will contribute to the delivery of a further 348 jobs created and £14.8 GVA
Manufacturing Advice Service (ERDF)(based on a seven year project)	Continuing negotiations	£740,000	£740,000	£500,000	152 enterprises supported; 76 new jobs; 15 new to market products; 30 new to firm products; £2.66m GVA
UKTI (ERDF) (based on a three year project)	Continuing negotiations	£3.9m ERDF and £500k EAFRD	£624,000	£676,000	408 (of which 83 will be within the agricultural sector); 419 gross jobs created;£17m GVA
Big Lottery (ESF)	Continuing negotiations	£36.4m for full programme	£9.1m	None – possible in kind match from VCSE	No. of participants: 16,349 No. of unemployed participants: 1,179 No. of inactive participants: 7,892 No. of employed: 7,278 No. aged 15 – 24: 5,455
DWP (ESF)	Continuing negotiations on the MoU	£26.25m for full programme	£5.25m Based on 80% intervention rate	Possible from employers	No. of participants: 9,953 No. of unemployed participants: 796 No. of inactive participants: 5,324 No. of employed: 3,833 No. aged 15 – 24: 2,588
Skills Funding Agency (ESF)	Continuing negotiations on the MoU	£50 million for full programme	£10m Based on 80% intervention rate	Possible from employers	No. of participants: 21,423 No. of unemployed participants: 897 No. of inactive participants: 7,137 No. of employed: 13,389 No. aged 15 – 24: 5,570

We would anticipate seeing a more bespoke and tailored approach to programme and investment design in the Less Developed Region from these opt in models including locally based teams. We plan to have a wider conversation with government departments to develop other opt-in type projects which better fit our strategic priorities. These may include partnerships with Higher Education Institutions, DECC, Defra, Arts Council England and Creative England , private match for ESF and other potential sources.

6 Outputs and results

We have developed a set of outputs and results which we believe are realistic and achievable and our targets are based on experience of previous programmes and a number of key principles.

The urban and regional dimension of Europe 2020 - Seventh progress report on economic, social and territorial cohesion recognises that;

'not all regions can or should reach all their national or the EU targets. For some regions, the distance to the target is simply too great. Furthermore, for some issues it is not realistic or desirable that all regions reach the same target. For example, R&D is highly concentrated in part due to benefits of clustering research. The concentration of poverty and exclusion, however, has a lot of negative effects.'

This has been an important consideration in the development of output targets. A number of conditions in the Less Developed Region mean that C&IoS's outputs will be different from others in England. Performance is therefore likely to distort/detract from overall England wide performance.

C&IoS's SIF allocation is disproportionate in relation to its population and to its share of England's SME base. It is also recognised that it is important to understand absorption capacity for large amounts of EU funding. Our Strategy proposes investing heavily in those businesses with the capacity to grow to ensure maximum impact in terms of results, although the outputs will be lower than in the rest of the UK.

The cost of delivery (unit cost per output) will be higher in a LDR: low economic base, lack of significant clusters to enable cost saving efficiencies, rurality (and islands) delivery costs. An example being that all area wide investments will contract delivery on the Isles of Scilly. This will increase costs and therefore the unit cost of outputs. Detailed work undertaken by the Homes and Communities Agency demonstrates cost increases for capital investments for the Isles of Scilly.

Our proposed approach is to secure separate programming arrangements for C&IoS as the only Less Developed Region within the Growth Programme, incorporating proportionate targets for the region. This would not prevent aggregation of targets (and performance) at the national level should it be needed, but would allow for easy presentation of the separate, disproportionate performance in the Less Developed Region and its effect on national performance.

In setting the final targets for the C&IoS contribution to the 2014-2020 programme, we have undertaken economic analysis from the experience of previous programmes to set challenging but realistic targets for our investments.

The approach taken:

Strategic Approach

- A high level strategic assessment and review of our businesses and people base to determine our base line conditions (and therefore absorption capacity)
- Collation of stakeholder knowledge of delivering specific outputs in the Convergence Programme
- A high level review of the range of investment activities proposed, leading to a considered and informed assessment of which investment activities will deliver against the HM Government determined outputs (quantity and type)
- Utilisation of DCLG 2007-13 Lessons Learnt workshop and direct input from local ERDF Case Officers

This high level approach established realistic and deliverable output targets.

It is the intention of the LEP to ensure that all projects give careful and considered thought to their output targets to maximise the impact of the overall programme. Through the commissioning process, beneficiaries will be challenged to provide stretching but realistic targets.

Detailed Approach

The implementation of a more specific methodology to work from the bottom up to provide detailed modelling of our activity in order to modify, where appropriate, our high level approach:

- Development of intervention logics (rationale, aims and objectives, activities, inputs, outputs, results)
- Utilising baseline data and Convergence performance information to determine realistic and deliverable output targets for each type of activity.
- Application of locally relevant unit costs to determine output target figures to assess value for money. A review of local project unit costs, DCLG Convergence data and HMG unit costs guidance (ERDF, ESF & EAFRD) were used to determine C&IoS unit cost values and agreed with partners where possible. A blanket value for money assessment applying national average delivery costs is not appropriate in C&IoS.
- ESF and EAFRD outputs have been calculated on a locally derived unit cost basis- with additional assessment against absorptive capacity/ deliverability based upon the C&IoS Convergence Programme and against our baseline data

Not all Investment Area activities demonstrate short term value for money or provide immediate output returns. The investment portfolio in its entirety is intended to balance high risk, slow return projects with those that deliver value for money and outputs within the lifetime of the Programme.

Output targets

Unit Costs

Outputs figures are based on definitions provided in the Regeneris report (ERDF) and are taken from the existing Convergence Programme for EAFRD and ESF. They are subject to amendment if further clarification of precise and accepted definitions is forthcoming.

EU SIF Output Targets

Fund	Output	Output Target
ERDF	No. enterprises supported	4,000
	No. new enterprises supported	700
	No. jobs created	4,500
	No. ents co-operating with research Institutions	720
	No. ents with new to market products	50
	No. ents with new to firm products	480
	No. ents. using ICT	4,500
	Enterprises providing private leverage	£65.9m
	Established GHG reduction	132.9
	No. Enterprises with resource efficiency	1,000
ESF	Site Development (Ha)	15
	No. of participants (a+b+c)	57,665
	a) No. of unemployed participants	3,431
	b) No. of inactive participants	22,958
EAFRD*	c) No. of employed participants	31,276
	No. of participants aged 15-24	17,085
	No. people trained	4,774
	No. jobs created	483

* EAFRD outputs calculated upon EAFRD £9.3m and planning scenario of £10m LEADER

Results

Due to the level of funding allocation and the nature of the investment package outlined within this strategy, it is clear that a wide range of results will be required. An initial review suggests that the majority of the HMG proposed results will be of relevance (as outlined in the accompanying spreadsheet). The exception being the specific Smart Specialisation result, which is considered complex, undefined and difficult to measure. We will require further detailed definitions and relevant suggestions on baselining of the identified results before a firm commitment is made.

7 Alignment with other European funds

As detailed below in our proposal for an Integrated Territorial Investment (ITI), we recognise the added growth potential of aligning funds at a local level and streamlining investments into a coherent set of priorities. This includes ensuring strong linkages between all four Structural and Investment Funds and all other European funds delivering the priorities set out in this Strategy.

Horizon 2020

Closer integration of Horizon 2020 with the main SIF Programmes is a key intention of the European Commission in the next programming period. As a minimum, it is expected that all Horizon 2020 applications emanating from C&IoS would show how they align with the SIF Strategy and demonstrate what actions will be taken to deliver their outcomes, whilst adding value to the main ERDF and EAFRD activities. To ensure maximum strategic fit, we would endeavour to have all applications seen by the Local Investment Board.



Territorial Cooperation (TC) Programmes

Although TC is not seen as a major priority for the LEP or Councils, applications to the 2014-2020 cross-border, transnational and inter-regional cooperation programmes put forward by partners from C&IoS will demonstrate how they support the SIF Strategy and how their outcomes will complement specific investments in the main programme.



Photo by Matt Jessop courtesy of the University of Exeter

8 Delivery arrangements

Methods of delivery

Integrated Territorial Investment

The preferred delivery model is an Integrated Territorial Investment (ITI), which is supported by a mix of strategic commissioned investments and Community Led Local Development. This proposal is the subject of a separate submission to Government. C&IoS are clear in their view that an ITI will enable the region to build on past and current successes in delivering economic benefits from the investment of European Funds. It will enable the region to address its specific economic circumstances (as encapsulated by its Less Developed Region status). Previous experience suggests that national programmes can often have little impact in C&IoS, particularly in terms of supporting businesses to improve productivity due to the specific make up of businesses in the area. This has been compounded by nationally driven commissioning and by the use of procurement and delivery models in the current programme which have not been bespoke, accessible or flexible, resulting in sub optimal delivery.

The development of an ITI will also further the Coalition Government’s Localism agenda, with one of the central themes of the Local Growth White Paper being:

“Localities themselves are best placed to understand the drivers and barriers to local growth and prosperity, and as such should lead their own development to release their economic potential. Local authorities, working with local businesses and others can help create the right conditions for investment and innovation.”

Our proposed ITI will extend beyond the ESI Funds to include coordination of, and influence over, the funds available to the Less Developed Region through the EAFRD and EMFF Operational Programmes, allowing the separate treatment of an allocation of funds for the Less Developed Regions from the general EAFRD and EMFF funds available to the Member States. This will help us to deliver our sustainable growth aspirations and will better reflect the importance of the rural economy in the region. It will also help to maintain the momentum of previous programming periods.

Risk profile

A significant feature of the proposed SIF delivery plan is that the partnership will agree a risk profile for each activity area and set aside a percentage of the budget for investments that might not deliver against Growth Programme output or results targets within the programme period, but which will bring about economic transformation. This risk profile will be supported by a locally developed set of selection criteria that will ensure investments offer the best potential for future growth, based on the principle of ‘opportunity, not place’. However, especially in Conditions for Growth, this will also take account of factors such as the needs of a particular locality and the contribution that investment in that area would make to the Strategy’s aims. It is anticipated that the risk profile will reflect our appetite to invest in transformational projects in a region where there is failure in some markets.

This profile, which will be detailed in the annual delivery plan of the SIF, could appear as above. It is important to note that risk here does not mean risk in compliance.

	Total	Growth catalyst/ transformational - high risk	Leading edge/could deliver transformation - medium risk	Incremental/ proven delivery models - low risk
Percentage of SIF Budget	100	30-45	40-50	15-25
Future Economy	30-35	←→		
Growth for Business	35-40	←→		
Conditions for Growth	30-35	←→		

Customer journey

In order to maximise the impact of European funds through a broad spectrum of investments, it is vital that the customer journey for a business or organisation seeking to access funding is as simple as possible. The process is expensive and it can cost thousands of pounds to put an application together. Suitable investments should be identified at an early point in the application process and applicants assisted to provide the information necessary to access grant funding. Much of the feedback received from business, as part of our consultation process, has focused on the need to join up delivery locally.

Through delegated delivery and working closely with our Local Growth Team, the C&IoS ITI would allow the simplification of the application procedures for European funding and provide support for businesses through the process. This, 'account management' approach will support the work of the Managing Authorities by creating a single point of contact for applicants within the Less Developed Region, as part of a unified and streamlined application, performance management and audit process.

Cross cutting themes

Sustainable development

Sustainable development is a core element of the LEP's Growth Strategy and features in its Guiding Principle

"We are guided by the principle that Cornwall and the Isles of Scilly must retain and build on our special and unique assets."

An independent Sustainability Review has been carried out to inform the ESIF Strategy which is available upon request. This Sustainability Review has been carried out in conjunction with the Local Nature Partnership (LNP) and is a broad review of the investment activities to identify the opportunities to embed sustainable development into the EIF Strategy and its delivery. This has informed an Action Plan, which identifies how we can address these opportunities and how sustainability will be embedded as a key principle within future delivery of the programme. This is an iterative process and the review team have worked



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closely with the ESIF team to embed sustainable development into the Strategy. A final full review will be undertaken on the approved ESIF Strategy. Equally, as the process moves towards delivery, all projects will be challenged to demonstrate how they have integrated sustainability objectives as part of their project development and delivery. The review team will work closely with the LEP as part of the development of the commissioning process to identify sustainability ambitions and credentials for investments.

Equal opportunities

C&IoS LEP recognises the central role the EU Structural Investment funds play in promoting equal opportunities and empowering people to overcome barriers that they face to economic and social inclusion. C&IoS recognises that, in addition to the 9 protected characteristics there are also other groups in society who face significant barriers to economic and social inclusion and consideration needs to be taken to highlight these to ensure maximum access to opportunities and funds.

In order to support and develop the continual commitment to delivering equal opportunities throughout the programme and at project level an independent Equality Impact Assessment has been conducted with the following actions:

An Equality and Diversity champion to be identified within the governance structure to ensure full consideration is given to social sustainability throughout project development and delivery.

Continue embedding equal opportunities and access into the labour market through the procurement process to ensure maximum inclusion.

Additionally, websites and any public facing documentation should be fully accessible with alternative formats statements.

Monitoring and reporting mechanisms to be put in place to ensure that equality and diversity opportunities are maximised and issues identified. The monitoring procedures should also include specific equality related complaints procedures at strategic and project level.

Technical Assistance

Whilst the MA will need Technical Assistance (TA) to deliver the compliance, audit and certifying authority roles, we anticipate being able to use TA funds to support local delivery and commissioning. Appropriate TA for all C&IoS SIF programmes should be retained within the region. This is intrinsic to our ability to:

1. maximise the value of the programme at the local level, by ensuring appropriate linkages between projects
2. maximise the value of the programme, by building capacity and expertise within the region
3. drive the commissioning of projects that will ensure the comprehensive delivery of our strategy
4. ensure there is appropriate support to enterprises to develop investment proposals that will deliver against all of our outputs and results.
5. support compliance and audit across the programme

Pooled national TA for C&IoS programmes should also be aligned with local need and supported by 'Growth Delivery Teams', as proposed by HMG.

One local TA strategy for all funds for the Less Developed Region will be developed and commissioned locally, involving the LEP, Cornwall Council, the Council of the Isles of Scilly, rural



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development partners and the voluntary and community sectors, to ensure a joined up approach and value for money.

The scope of Technical Assistance is set by the EU Structural Fund regulations, and in particular the Common Provisions Regulation. Technical Assistance is provided for in European Council Regulation 1303/2013 which says:

"At the initiative of a Member State, the ESI Funds may support actions for preparation, management, monitoring, evaluation, information and communication, networking, complaint resolution, and control and audit. The ESI Funds may be used by the Member State to support actions for the reduction of the administrative burden on beneficiaries, including electronic data exchange systems, and actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use those Funds."

We anticipate the local requirement for TA being 1-2% of the C&IoS ERDF, EAFRD and ESF allocations. Cornwall Council would endeavour to prioritise revenue funding for TA and would anticipate that Managing Authorities maintain local TA teams, based in the region to maximise the economic impact of the programme.

This section highlights LEP priorities for TA (excluding MA functions) during the period 2014 – 2020 and provides a basis for the development of a comprehensive TA Strategy during 2014.

We anticipate a better join up between ERDF, ESF and EAFRD, with closer relationships between the LEP, local Councils, Managing Authorities and strategic partners.

Specifically, we see the LEP and local partners using TA to resource and support the following functions;

Developmental

- Co-ordination of the LEP's role in investment preparation and appraisal, including leading commissioning where appropriate. This will include working with MAs on the management of state aid issues
- Ensuring that those responsible for the development of projects understand the Programme's requirements and that the requirements of European Regulations are incorporated into projects, as appropriate. Specifically, this will include managing high risk areas, such as projects with multiple partners, procurement and state aid in order to minimise the risk of non-compliance
- The development and provision of training, guidance, and advisory and information services for successful applicants, to ensure a controlled start to projects and monitoring systems
- Providing technical knowledge, information, advice and support across all LEP partners, to ensure appropriate local engagement in the Programme
- Supporting economic intelligence and policy development which may impact on the delivery of the Programme
- Supporting applicants to embed the Cross Cutting Themes
- Reviewing EU SIF specific proposals and investments, including the identification of the LEP's priorities and co-ordinating LEP inputs to the pre-commissioning and commissioning processes. This will include leading project and programme Commissioning Teams and supporting the LEP representatives on programme committees
- Providing advice, guidance and support for the future sustainability of relevant activity post the EU investment, through liaison with national and local partners

Monitoring and Evaluation

- The development of local LEP monitoring systems (in conjunction with the Growth Hub) to enable the tracking of business support, to ensure the programme is delivering unique business assists to avoid double counting. The requirement to provide project monitoring/ reporting to the LEP should be addressed at contract stage. This will enable the LEP and business support providers to work together to deliver the central tenet of 'comprehensive' business support to enterprises from across different providers. Co-ordinated business support is seen as a key driver for added value in the Programme to achieve better outputs and results
- The interpretation of programme management information to facilitate good decision making
- Co-ordinating the LEP's engagement with national Programme level evaluation
- Supporting projects to develop and implement appropriate monitoring and evaluation processes
- Co-ordinating and disseminating evaluation results, utilising this information to inform programme delivery

Research and Policy Development

- Co-ordinating and leading the delivery of appropriate research and intelligence evaluation, to inform policy formulation and decision making by the Council and its partners
- The monitoring of progress against baseline data, to facilitate the measurement of the Programme's performance and to inform delivery
- The provision of required policy and socio-economic analysis updates, to support the production of Annual Implementation Reports and the production of policy and commissioning reports to the LEP
- The informed use of emerging programme evidence and trends to ensure activity is consistent with need

Partnership

- The development of appropriate partnerships to support the delivery of the programme
- Supporting partnership governance, management and delivery groups
- Through the LEP, ensuring that the programme has strong linkages to the private, community and voluntary sectors
- Working with LEP partners (public sector, education sector, VCSE and business) to ensure the Programme complements and adds value to mainstream activity
- Co-ordinating engagement with those delivering business support
- Developing cross LEP partnerships (and potentially transnational partnerships) to support effective delivery
- Liaison and developmental activity with Opt In providers (for example the preparation of evidence and materials for procurement processes; the production of tender content and assessment input, etc.)

Communications

- Leading the Communication function of the 2014-2020 Programme (ESF and ERDF and EAFRD (Growth Programme) in line with statutory requirements, as well as working with DEFRA to promote the national rural development offer to maximise uptake
- Establishing, maintaining and utilising effective channels of communication, including co-ordinating publicity for the Programme, engaging with the private sector and the wider partnership, liaising closely with DCLG as appropriate
- Co-ordination of promotional events such as seminars and annual conferences, as well as the Programme's digital and social media presence, including preparing and issuing press releases and promotional materials

We anticipate a full TA strategy being complete and approved following the formal adoption of the relevant Operational Programmes.

Major Projects and Pipeline Development

Headline strategic investment identification and costing work is being undertaken to contribute to the timely delivery of our 2014-2020 EU SIF Strategy, especially within the first years of the programme. Work to identify key investments in the following broad categories is underway to ensure we meet spend and output targets in the initial years of the programme and to ensure the early progression of any large investments with long lead-in times:

- Early and big win investments including capital investments building on the current Convergence Programme achievements – e.g. grow on space for the existing Innovation Centres
- Investments offering innovative and easily accessible finance mechanisms, requiring early design work

- Continuous steady spend investments - e.g. an integrated business support programme and an integrated skills development programme, where significant gaps in provision would lead to a loss of momentum
- New arrivals and innovative investments for the middle to end of the programme e.g. an integrated rural business support programme or investments emerging from marine renewable energy or smart grid developments

Prioritisation of early-win investments, or those with complex commissioning processes, will need to take place at an early stage in the programme planning process. Consequently, the LEP is commissioning early work to prepare investments for the launch of the 2014-2020 programme. Resource for this activity has been committed from the LEP's EU SIF budget.

Due to the capital nature of the investments in the C&IoS Programme, state aid will need to be positively addressed prior to and during the Programme period. The simplification of GBER will support programme delivery but the case law related to the Leipzig – Halle ruling provides challenges for ports, airports and infrastructure which will need to be addressed by an increase in notifications. Once the EU SIF is agreed, priority will need to be given to identifying schemes for notification including block exemptions for the Less Developed Region and an early dialogue with BIS will be required. The low number of growth businesses in C&IoS may also lead to issues with concentrations of aid above the de minimus level. To this end, C&IoS LEP have requested information from DCLG on the process for securing a block exemption for all business support for the Less Developed region for the next programming period.

There are a number of investments in the pipeline for the current programme which will not be funded due to the programme closing in December 2013. Some of these investments may also represent 'quick-wins' for the future programme, if they fit the programme strategy, offer value for money, deliver the necessary growth targets and are desirable. An early summary of potential projects is set out over the page;

Delivery arrangements

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Future Economy	Geothermal Deployment	TO4	Investing in geothermal energy R&D and deployment in order to unlock the renewable energy, new jobs and green growth opportunities associated with C&IoS gaining and maintaining a leadership position in this emerging global cleantech sector.	ERDF £10m Match £2.5m	No. of Enterprises Supported: 4 No. of New Enterprises Supported: 1 No. of Jobs Created: 30 No. of Enterprises Co-operating with Research Institutions: 1 No. of New to Firm Products: 3 GHG Reduction (kTCo2e pa): 60
Future Economy	Heat Networks Deployment	TO4	Investing in the deployment of a low carbon Combined Heat & Power (CHP) network(s), linked to at least one major Cornwall Council-led development &/ or place based regeneration initiative (potentially @ West Carclaze and/or Broadmoor Farm). Could also link to deep geothermal to enable heat sales & support the economic case for the deep geothermal build.	ERDF £10m Match £2.5m	No. of Enterprises Supported: 21 No. of New Enterprises Supported: 10 No. of Jobs Created: 5 No. of Enterprises Co-operating with Research Institutions: 13 No. of New to Firm Products: 5 GHG Reduction (kTCo2e pa): 10
Future Economy	Climate-resilient Infrastructure	TO5	Place-based infrastructure investments supporting business & community resilience, in response to climate risk and extreme weather	ERDF £8m Match £2m	No. Ent. Supported: 10 No. of New Ent. Supported: 2 No. of Jobs Created: 20 No. of Ent. Coop with Research: 5 No. of New to Firm Products: 1
Future Economy	Innovation Infrastructure	TO1	To develop appropriate innovation infrastructure to support new company incubation, grow on space and, potentially, bespoke support for business clusters delivering Smart Specialisation priorities. The infrastructure will add value to and build on the current Innovation Centres and appropriate business models will be developed, based on national and international best practice.	ERDF £25m Match £6.25m	No. of Enterprises Supported: 80 No. of New Enterprises Supported: 40 No. of Jobs Created: 120 No. of Enterprises Co-operating with Research Institutions: 40 No. of New to Market Products: 10 No. of New to Firm Products: 10

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Future Economy	Marine Renewables Development	TO1 TO4	A capital fund to enable marine renewable device development and deployment in C&loS. The fund could support infrastructure requirements of the sector, proof of concept, feasibility studies, consultancy, site investigation, achieving consents and licenses, fabrication, manufacturing, marine operations and installation and the incentivisation of demonstration zone take up.	ERDF £20m Match £20m	No. of Enterprises Supported: 20 No. of New Enterprises Supported: 5 No. of Jobs Created: 280 No. of Enterprises Co-operating with Research Institutions: 5 No. of New to Market Products: 3 No. of New to Firm Products: 5
Growth for Business	Innovative Financial Engineering (MAJOR PROJECT)	TO1 TO3 TO4 TO9 TO10	A revolving fund to address the recognised market failure in the provision of finance to SMEs, which is currently seriously restricting growth. Elements of the project could include a Growth for Business Fund, targeted at high growth businesses, a Future Economy Fund, focusing on high risk, but high potential emerging markets, including a proof of concept element and a Social Enterprise and Low Carbon Fund, to support enterprises and community initiatives that produce social outcomes, including small scale low carbon initiatives.	ERDF £63.5m Match £15.9m	No. of Enterprises Supported: 680 No. of Jobs Created: 2,200

Delivery arrangements

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Growth for Business	Higher Skills	TO10 TO1	The development of specialist skills, including delivering PhDs, MRes and Higher Apprenticeships, at times utilising new methodologies, including the development of Small Private Open Online Courses (SPOOCs). The project will improve academic and business collaborations, including running graduate placement schemes and internship programmes. It will also widen participation in high level skills in targeted geographic areas, in part through the provision of enhanced financial and learner support. This activity will increase the level of higher skills attainment and increase productivity, through deployment across the economy.	ESF £20m Match £5m	Total Participants: 4,400 Unemployed: 300 Inactive: 150 Employed: 3,900
Growth for Business	Hall for Cornwall creative industry workspace cluster and digital hub	TO1 TO3	Development of a cross form, creative industries hub in Truro. This bespoke digital workspace will drive greater investment in this high growth sector. It will become a centre for learning, collaboration and showcasing of this type of work from around the world. It will also support the development of an investment fund to support R&D for new products, help platform work nationally and internationally and also create a venture capital type fund to co-produce commercial productions.	ERDF £3.5m Public match £11m Private match £1m	No. of enterprises supported: 10 No. of jobs created: 30 No. of New Enterprises Supported: 5

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Growth for Business	Growth Hub	TO1 TO3	The Growth Hub will tackle low levels of business productivity and provide businesses with a co-ordinated programme of business support. Objectives will include supporting businesses to expand their market reach, improving business links to HE and FE institutions, accelerating research and innovation, maximising the use of ICT, developing investor readiness, improving access to finance, increasing collaboration and maximising growth in the Smart Specialisation areas, including through supply chain development.	ERDF £6.5m Match £1.3m	No. of Enterprises Supported: 2,000 No. of New Enterprises Supported: 330 No. of Jobs Created: 1,300
Conditions for Growth	Agri Tech framework	TO1 TO3 TO10	An investment framework to develop and support appropriate models that encourage research and innovation in C&IoS to develop business opportunities in the identified agri-tech growth markets collaborating with centres of excellence and building R&D infrastructure.	EAFRD £1.5m ERDF £7.5m ESF £1m Match £3m	ERDF No. Enterprises supported: 78 No. new Enterprises supported: 14 No. jobs created: 88 No. Enterprises Co-op Research Institutions: 49 No. Enterprises - new to Market Products: 5 No. Enterprises - new to Firm Products: 10 Enterprises providing Private Match: £3,000,00 Infrastructure Site Development inc green infrastructure (Ha): 0.5 ESF: No. participants: 375 No. employed participants: 85 EAFRD: No of people trained: 717 Number of businesses assisted: 60

Delivery arrangements

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Conditions for Growth	Decentralised Energy	T04	Identifying smart solutions to develop the concept of a local energy market and innovative energy storage, where grid constraints are tackled through innovation and practical approaches that will ensure that the benefits of local energy remain localised.	ERDF £10m Match £2.5m	No. of Enterprises Supported: 30 No. of New Enterprises Supported: 15 No. of Jobs Created: 30 No. of Enterprises Co-operating with Research Institutions: 15 No. of New to Firm Products: 15
Conditions for Growth	Growing Families	TO9	To provide families experiencing multiple and complex issues with the services, support and tools they need to tackle low aspiration, low achievement, inactivity and family poverty. This will help them to turn their lives around, by creating viable and lasting solutions that will enable organisations to work better together to deliver 'Early Help' to families at risk of falling into difficulty.	ESF £15m Match £3.75m	Total Participants 6,200 Unemployed 600 Inactive 3,500 Employed 2,000
Conditions for Growth	A30 Temple to Higher Carblake (MAJOR PROJECT)	TO7	The A30 is the main highway route, linking the key Cornish towns to the regional and national strategic road networks, connecting Cornwall to the rest of the UK. The A30 is of dual carriageway standard, with the exception of the 2.8 mile single carriageway section between Temple and Higher Carblake. This section constrains the capacity of the A30 route, often causing severe congestion and delays, having a detrimental effect on the Cornish economy and limiting opportunities for growth. CC is offering to deliver a scheme to address these difficulties.	ERDF £20m Match £29m	Transport benefits of over £154m Economic benefits of over £117m

Investment Pillar	Project Name	EU SIF Thematic Objective	Project Overview	Indicative Inputs	Indicative Outputs
Conditions for Growth	Digital Infrastructure	TO2	Following investment of up to £132m through the Convergence Programme, by the end of 2014 C&IoS will be one of the best connected places in the world, with 95% of premises having access to fibre based broadband. However, to derive maximum competitive advantage from this, continued investment in the digital economy is essential. This project will maximise the number of premises that have access to speeds of at least 30Mbps, through further investment in fibre technologies and in mobile and wireless infrastructure, with a target of 98% of premises considered achievable. An additional objective is to ensure that 50% of premises subscribe to services of at least 100 Mbps.	ERDF £16.2m Match £9.8m	Additional premises with broadband access of at least 30 Mbps: 41,000 Total premises subscribing to services of at least 100 Mbps: 126,500 (50% of the total)

Proposed Financial Instruments

We need to make a step change in the way we make economic development investments. Interventions should be market led and move us from a reliance on grants to a culture of investment. In order to make a step change, whilst supporting our business community, we will deliver a minimum of 12.5% (£63.5m) of the SIF allocation using Financial Instruments (FIs). With associated match funding, this provides for a total fund of £79.3m. This is developed from the evidence, demand assessment and a proposed model prepared in partnership with PWC. The full PWC report is attached as appendix 7.

Based on the market assessment and our strategic priorities, we propose to establish a three tier flexible revolving fund which separates our strategic priorities whilst minimising the total number of funds. Our research indicates that

there is significant demand in our region caused by a number of factors. Specifically;

- Market failure in the provision of mainstream finance to SMEs, with demand remaining strong.
- It is estimated that up to 600 businesses in the region are unable to obtain finance from traditional sources.
- Emerging and innovative sectors lack development capital and early stage support.
- The reduced supply of finance has resulted in a lack of working capital for growth and expansion.
- Difficulty for Social Enterprise to secure traditional funding.
- Lack of locally available equity financing.

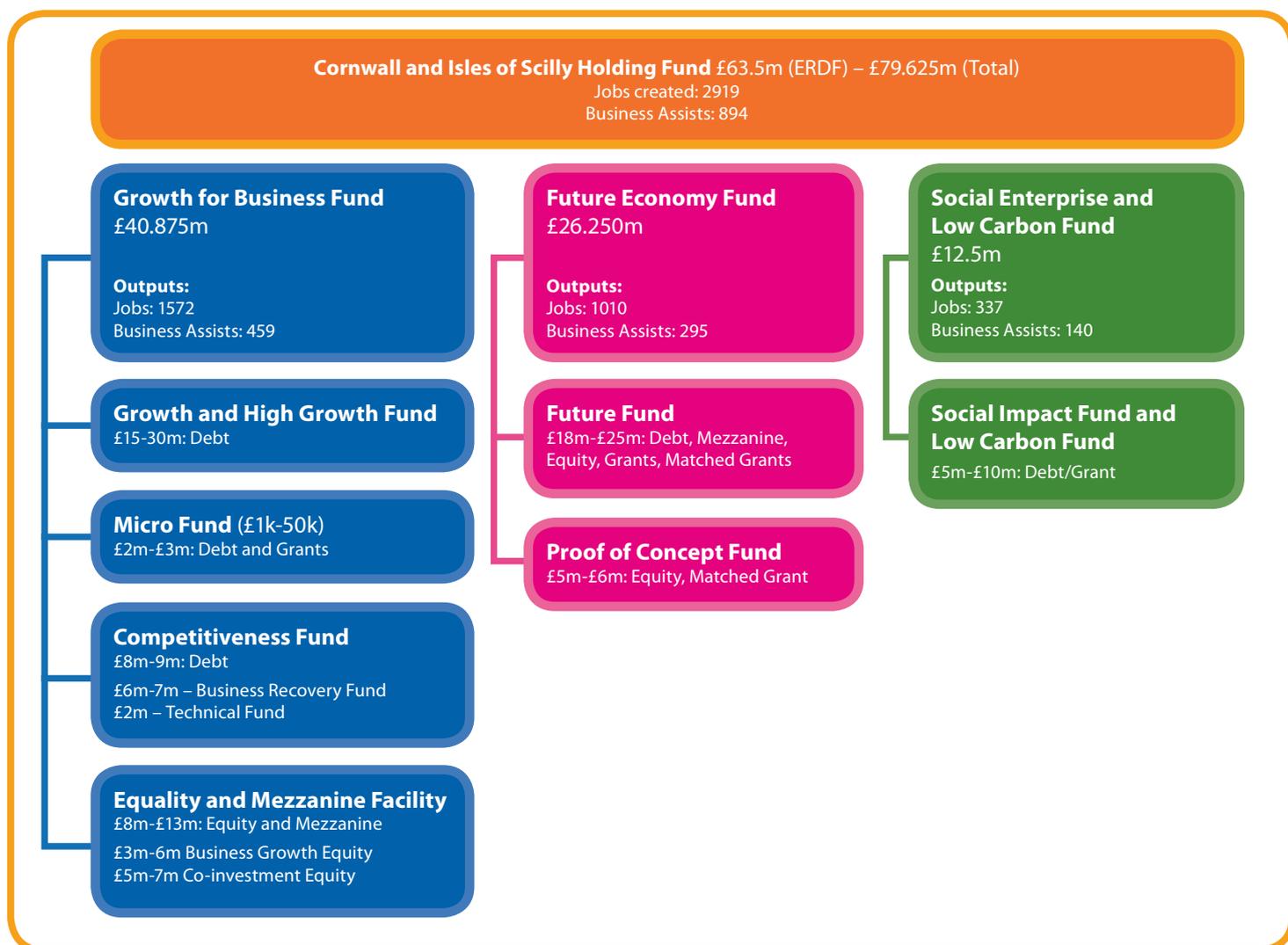
Regional economic data supports the hypothesis that the SME sector as a whole, and C&IoS specifically, is growing, with consistent improvement in SME performance and a corresponding expansion in output, leading to strengthened client demand, increased orders and increases in numbers employed.

Whilst there is recovery nationally and regionally in the SME sector, unless matched by increased access to finance, growth in the SME sector in Cornwall and Scilly may be constrained from realising its full potential.

To respond to this demand, our consultation with local partners and businesses highlights there is a need for:

- 1. Growth for Business Fund:** General growth and growth business finance, c£33m-£54m size of fund. This includes general growth and high growth as the core, in addition to competitiveness funding, providing technical and recovery funding, micro level loan provision, and an equity and mezzanine facility.
- 2. Future Economy Fund:** High risk but higher potential emerging market finance. Between £5m-£6m Proof of Concept Fund and £18m-£25m Future Fund.
- 3. Social Enterprise and Low Carbon Fund:** Funding for enterprises and community initiatives that produce social outcomes, including small scale low carbon initiatives, between £5m-£10m.

This is captured in our proposed model below:



In addition, we plan to establish an investment readiness programme as part of our wider package of business support, to ensure we achieve success across the funds by meeting the needs of the regions distinctive business demographics.

We have taken a cautious estimate of demand for FI and made an allocation towards the lower end of PWC’s suggested range of £61m-£96m delivered through a phased, iterative approach to allow assessment of developing and changing market need and permit maximum flexibility to delivery over the programme lifetime. However, this investment still has the potential to deliver additional direct investment into business and to generate significant outputs for the programme, even when taking a realistic view of likely absorption rates and delivery risk. We anticipate that a £63.5m investment (with appropriate match funding) in our FI model could return the following outputs.

Measures	Outputs
Gross Jobs created	2919
Businesses Assisted; of which start ups	894 (up to) 234
Gross Increase in GVA	£91.6 million per annum
Private sector investment	£108 million

The investment also has the potential to deliver significant ‘legacy funds’ which will be reinvested over the medium term. Assuming prudent default rates, an estimated £55.6m could be reinvested, creating significant added value and impact by creating a further 2,137 jobs.

Following a review of the variety of ‘publicly’ backed funds since 1999, considering the commitment by country and region in the UK, it is clear that the South West is the most poorly represented in volume terms. Investments in Scotland, Wales, North West and the North East range, for example, from £125 to £240m, whereas

the South West has seen a commitment of just c£20m. Whilst not all programmes have met spending targets, it is clear that the South West has not benefited from the same provision as other areas.

We anticipate collaborating with other LEPs on FIs in order to achieve bigger impact, to exploit synergies and to achieve economies of scale. The collaborations are likely to be with those areas in the South West of England where synergies and delivery mechanisms exist.

We anticipate that in order to take forward the proposals for FIs, a full analysis to assess and confirm the detailed demand and supply issues needs to be undertaken. This will address the ex-ante completeness checklist in the ‘assessment methodology for financial instruments in the 2014-2020 programming period’ produced by PWC and the EIB.

Community Led Local Development (CLLD)

Numerous evaluations of the LEADER approach, undertaken at UK and EU level over the past 20 years, demonstrate that the multi-sector, multi-goal nature of the CLLD/LEADER process delivers an emphasis on integration, getting people together and developing links that would not normally happen under most mainstream economic development activity.

This approach tends to mean that project proposals will have a different perspective and greater relevance to local communities/localities than they would if they were simply projects built around specific schemes or issues. The sense of place created as the stimulus unlocks new forms of enterprise with local and social benefits that might not be captured otherwise.

The CLLD approach should apply to 100% of the territory of C&IoS and 5% of the total SIF allocation should be delivered through this mechanism. This recommendation reflects the lessons learnt from previous programmes and the evidence base which highlights specific economic issues arising from rurality and from concentrations of deprivation.

In the 2014 to 2020 EU Programmes, it is envisaged that the LEADER approach will manifest itself in three forms:

Community Led Local Development – via the delivery of ERDF and ESF through the EU SIF.

LEADER – via DEFRA for the delivery of the European Agricultural Fund for Rural Development (EAFRD)

Fisheries Local Action – via the Marine Management Organisation (MMO) for the European Marine and Fisheries Fund (EMFF)

The CLLD and LEADER approach is a proven method of increasing local engagement with EU programmes, encouraging both social inclusion and social innovation. It enables local economic actors (businesses, social enterprises and the voluntary and community sectors) to actively develop and regenerate their areas by implementing and testing their own innovative solutions.

To avoid overlap, to ensure synergy between CLLD and LEADER activity and to reduce delivery overheads, whilst remaining within the population thresholds, we plan to create five CLLD/LEADER groups. These groups will lead the development of both CLLD and LEADER Local Development Strategies; they will submit the relevant bids to the relevant approval structures and oversee the delivery phase.

At present we are keeping EMFF outside our discussions while we await further detail from the MMO about how they plan to implement Fisheries Local Action. Whether or not it becomes part of our combined CLLD/LEADER approach, linkages will be developed to avoid duplication and joint working will be promoted wherever possible.

The LEP is looking to utilise the CLLD method of delivery to add value to the LEADER delivery model being used for delivering elements of the future Rural Development Programme. The option to adopt this delivery mechanism was outlined in annex G of the supplementary guidance. The LEADER delivery model is a well proven way of delivering EU funds as it engages businesses and communities in a “bottom up” process which in addition to the economic outputs delivered by the

activity will also make a significant contribution to our social inclusion objectives by:-

- Ensuring that local people have a better knowledge of local challenges that need to be addressed
- Supporting the Local Action Group to mobilise local resources for the development process in a way that does not happen with traditional “top down” approaches
- Ensuring that local people have a greater sense of ownership and commitment to locally relevant projects, which in turn allows them to make the best of their assets and development opportunities
- Developing trust and positive working relationships amongst local community and businesses

By aligning CLLD with LEADER we will be able to deploy this delivery model in both urban and rural areas with no gaps in coverage although this does not mean that all activity supported by CLLD/LEADER will be available everywhere. We can therefore use it to address economic challenges in very specific geographic areas where there is greatest need. By aligning CLLD with LEADER we also hope to achieve lower delivery costs and better value for money by achieving economies of scale. It will not duplicate delivery being funded by the other 95% of the programme. This can be assured during the design of the delivery frameworks and during delivery through regular communication between CLLD staff and other delivery bodies. We are very clear that CLLD should be seen as an integral part of the delivery framework for 100% of the ESIF and not a separate activity that operates in total isolation. We envisage the running costs of CLLD to be taken from the 5% allocation. As we plan to align CLLD with LEADER we do envisage economies of scale being achieved which will reduce overall delivery costs. Furthermore we intend to nominate a “LEAD FUND” (likely to be ERDF) to cover these costs as outlined in the common strategic framework guidance.

Separate timescales for the establishment of LEADER and CLLD will complicate development and lead to increased costs. In order to streamline the two processes and create efficiencies, C&I are

offering to pilot an early establishment of CLLD alongside LEADER.

Options for the suggested geographic split have been modelled, with the following criteria used to inform the decision making process:

- Market and coastal towns and their rural hinterlands and urban areas (including travel to work areas) are grouped together in a coherent way
- Co-terminosity with local authority structures such as planning committee boundary areas, parish/town council boundaries, community network areas, etc
- Co-terminosity with the Council for the Isles of Scilly Unitary Authority
- Bodmin Moor will remain in one CLLD/LEADER area to ensure that projects in that area will only have to bid to one group
- Key towns in the east (Callington/Liskeard/Saltash) and the north of Cornwall (Wadebridge/Bodmin) will remain in the same area, reflecting common economic functionality

We will support community groups and stakeholders to arrange themselves into five Local Action Groups; four will cover the geography of Cornwall, with one for the Isles of Scilly. This will involve significant changes to existing LAG boundaries in Cornwall, but all areas will remain below the 150,000 maximum population threshold. The Isles of Scilly is a separate unitary authority with less than the 10,000 minimum population limit and the argument is made for the separate functional area, due to geographic and economic differences. This was universally accepted in the last round of Programmes where the isles had a separate LAG and SIF.

Following discussions with all key stakeholders (the LEP, Cornwall Council, Council of the Isles of Scilly and current Local Action Groups) the final agreed option can be seen below and this will form the basis of our consultation activity.

Map 2

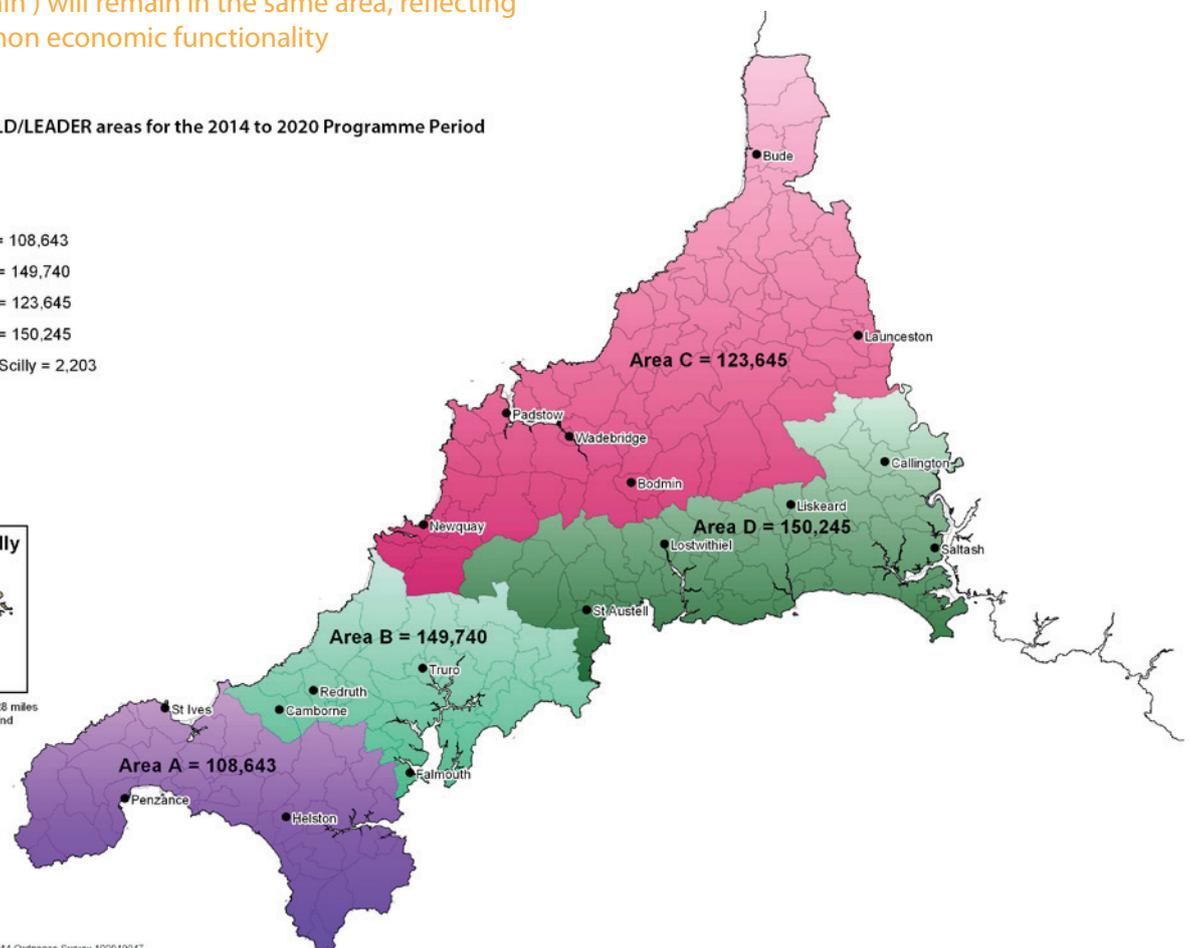
Proposed CLLD/LEADER areas for the 2014 to 2020 Programme Period

Population

- Area A = 108,643
- Area B = 149,740
- Area C = 123,645
- Area D = 150,245
- Isles of Scilly = 2,203

Isles of Scilly = 2,203

The Isles of Scilly lie 28 miles southwest of Land's End



Total CLLD/LEADER allocations 2014 to 2020

Area	EAFRD	ESF	ERDF	Total Budget
Isles of Scilly	£1,250,000	£300,000	£3,000,000	£4,550,000
Cornwall	£8,750,000	£6,700,000	£15,000,000	£30,000,000
Total Budget	£10,000,000	£7,000,000	£18,000,000	£35,000,000

The LEP has already indicated that it proposes to allocate up to 5% of its EU SIF budget to CLLD and whilst the LEADER budget is unknown at this time, a planning scenario including £10 million of EAFRD is being used. CLLD/LEADER will not operate in isolation from the other 95% of EU SIF funds and national rural development programme allocations and Local Development Strategies will reflect the LEP Strategy at a local level.

The CLLD/LEADER approach will operate across 100% of C&IoS, but the funding allocation formula adopted by the CLLD/LEADER working group targets additional budget to areas of greatest need. Consequently, the allocation of funds to each CLLD/LEADER area has been calculated on the basis of need rather than on a simple per head basis.

It is recognised that EAFRD can only be used in rural areas and the allocation formula takes this into account. Additionally, the LEADER Local Development Strategy will specify the areas that can be in receipt of EAFRD funds, with some urban areas excluded. However, it is also recognised that ERDF and ESF can be used in both urban and rural areas, so it is vital to have a more sophisticated split than simply considering rural and urban.

‘Need’ has been defined by a mix of metrics - population, rurality, the indices of multiple deprivation and predictions of demand in the local economy. A weighting of the relative importance of these metrics to each EU fund has been proposed for Cornwall. The Isles of Scilly allocation has been calculated using a method more appropriate to island communities.

The methodology used for Cornwall CLLD/LEADER allocations is outlined in table 3 below.

Cornwall CLLD/LEADER - % of funds allocated to each metric

Metric	EAFRD	ESF	ERDF
Population	25%	30%	30%
Rurality	60%	20%	20%
Indices of Multiple Deprivation	15%	50%	50%



Using a methodology reflecting the above criteria, the overall CLLD/LEADER allocations for C&IoS are outlined below.

C&IoS CLLD/LEADER Budget Planning Scenarios

CLLD Area A	EAFRD	ESF	ERDF	Total
Popn.	£267,896	£410,264	£918,501	£1,660,957
Rurality	£798,913	£203,913	£456,522	£1,491,304
IMD	£448,718	£687,179	£1,538,462	£2,782,051
Total	£1,515,527	£1,301,356	£2,913,485	£5,934,312
CLLD Area B	EAFRD	ESF	ERDF	Total
Popn.	£369,235	£565,457	£1,265,948	£2,289,256
Rurality	£684,783	£174,783	£391,304	£1,278,261
IMD	£619,939	£949,393	£2,125,506	£3,843,623
Total	£1,673,957	£1,689,632	£3,782,759	£7,411,141
CLLD Area C	EAFRD	ESF	ERDF	Total
Popn.	£304,889	£466,915	£1,045,333	£1,890,310
Rurality	£2,054,348	£524,348	£1,173,913	£3,834,783
IMD	£510,712	£782,119	£1,751,012	£3,166,414
Total	£2,869,948	£1,773,382	£3,970,258	£8,891,507
CLLD Area D	EAFRD	ESF	ERDF	Total
Popn.	£370,480	£567,364	£1,270,218	£2,296,977
Rurality	£1,711,957	£436,957	£978,261	£3,195,652
IMD	£608,131	£931,309	£2,085,020	£3,770,412
Total	£2,690,568	£1,935,629	£4,333,499	£9,263,040
Isles of Scilly	£1,250,000	£300,000	£3,000,000	£4,550,000
Total	10,000,000	7,000,000	18,000,000	35,000,000

A percentage of the allocation will be retained as a performance reserve, in order to enable robust programme management. The final 30 per cent of each CLLD Group's allocation for each fund (ERDF and ESF) will be released when it meets agreed performance milestones e.g. on achievement of outputs.

For 2014, the CLLD/LEADER Working Group will oversee the development of a Local Development Strategy (LDS) for each area in C&IoS. The chair of this group will represent CLLD/LEADER interests on the LEP Shadow Investment Board once it is created.

As part of the Local Development Strategy Development Process, each new CLLD/LEADER Group will follow guidance to establish the correct structure for its area, giving due consideration to the EU Regulations and UK legislation. Members of the group will be openly recruited from public, private and civil society sectors. The guidance for CLLD/LEADER states that "at least 50% of the voting rights for project decisions being held by non-public bodies" but the working assumption of the CLLD/LEADER working group is to strive for 33% private sector, 33% public sector and 33% community and voluntary sector representation on all groups.

From 2015 onwards, the chair and vice chair of each new CLLD/LEADER group will form an overarching CLLD/LEADER Co-ordination Board that will oversee delivery and share lessons learned. A representative of the CLLD/LEADER Co-ordination Board will have a place on the LEP's EU SIF Investment Board, to ensure synergy with wider programme delivery and avoid duplication. Members of this group will also be involved with other EU SIF structures, including the LEP's Commissioning Group to ensure cross programme representation and involvement. For example, where investments identified at a community level would be more appropriately delivered through the main programme and vice versa.

The CLLD/LEADER groups will also commission projects in their own areas where there is a clear need to address a specific local priority and where wider programme activity is not sufficient. Where actions are identified across more than one CLLD/LEADER area, then joint commissioning will take place, with each participating CLLD/LEADER group allocating funds from their budget to fund the activity and a "lead" group nominated to manage delivery.

Proposed outputs from the CLLD/LEADER approach are being developed. It is clear that not all of the outputs at EU SIF level could be delivered via the CLLD/LEADER approach and consequently a simple pro-rata exercise (with 5% of the budget producing 5% of the outputs) is therefore not appropriate. It is proposed that CLLD/LEADER groups focus their activity on the outputs that are more appropriate to the LEADER approach and consequently the relationship between budget and outputs could vary significantly across the different geographical areas. We anticipate CLLD delivering disproportionately high outputs in some areas.

The distribution of outputs across the five proposed areas will form part of the LDS process and it will not be a simple 20% split or calculated on an equal £ per output basis. For example, it is recognised that delivery on the Isles of Scilly often has a 50% uplift as compared to Cornwall. Therefore, it is likely that each area will have a different proportion of the outputs that relate to the funding made available. Population, need and absorption levels will also be taken into account. Indicative outputs for each fund are set out (right):

ERDF

Outputs	Number
No. enterprises receiving supported	200
No. new enterprises supported	35
No. of jobs created	225
No. enterprises coop research institutes	0
No. enterprises with new to market products	0
No. enterprises with new to firm products	24
No. enterprises using ICT	225
Established GHG reduction	0
No. enterprises supported w resource efficiency	50
Site development (Ha)	0

ESF

Outputs	Number
Total number of participants	3293
a. number of unemployed (including long-term unemployed) participants	276
b. number of inactive participants	1850
c. number of employed (including self-employed) participants; and	1167
Number of participants aged 15-24.	856

EAFRD

Outputs	Number
No. participants trained	1000
No. jobs created in supported projects	224

We will work with community groups and stakeholders in C&IoS to develop evidence based Local Delivery Strategies that encompass all three SIFs and are closely linked to the investment activities of the SIF Strategy. This will involve developing capacity to ensure appropriate expertise is in place to develop ERDF and ESF interventions, providing a new concept for the delivery of community led funding. This approach is vital to improving understanding of the complex causes of rural deprivation and poverty (as highlighted in the evidence base) and to ensuring that communities have a key role in delivering growth and jobs in their own areas.

LAGs will have representation within the C&IoS LEP governance structure for the EU SIF programme. The LAGs will be represented on a group with a remit to oversee and coordinate the delivery of the CLLD element of the EU SIF programme.

The Local Action Groups will provide the primary filter for investment ideas coming to the programme through the Leader CLLD route along with the LEP strategic priority groups. The Local Action Groups will also be commissioning and making calls for investments where there is a clear need to address specific identified priorities. Where actions are identified across more than one Local Action Group then joint commissioning will take place.

The Local Development Strategies will be developed by the Local Action Groups during 2014 for each of the five areas and the LEADER/CLLD approach will underpin the delivery of both LEP and EU priorities.

Cornwall & Isles of Scilly Leader CLLD approach

Cornwall and IoS LEP EU SIF strategic priorities



Future Economy



Growth for Business



Conditions for Growth

Support locally devised approaches to tackle the LEP and EU strategic priorities

Cornwall & Isles of Scilly Leader Community Led Local Development – devise approaches to address ESIF Strategic Priorities

Supporting business to increase resilience, competitiveness and to grow and diversify.

Developing economic activity at local level.

Developing confidence locally to move people out of the risk of poverty and to promote social inclusion.

Making full use of opportunities from the devolution of assets and local management of services.

Utilising the natural environment at a local level.

Unlocking the potential of businesses at local level.

Adding value to business products.

Harnessing, appropriately packaging and enhancing the unique assets of the area.

Local business development around product.

Supporting supply chain collaboration and joint actions.

Stimulating and supporting innovation.

Supporting training to fulfil needs, skills development and leadership development.

Stimulating collaboration.

Increasing understanding of research at local level.

Implementing findings of local surveys.

Local involvement and management of assets.

Developing enterprising communities that support their micro enterprises and community organisations.

Collaboration

We are keen to identify areas where we can collaborate with other LEPs on areas of mutual interests and benefit and the LEP intends to identify other areas with similar interests as part of their strategy development process. There are a number of areas where we have made contact with other LEPs to discuss collaboration.

Other LEPs

To date, possible areas for collaboration have been identified as follows:

- Financial Instruments
- Renewables, including the marine sector especially through the South West Marine Energy Park
- Collaboration linked to Smart Specialisation R&D opportunities
- Aerospace

Other opportunities could be linked to future ambition for investment in geothermal as well as infrastructure (including sustainable transport), agricultural and food production research and supply chain development.

West Wales and the Valleys

As the only other Less Developed Region, C&IoS have opened a dialogue with colleagues in West Wales and the Valleys regarding collaboration and sharing of best practice. As an area with similar cultural and economic opportunities and challenges, it is felt that the two Less Developed Regions in the UK should work to develop joint approaches to tackling challenges in growing their economies to above the 75% threshold of the EU average set for allocating EU SI Funds.

Plymouth and Peninsula City Deal

We will work with the Plymouth and Peninsula City Deal Board to achieve their vision to create *an environment where business thrives, companies innovate and the commercial potential of our marine technology, knowledge and assets is harnessed to the greatest extent* and will work to bring together the private sector, Government, Higher and Further Education and Local Authorities to deliver prosperity and unity of purpose.

The City Deal area sits within the UK's first designated Marine Energy Park, designated in 2012. Supported by Exeter and Plymouth Universities, there has been over £100m of recent investment to provide unrivalled cutting edge research and demonstration facilities and the Marine Energy Park assets include;

- University of Exeter's FaB Test facility in Falmouth, enabling wave energy device developers to test components, concepts or full scale devices in a moderate wave climate
- Wave Hub, off the north coast of Cornwall, a unique grid-connected offshore facility for the large scale testing of technologies
- Hayle Marine Renewables Business Park, due to open in September 2014 will be able to support developers from full scale grid connection to certified array services
- Plymouth University's state of the art testing facilities, including wave tanks enabling the testing of devices in controlled water conditions
- Plymouth Marine Laboratories, an independent world leading research institution
- Peninsula Research Institute for Marine Renewable Energy (PRIMaRE) is a centre of excellence, delivering world class research and technology transfer in marine energy, combining research and knowledge exchange specialists with business from both Universities of Plymouth and Exeter
- Marine Innovation Centre (MARIC) forms links between businesses, knowledge, technologies, people and infrastructure for product and process innovation, knowledge transfer and funding opportunities

Developing the marine sector is a clear priority for our SIF and we anticipate working towards strategic priorities we share with our partners. Specifically:

- The release of suitable accessible employment sites, including deep-water locations, for the marine sector
- Rationalising and improving business support and enhancing potential for commercialisation, export and investment
- Inspiring our young people into marine careers and training through greater employer involvement

9 Proposed governance

Local governance model

Partnership engagement in developing the Strategy

We have undertaken extensive consultation on the development of the SIF Strategy at an early stage in the process.

- Working groups of partners and stakeholders were established by the LEP to develop thematic responses to the Strategy development
- Stakeholder workshops, events and focus groups drawn from all sectors have looked at the four LEP priorities in the Economic Growth Strategy and developed these into activities that might be funded from the SIF. They have also undertaken prioritisation exercises, risk and SWOT analyses and identified possible sources of match funding
- An online consultation was launched publicly on the LEP website and over 800 business and stakeholders were contacted regarding proposed priorities and the identification of any gaps. 250 responses were received
- One to one telephone interviews were conducted with 80 partners who had a specific area of expertise
- Meetings (led by the LEP Chair) were held with key representatives of organisations and stakeholders in the future programme, including those with an interest in the environment and equality and diversity. Groups consulted include the Local Nature Partnership (LNP), the Health and Wellbeing Board (H&WB) and voluntary and community sector groups
- Meetings were held with the existing Local Action Groups to discuss lessons learned and new opportunities and to explore how CLLD could be used as an effective delivery mechanism for EU SIF funds
- The EU SIF Strategy has been endorsed by both Local Authorities and the approach is supported by the Local Nature Partnership and the Health and Wellbeing Board



The businesses and stakeholders consulted represent those within C&IoS that are aware of EU funding and have previously engaged with the programme, as well as businesses with less awareness. A wide and representative range of sectors have been consulted, including many of the largest businesses in the region. Private sector contacts, social enterprises, health organisations, trade unions, environmental organisations, voluntary and community sector representatives, interest groups and local and national public sector representatives have also been invited to provide their views. Further detail on the consultation and analysis is available on the LEP website.

The outcome of the consultation was widespread support for our EU SIF Strategy. There was a high degree of support for the interconnected nature of the priorities. Many respondents commented that the application process for EU funds can itself be the single biggest barrier to engagement.

SIF governance

National

The LEP Chair will have a seat on the National Growth Board, reflecting our categorisation as a Less Developed Region.

Local partnership

C&IoS has a strong track record of European Partnership working and for the 2014-2020 programming period, these partners will be critical to the success of the Strategy and will be engaged through the Governance model shown below.

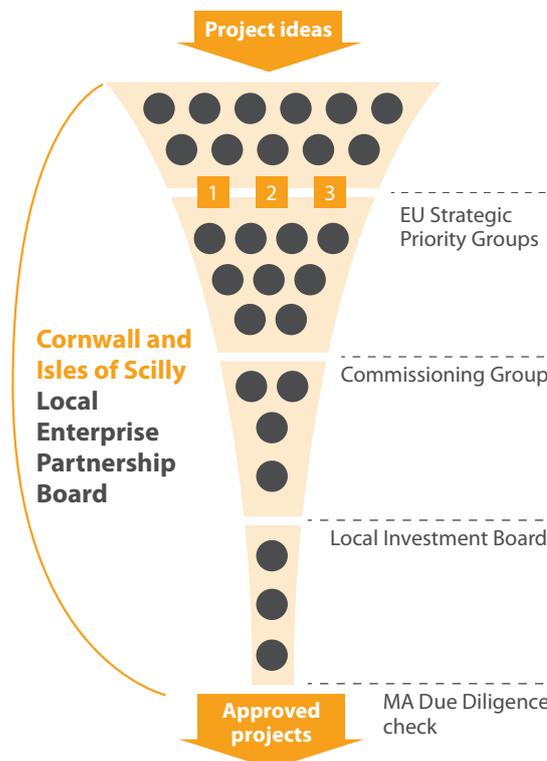
Key partners include:

- Cornwall and Isles of Scilly LEP
- Cornwall Council
- Council of the Isles of Scilly
- Higher Education institutions
- Local Nature Partnership
- Health and Wellbeing Board
- Inclusion Cornwall and equalities partners
- Voluntary and Community Sector representative
- Employment and Skills Board
- Local Action Groups Cornwall and Isles of Scilly
- Agri-Food Council
- Department for Communities and Local Government
- Department for Work and Pensions
- Department for Food and Rural Affairs
- Department for Business Innovation and Skills



Structure

The process for handling investment proposals outside of CLLD is shown below:



Decisions and direction relating to EU SI Funds will be undertaken at a local level by a Commissioning Group and a Local Investment Board. As in the UK Partnership Agreement, these groups will be convened by the Local Enterprise Partnership and will be constituted according to the EU regulations including the Managing Authority. This will include champions for sustainability and equality. All members will be required to complete and adhere to relevant codes of conduct and conflict of interest procedures. Our LEP Board will oversee the delivery and performance of the SIF Strategy and will exert strategic influence through participation on the groups. It is also our intention that these groups should extend their reach to EMFF in order to ensure maximum integration of the funds. The LEP Board's agenda would include progress reports from the ESIF groups on a quarterly basis.

A significant aspect of the LEP Board's role would be to agree and drive continuous evaluation of the progress of the Strategy scrutinising its implementation and asking the ESIF groups to

make necessary changes to commissioning and delivery. An evaluation strategy and action plan will be developed and agreed as soon as possible and it will incorporate longitudinal, investment level and priority level evaluations.

The following ESIF partnership groups will be responsible for the commissioning and endorsement of investments into the programme:

- Strategic Priority Groups for each of the three activity areas (Future Economy, Growth for Business, Conditions for Growth) will steer, guide and support investments into and through the process. These groups will be responsible for ensuring the embedding of cross cutting themes into projects
- A Commissioning Group, chaired by a LEP Board member and constituted according to EU regulations, will manage the front end of the project development process and act as a champion for investments that meet the requirements of the programme. An Investment Manager linked to the ESIF Strategic Priorities will be appointed to see the investment through the development and approval process. This Group will meet in shadow form before the approval of the Operational Programme, to prioritise early investments
- A Local Investment Board will endorse investments that would be agreed as strategic investments for delivery of the programme. The Board will be chaired by a different LEP Board member and, as far as possible, will not share membership with the Commissioning Group. It will be constituted from the local authorities, private sector, and non-governmental organisations in the region according to EU regulations. It will include representatives from the Local Nature Partnership and the Health and Wellbeing Board, as well as from central UK government departments. The Board will forward investments to the Managing Authority for final checks and administration. It is assumed that any investment approved by the group will proceed as long as it is eligible. This group will be supported by ad-hoc or standing expert panels who will offer guidance on the suitability of investments

- A CLLD Co-ordination Board will oversee the strategic delivery and monitor progress on the CLLD element of the programme, with the identified LAG areas across C&IoS approving and monitoring activity in their own areas. It will include Chairs of the LAG areas as key members

The diagram below sets out the governance structure in simplified form.



Commitment and capacity of key partners

Cornwall Council and the Council of the Isles of Scilly have been key partners in the preparation of the Strategy, along with the Higher Education Sector and Cornwall Development Company, which provides delivery services to Cornwall Council and partners. Cornwall Council has established a strong in-house team to work with the LEP and provide capacity to deliver the SIF, and this includes providing match funding for potential investments.

C&IoS LEP work closely with the local authorities to deliver economic development activity in the region. This relationship is increasingly important in light of the Growth Deal, offering increasing responsibilities to Local Enterprise Partnerships to deliver growth funding.



C&IoS's proven ability to deliver results and maximise the economic opportunities for our businesses and communities has been well recognised through previous programmes and the region benefits from extensive experience in the development and management of European funding investments.

Under the 2007-2014 programme period, partners in C&IoS have delivered a strong and focussed programme. Cornwall Council actively commissioned investments on behalf of DCLG, following the abolition of the SWRDA.

As the second largest authority in the UK with a turnover of more than £1.2bn, Cornwall Council has sufficiently robust procurement and risk management processes to assume a more significant role in programme delivery, as well as in managing individual investment risk. This is well demonstrated by our excellent track record in delivering EU and national funding.

10 Next steps

We have consulted widely, compiled a comprehensive evidence base and presented a detailed response to the government guidance. We are keen to ensure that delays to the start of the programme are minimised. Further work is underway to move our EU SIF from strategy to delivery.

We look forward to the approval of this Strategy and the move to the commissioning phase over the coming months and gaining clarity on a number of outstanding issues. In the meantime, we are continuing with the key pieces of work which we believe are essential to further develop our strategy and prepare for the delivery of the next programme.

Specifically:

- Partnership Agreement and emerging Operational Programmes (ensuring local input into these key documents).
- Governance and delivery mechanisms (agreeing structures and approaches with government, specifically our ITI proposal).
- Investment pipeline development (bringing forward project ideas to ensure the programme gets off to a strong start).
- Ex Ante Evaluations (on-going critical friend support to challenge and refine our thinking).
- Smart Specialisation (further developing our potential markets and competitive advantage).
- Community Led Local Development (preparing Local Development Strategies).
- Fisheries Local Action Group (preparing Local Fisheries Development

