Cornwall & Isles of Scilly Strategic Economic Plan

LOCAL ENTERPRISE PARTNERSHIP
Cornwall and the Isles of Scilly: 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. We live on the edge and thrive there. We’re a place where ideas are nurtured and have the opportunity to flourish.
Cornwall and the Isles of Scilly are at the very edge of Britain; our rural location has created a place for new ways of thinking, new adventures and discoveries often keeping us ahead of the market. In today’s world this has enabled digital inclusion, different ways of working and the initiation of different business models. Great ideas take hold quickly here and we provide a fertile environment for piloting new thinking. We possess the environmental advantages of being an Area of Outstanding Natural Beauty – the largest in the UK covering a third of the land mass and encompassing a World Heritage site and an archipelago 28 miles off the mainland.

We have so much to build on to achieve our Future Economy vision as next generation pioneers, a vision which is aspirational but anchored by realism and achievability. Our opportunities support delivery of wider UK economic aspirations across a number of policy documents which support the developing UK Industrial Strategy. In particular, “Lifting Off: Implementing the Strategic Vision for UK Aerospace” March 2013; “UK Agricultural Technologies Strategy” December 2013; “Information Economy Strategy” October 2013; “Strategy for UK Life Sciences” December 2012; and, “Offshore Wind Sector Strategy” August 2013. We also have a strong alignment with some of the UK “Eight Great Technologies” – notably energy storage, big data, robotics and autonomous systems, satellites and agri-science.

A Low Carbon Economy

The global requirement to move to a low carbon world provides a massive opportunity. Cornwall and the Isles of Scilly have long been at the forefront of emerging low carbon technologies. We have the most sunshine, high tides, waves and of course westerly winds. As early as 1991, Cornwall was the first location in the UK for a commercial wind farm. It currently has more solar installations than anywhere else in the South West, underpinned by the location of the National Solar Centre and with over 400 miles (644km) of coastline, much of it facing the Atlantic, offers huge potential for wave power. Cornwall is home to Wave Hub, the largest wave device test facility in the world and our marine energy programme is supported by expertise from Exeter University, Plymouth University and via the Plymouth and Peninsula City Deal. Cornwall and the Isles of Scilly also form part of the South West Marine Energy Park which builds on a blend of offshore renewable energy resource, economic, technical and industrial expertise. Finally, Cornwall’s geology also makes it an ideal location for deep geothermal energy. Cornwall is the first region in the UK to approve planning permission for deep geothermal plants.

Cornwall and the Isles of Scilly have the necessary pre-requisites to be world leaders in the development of a fully integrated low carbon economy and support the global potential of the UK industry which is predicted to grow to provide £3bn per annum to the UK economy and employ 19,000 people by 2030, predicated on the basis of industry reaching full commercial maturity in that timeframe and securing a significant export market.

The Digital Economy

The UNESCO World Heritage status of the mining industry reinforces very specific and highly competitive offers in mining consultancy and associated education, building on the area’s legacy in demonstrating innovation. There are world beating digital businesses in the areas of search engine optimisation (SEO), Software, Bionet, Animation, Enterprise and Cloud Management, all of which impact on supporting economic growth across all industry sectors. 85% of our residents and businesses can get fibre broadband now. Running until 2015, Superfast Cornwall will bring fibre optic broadband to 95% of homes and businesses in Cornwall and the Isles of Scilly, with the remaining 5% enjoying faster broadband speeds thanks to alternative technologies, such as satellite. It is estimated that the digital economy will make up 10% of Cornwall’s GDP within 10 years. This plan intends to keep that competitive advantage and deliver the UK’s ambitions to support, “a strong, innovative, information economy sector exporting UK excellence to the world” and “ensuring citizens benefit from the Digital Age”.

Aerospace Technology

Goonhilly Earth Station is seen by the UK Space Agency as a key national asset and is a fully operational satellite communications teleport. The 2010 Space Innovation and Growth Strategy, a joint government, industry and
Our 400 miles (644km) of coastline, much of it facing the Atlantic, offers huge potential for wave power. Cornwall is home to Wave Hub, the largest wave device test facility in the world.

Academic study, outlined a 20-year vision for the UK space sector, to double the UK’s global market share to 10% by 2030, estimated by then to be worth some £40bn, and in so doing create 100,000 high value jobs across the UK. **Goonhilly has huge potential to be a catalyst for significant growth and the creation of a new space sector cluster.** Link this unique facility alongside **Aerohub**, the aerospace focused Enterprise Zone on an operational civilian airport with one of the largest planning free environments in the UK, matched with an unparalleld aviation environment and attractive financial incentives and we see an almost unique asset for both C&IoS and the UK to support development of one of the UK’s priority growth industries - aerospace and satellite technologies.

Our Universities are leaders in digital sciences and the combination offers an innovative means of linking digital and satellite technology to underpin a number of other sectors such as environmental management, telehealth and data storage. The UK global market for data analysis is expected to reach £31bn by 2016.

Our work in the area of food and water security (basic sustainability) is leading the UK and is aligned with the Duchy College Food Innovation Centre and University of Exeter’s European Centre for Environment and Human Health, based in Cornwall, whose academics form a team that is encouraged to break from traditional silos; conceiving and undertaking projects that deliberately cross disciplinary boundaries. The Centre also shares laboratories with the Environment and Sustainability Institute (ESI) at the Penryn campus. The complex problems of environmental change we face are so diverse and deep-seated that they require the collaborative, ground-breaking kind of approach we are pioneering at the ESI. Our academic and business community are finding creative solutions to these problems through world-class, interdisciplinary research. We feel our work contributes directly to the UK Agri-Tech Leadership Council’s vision that the UK will; “become a world leader in agricultural technology, innovation and sustainability… and contribute to global food security and international development”.

Our businesses are supported in a number of ways, but we are fortunate to have Plymouth University, as a partner of Combined Universities in Cornwall (CUC), an award-winning leader in knowledge transfer and through its Enterprise Solutions programme and the operator of three Innovation Centres in Cornwall. The result is that our region has some of the highest numbers of start-up, micro businesses and Small and Medium Size Enterprises (SMEs) in the UK per capita. We are also a leading social enterprise location – being the first Social Enterprise Zone in England and with exemplars like Eden and Fifteen.

So the potential for growth in new and developing markets is clear. However, our traditional economy has two key pillars – agriculture and tourism. Both are changing, becoming more focused and offering real quality - whether it is our cheeses, creams and ice creams, traditional pasties, drinks or our world famous seafood. With the rise in global food needs few areas are better placed to exploit this market opportunity. It will need to change too, more agri-technology to improve efficiency to ensure the best quality - another lead area in the Government’s priority industries.

The number of higher education students has risen from 3,250 in 2001/2 to over 7,700 in 2009/10 and the CUC higher and further education partners have attracted more than £260 million to develop new courses and build and equip new facilities. We are now recognised as a European leader for our innovative, collaborative approach to higher education, underpinned by a commitment to supporting the region’s people and businesses. To lock in these benefits for the future, Cornwall and the Isles of Scilly have also invested in school age education: every state secondary school in the region is a specialist school in at least one field and the Cornwall Marine Academy for 14-19 year olds is a national leader in marine and maritime education. However, we have much more to be done to equip our young people to make career choices that realise their potential.
Foreword

Culture and Communities

From renowned twentieth century artists such as Barbara Hepworth and Ben Nicholson to world famous authors, poets and makers, including the potter Bernard Leach, plus internationally acclaimed Tate St Ives and Kneehigh Theatre, our artistic and cultural community has always contributed much to our economic and social fabric. This is underpinned with the way we utilise our natural environment, from the surfing capital at Newquay to the Tresco Gardens and precious environment of the Isles of Scilly.

We own something special in terms of our values and interest in society. A sense that our community spirit and a sense of identity is alive and well, both on the mainland and our islands. Whilst high scoring on happiness/good place to live indices, the place is welcoming, integrated and non-judgemental. To enhance this, we must continue to exemplify ‘localism’ with our communities leading the way in championing a bespoke approach to growth for Cornwall and the Isles of Scilly. We will align this with enhanced responsibility for decision making from central Government, initially through a single investment programme.

So the markets are there, our areas of expertise are aligned to some of these, and the future looks bright - we know what our Future Economy is.

Today’s reality

However, today’s economy is one of low wages, low productivity and low skills. Poor connectivity is one of the biggest barriers to growth in the LEP area and brings into sharp focus the need for IT and transport solutions to provide modern business support and connectivity to the rest of the country and the world.

We need to support our special kind of growth with a focus on the unskilled and those who will need to re skill to ensure our community takes most advantage of our Future Economy. Our communities will also need the right homes, with a salary which enables them to afford to live in the right place.
This situation is the elephant in the room and challenging perceptions is going to be tough and require some extraordinary thinking.

The Cornwall and Isles of Scilly Local Enterprise Partnership and all our partners share an ambition to continue to transform our economy as we grow. Transformational growth in our terms is about the wealth of our community, but more importantly its well being and the environment so that our unique characteristics are not only adhered to but enhanced. Ours is a new economy. What we do today will be the global economy of tomorrow, where the community is central and enhancing our special environment and culture is a prerequisite to improve our economic well being. We emphasise this through our core strategic principle: The culture, communities and environment of Cornwall and Isles of Scilly will remain special and unique.

An important principle underpinning the governance arrangements for our SEP is to secure enhanced autonomy for decision making through a single investment programme covering all available funding sources. The case for greater local decision making is clear, is central to Government economic policy and is supported by the private sector. We have proved our credentials for more responsibilities and we are confident we will earn the right for more autonomy.

Cornwall and the Isles of Scilly have already started this journey to a Future Economy. This Strategic Economic Plan will get us there. There has been a spirit of innovation and inventiveness that has thrived here for centuries; and this plan will set out how we can reinvigorate that spirit to unlock economic potential. Perhaps more than at any time in our history, technology and global trends are conspiring to make our natural assets a source of real competitive advantage.

Our Vision

Our growth vision is a thriving and vibrant Cornwall and Isles of Scilly economy benefitting from our vast local assets and innovating our way into global markets: A unique blend of ‘people and place’ where the environment is valued both as a business asset and an inspiration for life: Where businesses and individuals can work as communities and thrive to reach their full potential; confident, outward looking, connected to each other and to the world. A place where ideas are nurtured and have the opportunity to flourish – the value of knowledge is realised and applied with understanding: Home for competitive aspiring businesses, a natural magnet for the ambitious and creating sustainable rewards.

This Plan challenges Government to share in that vision and, thereby, share in the benefits from progressing it over the 2014-20 period and helping to develop a model that will make a significant contribution to the success of the UK economy and a model for others.

Our LEP is unique in our governance as well as the content of our plan. With a coterminous boundary across two Unitary Authorities as well as our NUTS II economic functional area which sees us recognised as a distinct economic region in the European Union, our geography works. This plan is not just a Local Enterprise Partnership plan but Cornwall and the Isles of Scilly’s plan, shared and owned by the Councils, the private sector, the Local Nature Partnership, the Health and Well-being Boards and the wide range of partners who have helped to develop this plan and our EU SIF.

The Cornwall and Isles of Scilly Strategic Economic Plan (SEP) is an overarching plan. It combines several tools to enable effective delivery. The key financial opportunity from 2014 to 2020 is of course the EU Structural and Investment Fund Strategy (EUSIF) for C&IoS with an investment portfolio worth some £520m before match funding. We cannot lose sight of the importance that this investment programme has at the
heart of our SEP. However, the EUSIF is not, on its own, a sufficient condition for our successful transformation. The SEP outlines additional and complementary changes and tools that are required to deliver C&IoS economic goals, and to optimise our contribution to UK growth and development. These include the Local Growth Fund; the Enterprise Zone; Regional Growth Fund, Growing Places Fund and Public Works Loan Board investment finance made available to LEPs; and a range of local public and private resourcing. It also provides alignment of the EUSIF with other national and local policies and programmes, and proposes freedoms and flexibilities that will better assure delivery of national and local shared ambitions. We have a major opportunity to invest at least £1bn in the economy over the next 7 years.

The Essential Connectivity

Our initial bid for Local Growth Funds is a focused package of connectivity and vital infrastructure based investments which act as a fundamental platform for our economic ambition. The specific projects, their justification and supporting evidence are detailed in the full SEP document. This investment programme will unblock the most important impediments to achieve our economic ambitions; principally, but not exclusively, delivered via our EU Programme and the private sector by 2020.

We are a unique region with a strong brand and vast potential. The time has arrived to unleash this potential, to celebrate our values and to create our own destiny.

To this end, we commend the Cornwall and Isles of Scilly Strategic Economic Plan to Government.

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

Our economic ‘growth plan’

Cornwall and the Isles of Scilly (C&IoS) are, paradoxically, both on the edge and at the centre of ‘proving’ government’s ambitions for local growth. Our socio-economic performance and challenges, environmental assets and sensitivities, cultural distinctiveness and dynamism are well established.

Our economic growth vision is a thriving and vibrant Cornwall and Isles of Scilly economy benefitting from our vast local assets and innovating our way into global markets: A unique blend of ‘people and place’ where the environment is valued both as a business asset and an inspiration for life: Where businesses and individuals can work as communities and thrive to reach their full potential; confident, outward looking, connected to each other and to the world. A place where ideas are nurtured and have the opportunity to flourish – the value of knowledge is realised and applied with understanding: Home for competitive aspiring businesses, a natural magnet for the ambitious and creating sustainable rewards.

However, one of the biggest dilemmas facing C&IoS leaders and national Government alike is to understand why, despite such high per capita levels of public support over recent decades and some major success and progress as outlined in our foreword, our economic performance remains so challenged on many traditional measures of socio-economic performances. C&IoS remains the only English (NUTS2) region designated as ‘less developed’ for the EU structural and investment funds 2014-20 programme (EUSIF). This is a source of real frustration, but also provides a major opportunity for turnaround and transformation in our Strategic Economic Plan (SEP) proposals. The EU Strategic Investment Framework forms a key component of the priorities outlined in this plan.

We submitted our final EU Strategic Investment Framework (EUSIF) in January 2014 for a £520m EU investment programme in our region. This is the second largest local allocation in England, the largest per capita and amounts to over 10% of the national growth programme. The successful delivery of the C&IoS EUSIF programme which meets our ambitions will contribute immeasurably to our own economy, to the success of England’s own EU SIF national growth programme and the UK economy more generally.

When we take the level of funding from the EUSIF, together with our bid for Local Growth Funds, existing national funds (such as Regional Growth Fund and Growing Places Funding), local public funds and, critically, expected investment from the private sector, we estimate that we have an investment programme worth at least some £1 billion to 2020. This SEP sets out the overall economic plan for this level of investment.

Based on a comprehensive analysis of data and via a wide consultation process, we are confident that the results we need to achieve will deliver our vision which is based as much on the importance of the quality of our economic growth as it is about the quantity. This analysis has also been fundamental to our agreed priorities for the Local Growth Fund initial bidding round. Whilst our overall focus is very much on our Future Economy and a successful business community, we absolutely know that there are still some fundamental connectivity, infrastructure and ‘human capital’ issues to tackle which will be vital to achieving our ambitions and in turn the overall quality of our economy.

1 See Investment Funds annex
The Strategic Economic Plan comprises three strategic priorities and fifteen key interventions:

Future Economy

Our approach under Future Economy is to prioritise investments which will capitalise on C&IoS’s strengths and unique characteristics to exploit new and emerging markets with an identified competitive advantage. We will utilise research, development and innovation as a recognised driver of growth. 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. These opportunities must be exploited, and new ones created, if we are to transform our economy. This entire plan is focused on delivering the physical and social platform that will enable us to realise the Future Economy vision.

Key Interventions

FE1  Newquay Cornwall Airport (NCA), Aerohub & Goonhilly
FE2  Renewable energy – technology and generation
FE3  Agri-food & agri-tech, food sustainability & innovation
FE4  E-health & smart homes
FE5  Digital economy

Targets

- Create over 100 new businesses in the identified smart specialisation areas and within Green and Marine industries by 2020
- Create 700 new high paid jobs by 2020
- Support the increase in renewable energy production to meet and exceed the national 15% generation target by 2020
- Introduce 40 new to the market products, processes or services by 2020
- 1,166 participants involved with high level/future economy based skills training
Growth for Business

Our approach under Future Economy is to prioritise investments which will capitalise on C&IoS’s strengths and unique characteristics to exploit new and emerging markets with an identified competitive advantage. We will utilise research, development and innovation as a recognised driver of growth. 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. These opportunities must be exploited, and new ones created, if we are to transform our economy. This entire plan is focussed on delivering the physical and social platform that will enable us to realise the Future Economy vision.

Key Interventions

GB1 Bespoke business ‘Growth Hub’
GB2 Targeted and bespoke business support to those with potential to grow
GB3 ‘Grow on’ and work space supply
GB4 Expanding market reach to export products and services
GB5 Creating a step change in business innovation culture

Targets

• 1920 existing enterprises will be supported
• 336 new enterprises will be supported
• 2160 jobs will be created
• 346 companies will be cooperating with Research Institutions
• 10 enterprises with new to market products
• 230 enterprises with new to firm products
• 18,900 participants involved with skills training
Conditions for Growth

Our ambition for a prosperous future is built on sound evidence and an intimate knowledge of our people, our places and our resources. Conditions for Growth forms the foundation for Future Economy and Growth for Business. This is the part of our plan which ‘takes the brakes off’ our business-led growth ambitions and enables them to come to fruition. These are the five intervention areas without which our pioneering approach to a Future Economy will not be realised.

Key Interventions
CG1 Strategic and intra connectivity and infrastructure
CG2 Isles of Scilly infrastructure for growth
CG3 Housing: Right homes, right place.
CG4 Skills, talent & raising aspirations
CG5 Creating community capacity & resilience

Targets
• Secure air connectivity to London Gatwick and secure international hub airport link by 2020
• Superfast broadband roll-out to address remaining 5% of the properties through alternative technologies and support 4,275 businesses to exploit it for growth opportunities
• 13.5% increase in rail passengers
• 10% increase in bus passengers
• 4275 additional enterprises accessing ICT products and services
• 34,300 taking part in skills for work training
Executive Summary

Our overall logic for the plan has been rehearsed extensively in the EUSIF: The need for high growth, high value, internationally competitive specialisms being captured in our Future Economy strand; with Growth for Business raising productivity and employment in the economy as a whole; and, Conditions for Growth addressing foundation infrastructure, service blockages and ‘human capital’.

The EUSIF will particularly address Future Economy and Growth for Business strands, whilst our initial LGF proposals will focus on underlying Conditions for Growth - especially transport, skills and housing.

The plan also explains how associated resources (national and local, public and private) contribute to the strategy; and the initial ‘growth deal’ freedoms and flexibilities which we consider necessary to ensure the plan’s success.

Our bid for the Local Growth Fund (LGF) – this section to be read in conjunction with the map-based diagrams attached.

The C&IoS Local Growth Fund proposals for 2015-17 encompass a total value of £117m, with a further package of some £130m in development.

Our bid will deliver our key priorities for connectivity and infrastructure. This in turn levered in some £844m investment from the private sector, delivers 11,643 jobs (4,801 of these by end of 2017) and 11,253 homes (6,394 of these by end of 2017).

It also delivers £190m uplift in GVA and a range of transport, low carbon and other EUSIF outputs and results.

Our LGF investment strategy focuses initially on achieving Conditions for Growth foundations for economic and business growth success in:-

- **Strategic and Intra connectivity and infrastructure**: Our transport package is about moving national connectivity infrastructure onto the next stage (A30, A38, Rail); addressing Intra-C&IoS backbone services such as the bus network and a travel app; and town packages to unlock growth in specific places. This investment links to our negotiation on our growth deal where we will aim to secure greater local control and influence over transport. Through the negotiation process we will also consider the sequencing of this package depending on the amount of LGF available.

- **Isles of Scilly infrastructure for growth - a water and sewerage solution**: A package of water and sewerage based infrastructure to enable continued basic human and business growth needs to be met on the islands, and to comply with EU legislation and UK international responsibilities;

- **Kick-starting the SFA opt-in of the EUSIF programme**: providing a range of education and skills interventions to boost employment and employability

We also outline those investment areas which are in development to come forward for the 2016/17 period at the latest. These interventions support and prepare the basis for successful EUSIF interventions in Growth for Business and the Future Economy. In years two and beyond, once the EUSIF is underway and state aid issues are resolved, the LGF may be deployed in supporting future economy interventions in renewable energy and the enterprise zone:

- **Raising aspirations**: a targeted set of activities to raise educational attainment in a way which matches the demand and supply of skills for young people with employment opportunities. A focus on early school life and an opportunity to bring employers into curriculum delivery and design.

- **Flooding resilience and enabling development**: to rebuild market confidence in C&IoS’s ‘open for business’ positioning, and address specific flood risk blockages to growth - as part of a wider national and south west response to recent crises.
• **Enterprise Zone, space and aerospace cluster:** Accelerated development of the Enterprise Zone, Aerohub, to unlock further growth of both the aerospace and space sectors, including an Institute for Advanced Technology.

• **Marine and Renewable Energy Infrastructure:** Support for the wider marine sector and linked renewable energy opportunities through investment in harbour operational infrastructure and deep water access, and the operationalisation of geothermal heat and power capability in Cornwall.

The C&IoS approach to LGF is explicitly ambitious - complementing both our EUSIF and local growth deal proposals; whilst recognising the legitimate interests of specific departmental and agency investors in the fund. Most of all, though, it is deliverable - maintaining the momentum and leveraging the benefits of ongoing investments like the A30 Temple to Higher Carblake project.

**We look forward to discussing our detailed proposals with government.**

**C&IoS ‘growth deal’**

The negotiations for our first local growth deal are a staging post on a more lengthy and fundamental C&IoS ambition for enhanced decentralisation and localism at the forefront of UK and England sub-national development. We are explicit and clear that our ambitions for C&IoS, in terms of enhanced autonomy and decentralisation, are high and demanding. We would argue that twenty years (i.e. post-1994) of intensive EU assistance in recognition of C&IoS’s economic underperformance - largely led and shaped by national and regional role players - has not delivered a transformational sustainable improvement in our relative economic position in the UK. Our SEP proposals for ‘growth deal’ agreements are the first stage in a process that will place C&IoS at the forefront of enhanced localism in England - alongside London, the Core Cities and other ambitious and ‘special’ geographies. We have sought to pursue a multifunctional integrated ‘growth deal’ with Government since at least 2011 - firstly within the whole place community budget framework, then alongside the city deal process. We are an integral member of the Plymouth and Peninsula City Deal - demonstrating our willingness to play a collaborative role on a peninsula level where appropriate; and also a Health and Social Care ‘Pioneer’, which indicates our ambition to accelerate the integration between health and social care, and address whole system reform.

At the same time, we recognise that, with twenty eight city deals and a commitment to thirty nine LEP-based local growth deals, the capacity of government to conclude fundamental reforms is constrained in the short term. Therefore, for our first local growth deal negotiations, we have focused our offer and asks on three inter-related areas directly addressing the headline ‘offers/results’ of our SEP outlined above.
### Negotiating Area #1

**Why it is important**
- With 10% of the national EUSIF allocation, making a success of the programme is of national significance both in compliance and outcome terms.

**Description**
- A separate Operational Programme for ERDF and ESF for C&IoS to recognise our unique status and which provides us with the full range of policy and financial flexibility.
- The creation of an Integrated Territorial Investment (ITI) to better integrate funds at a local level. The EU recognises integrated territorial strategies as vital mechanisms to successfully deliver the aims of European funding.
- Delegation of strategic decision-making responsibilities to an Intermediary Body to the local area (Cornwall Council) to drive higher performance through better local knowledge, delivery of the European Commission’s simplification agenda and a joined up approach to investment leading to higher programme outputs and results.
- Extension of depth and breadth of ‘opt-in’ agreements within an overall C&IoS bespoke business growth hub programme - building on already agreed Plymouth and Peninsula City Deal flexibilities.

### Negotiating Area #2

**Why it is important**
- Supporting a business-friendly environment that incentivises development of Future Economy potential of national and international competitiveness, building on C&IoS assets and opportunities.
- It is important that the Newquay Aerohub EZ is a success to ‘prove’ a government flagship policy (EZs) and as a key local asset and catalyst for the economy in C&IoS.
- Supporting the successful delivery of the South West Marine Energy Park and associated marine priorities within the Plymouth and Peninsula City Deal.
- Maximising the opportunities at Goonhilly Earth Station and exploring links to the Enterprise Zone and higher education.
- Driving the Smart Specialisation and Horizon 2020 priorities within the C&IoS EUSIF to support both the C&IoS economy and links to wider UK economy.
- Supporting delivery of UK growth targets linked to the UK Industrial Strategy and the Eight Great Technologies.

**Description**
- A package of measures to extend and deepen business growth incentives of the regulatory, taxation, RD&I regimes in C&IoS for renewable energy and aerospace/space-related growth - especially linked to EZ, offshore and geothermal developments.
### Negotiating Area #3

**Effective delivery of Conditions for Growth**

<table>
<thead>
<tr>
<th>Why it is important</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Connectivity and sound infrastructure are major drivers of economic and business growth.</td>
<td>• The evolution of current arrangements towards a more sophisticated and localised institutional regime for transport development and management builds on Cornwall Council’s track record in transport innovation and delivery, and on the successful establishment and agreements of the LTB on business and economic growth priorities.</td>
</tr>
<tr>
<td>• As a peripheral maritime region with modest population and very high visitor numbers, many national transport priorities and programmes do not transpose successfully to the C&amp;IoS context. This has been demonstrated in increasing pressures on national road and rail agencies to deliver growth-oriented infrastructure and services, and in constraints in maintaining and augmenting airport and port provision for business growth.</td>
<td>• Support for the Isles of Scilly as the only place in England where the Local Authority is still responsible for water and sewerage. Formal arrangements to support them in this work are sought as part of this deal.</td>
</tr>
<tr>
<td>• We are also developing a number of other local tools in the areas of housing and skills – both of which we recognise require a more strategic approach to deliver on our growth targets.</td>
<td>• Given the on-going extraordinary weather impacts, evolving a new arrangement with Government to support a longer term approach – rather than year on year, ad hoc bidding arrangements for funds.</td>
</tr>
<tr>
<td>• There is a specific sui generis case for the Isles of Scilly – in both connectivity and basic infrastructure requirements. Their case as an island under Article 174 in the Lisbon Treaty should be noted in which ‘particular attention’ shall be paid to certain types of regions which ‘suffer from severe and permanent natural or demographic handicaps’.</td>
<td></td>
</tr>
</tbody>
</table>
Executive Summary

Concluding remarks:

The C&IoS approach is founded on growth reducing dependency, in preparation for graduation from less developed area designation beyond 2020. We set out our description and argument in support of this ambitious, deliverable Cornwall and Isles of Scilly Strategic Economic Plan. We consider our growth plan to be coherent and credible, with a number of confidence-building early wins; our LGF bid to be well-founded and deliverable over 2015/16 and 2016/17; and our ‘growth deal’ proposals to be game changing in importance if we are to achieve our ambitions for economic growth.

To summarise, our SEP comprises three related propositions:

1. It is the C&IoS economic growth plan, with a £1 billion investment strategy to 2020. We believe this level of investment can deliver an additional £338m GVA p.a. by 2020 (an additional growth rate of 5% above forecast trends), and make a significant contribution to UK’s performance and profile in emerging industries, new technologies and global markets.

2. It is the C&IoS’s initial bid for the Local Growth Fund (LGF) amounting to £117m total project value over the first two financial years of LGF and a number of investment-ready ‘early wins’. Cornwall and Isles of Scilly seeks to enable accelerated growth of 4801 jobs, 6394 homes and contributing to £190m GVA growth by 2017. Our initial 2015/16 LGF strategy is to focus on Conditions for Growth interventions which support and prepare the foundations for successful EUSIF interventions in Future Economy and Growth for Business areas.

3. It is the C&IoS ‘growth deal’ with our offers and asks of government giving us the ability to take increasing local responsibility for planning and managing growth. As part of a continuing ambition for significantly enhanced decentralisation and localisation, we are focusing the 2015/16 ‘growth deal’ offers and asks on three inter-related sets of freedoms and flexibilities around SIF planning and management; Enterprise Zone and complementary regulatory enabling; and the evolution of a bespoke ‘Transport for Cornwall’ configuration with specific 2015/16 milestones on each of these.

These three elements will ensure we deliver better local and national results as an exemplar of Government’s ambitions of “unleashing the ambition and creativity of local leaders...in pursuit of growth”.

This agreement with Government is nationally important.

• It provides the context and identifies a range of complementary actions to ensure success of Government’s EUSIF National Growth Programme, in its only Less Developed Region and second largest recipient of EUSIF funds.

• It delivers a coherent multi-governance approach to growth and development in a cohesive, challenging rural region with credible growth potential - an important counterbalance to the predominant city and metropolitan-based models of localisation of local growth which have been prioritised by Government hitherto.

• It provides a ‘proving ground’ for a number of key Government priorities and innovations - notably Enterprise Zones, the aerospace and space strategies, the Plymouth and Peninsula City Deal’s focus on marine industries and the renewables energy sector (offshore and geothermal).

• The individual portfolio of interventions contains a number of important and innovative projects and programmes that build on national agreed priorities (e.g. the transport programme) and test and develop new approaches in key areas (e.g. renewable energy, aerospace and space, smart homes and e-health).
Context

Probably the biggest dilemma facing C&IoS 'leaders' and national government alike is to:-

- understand why, despite such high per capita levels of public support over recent decades, C&IoS's economic performance remains so challenged on many traditional measures of socio-economic performance. And...
- ...to use that understanding to shape the strategic economic plan 2014-20 and the major intervention strategies that the SEP will deploy.

A number of hypotheses may be considered in this respect. This chapter of the SEP seeks to capture that understanding and link it to SEP priorities and approach. As productivity issues are the main constraint to our economic success, we have sought to revisit the recognised drivers of productivity and ensure our rationale for intervention is aligned to: investment, innovation, skills, enterprise and competition. Four overall arguments and the proposed SEP responses address this dilemma:-

<table>
<thead>
<tr>
<th>Hypothesis of C&amp;IoS enduring economic challenges</th>
<th>Illustrative recent evidence of both problems and solutions</th>
<th>Implications for SEP 2014-20</th>
</tr>
</thead>
</table>
| C&IoS poor connectivity                         | • External connectivity: 280 miles from Cornwall to London with a minimum car journey time of 5.5 hours and a similar time by train
• Recent extreme weather has disrupted our transport connections and affected businesses
• C&IoS has taken increasing responsibility for transport and broadband provision from national agencies (e.g. A30 Temple-Higher Carblake, passenger rail branch lines) | • Focus LGF bid and growth deal proposals on strategic transport connectivity
• Ensure SIF and related programmes complete superfast broadband connectivity and support business take up |
| Traditional Economic structure                   | • Five largest GVA sectors in C&IoS (accounting for over 50% of GVA and 49% of employment) have remained consistent over time and tended (with exception of real estate) NOT to be high growth sectors
• Recent investments have supported development of high growth sectors such as creative and digital, renewable energy, specialist food and drink etc. Opportunity to invest in global growth markets and support our businesses to become a part of the supply chain | • Provision of co-ordinated support for businesses in C&IoS bedrock sectors and industries to drive up productivity and support employment growth (capital broadening and capital deepening)
• Invest in Innovation and R&D (identified growth mechanism) to support rapid development in key high growth potential areas of economic activity |
| Foundations for sustainable growth laid in previous programmes were set back by global financial crisis and/or are yet to reach maturity | • Economic indicators demonstrate positive progress against national and historic trends up to 2008, but have fallen back since
• Investments in the Combined Universities in Cornwall have impacted positively upon higher | • Build upon our key flagship interventions to build on their successes and to move them on to next stage of maturity - e.g. Wave Hub, Newquay Cornwall Airport and the Enterprise Zone, superfast broadband |
\begin{tabular}{|l|l|l|}
\hline
Skills and are continuing to gain momentum & Initiatives like Innovation Centres have been successful projects but require further investment (for example, outreach to external businesses, move-on accommodation) to achieve full potential & The growth deal seeks greater localisation of EUSIF planning and management and enhanced opt-in negotiations around localisation from key government departments and agencies, both formal EUSIF opt-ins and agencies with extensions to TSB, DECC \\
\hline
As an underperforming area in economic terms national programmes and initiatives do not always see significant take up & C\&IoS businesses have very low take up of many national business growth support products (e.g. TSB, UKTI etc) & CUC partners have achieved national quality developments in key innovation areas - e.g. Creative, environmental, marine \\
\hline
\end{tabular}

\textbf{Cornwall and Isles of Scilly today}

The above acts as a prelude to the well-rehearsed (e.g. in EUSIF evidence bases) narrative of C\&IoS’s current socio-economic performance challenges. Key areas of economic concern include:-

\begin{itemize}
\item On traditional measures, we are a low productivity, low innovation region
  \begin{itemize}
  \item GVA stood at £7.5bn in 2011 and on a per head/per capita basis this was £13,848: barely two thirds of the UK average and the second lowest of all NUTS2 areas
  \item The area has the lowest levels of productivity of any of the LEPs in the country (ONS). GDP is £16,900 per annum per capita: this figure is 72% of the EU average and 65% of the UK average
  \item In 2009 R\&D spend was 0.19% of GDP compared to a national figure of 1.85%.
  \item In 2012 medium gross annual earnings for all employees in C\&IoS equalled £17,389 or around four fifths of the UK average, and although earnings have trended upward from 1999 to 2007 this was halted by the economic crisis of 2007/8 and the recession afterward.
  \end{itemize}
\item We have high levels of relatively modest productivity self-employment and of economic inactivity
  \begin{itemize}
  \item C\&IoS have a lower percentage of its economically active population with Level 4+ (34.2% compared with 38.5% for the UK)
  \item On average over the past three years, approximately a quarter of those aged 16-64 were economically inactive
  \item There are an estimated 32,100 workless households in Cornwall, 19% of total households
  \item The proportion of self employed is around 1.5 times that of the UK average and has trended upwards in recent years despite income levels of only around £10,000pa.
  \end{itemize}
\item …and major issues of housing affordability
  \begin{itemize}
  \item In mid 2013 the average house price was almost £181,000: over 10% more expensive than the English average
  \item The Isles of Scilly has the lowest home ownership levels in the UK with only 38% living in their own homes compared to 72% in Cornwall and 69% in the UK. The Isles of Scilly have 30% of households in private rented accommodation compared to the average of 9% in England. This imbalance has a detrimental effect on aspiration and business resilience that can be addressed through innovative approaches to new housing. The affordability gap is higher than elsewhere with housing on the Isles of Scilly being 27 times the average wage.
  \end{itemize}
\item There are other particular challenges for the Isles of Scilly: The huge dependence on tourism related businesses, over 80%, makes the economy very low wage and seasonal, exacerbated by the high cost of
\end{itemize}
living caused by transport and additional freight costs. Incomes are significantly lower than the national and regional averages due to this preponderance of low paid, part time and low skilled jobs. The majority of employers are micro and SMEs. The islands have one of the lowest unemployment rates in the Country at less than 2%, no NEETS (largely due to the lack of post 16 education), and the 4th highest level of registered businesses per head of population in England at 72.73%. Although there are no providers of post 16 education on the Isles of Scilly, restricting participation in mainstream skills and training activities by both individuals and businesses, the Islands have only 7% of the resident population with no qualifications, only slightly behind the City of London and Cambridge - but these qualifications are rarely used to drive economic development and innovation.

Consequently, the 'weaknesses' and 'threats' sections of our SWOT analysis (see Appendix One) highlight:-

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peripheral location and distance from markets contributing to low GVA &amp; GDP</td>
<td>Internal and external connectivity; Failure to address bottlenecks in strategic infrastructure that will then ‘block’ further development</td>
</tr>
<tr>
<td>Poor and variable quality of strategic transport infrastructure leading to poor journey time and service reliability</td>
<td>Failure to address low levels of RD&amp;I which could lead to a further decline in relative competitiveness</td>
</tr>
<tr>
<td>Low levels of R&amp;D investment, innovation and competitiveness contributing to low earnings (81% of national average)</td>
<td>Failure to address issues around evolving and developing productivity</td>
</tr>
<tr>
<td>Low levels of business productivity</td>
<td>Failure to support businesses to take full advantage of superfast broadband</td>
</tr>
<tr>
<td>Overall levels of low productivity &amp; seasonal dependence on low skilled jobs (including significant ‘bedrock’ sectors such as tourism and agri-food)</td>
<td>Failure to address climate change which will impact on resilience and opportunity for economic growth</td>
</tr>
<tr>
<td>High and persistent levels of worklessness and pockets of severe deprivation (including those associated with health issues)</td>
<td>Continuing barriers to the finance of SMEs</td>
</tr>
<tr>
<td>Skill levels that are still below the national average (both basic &amp; higher level)</td>
<td>Inability to exploit our natural resources for renewable energy due to constrained grid capacity</td>
</tr>
<tr>
<td>Lack of regulatory framework for renewable energy project development (geothermal/local energy markets)</td>
<td>Lack of flexibility and join up in national approaches which restrict strong outcomes</td>
</tr>
<tr>
<td>A rural area with a dispersed settlement pattern leading to greater need to travel for employment and education and forced car ownership</td>
<td>Increased national and international competition and globalisation of trade</td>
</tr>
</tbody>
</table>

**Moving In the Right Direction**

Nevertheless, these challenges and barriers to growth should be seen within the context of a strong distinctive asset base and track record of delivering change in key areas. For instance:-

- environmental assets for quality of life & low carbon technology development - including the development of WaveHub, FabTest, PRIMARE and a range of other marine renewables capabilities; and initial consents for two geothermal power generation opportunities;
- cultural distinctiveness - including the establishment of Falmouth University with strong creative and cultural specialisms;
- Further Education/Higher Education/Health basis for Research & Development - including the three Innovation Centres, and a number of specialist schools and R&D centres within the CUC partnership.
Indeed, a recent Oxford Economics evaluation (March 2014) concluded that the impact of Falmouth University and Exeter Falmouth Plus “between 2002/3 and 2011/12... amounted to a GVA contribution to Cornwall’s economy of £371million; 8,020 job years of employment; and £108 million in tax revenue to the UK Exchequer”;

- existing competitive advantage through superfast broadband - with levels of bandwidth and capacity amongst the best in non-metropolitan UK;
- opportunities for accelerated growth for micro and small businesses - including successful establishment and operation of three themed innovation centres. For instance, Pool Innovation Centre has produced 130 gross new jobs, local graduate recruitment and an increase of £6.7m in C&IoS GVA.
- infrastructure assets that can stimulate further growth - including agreements with Highways Agency and Network Rail to take increasing responsibilities for strategic national transport networks in C&IoS;

With the refreshed impetus of the EUSIF, our SWOT 'strengths' and 'opportunities' sections highlight:-

<table>
<thead>
<tr>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved FE/HE infrastructure; better facilities, breadth of courses, increased student and research capacity within world class research clusters</td>
</tr>
<tr>
<td>Strong brand, increasingly linked to high quality values and positive external image nationally/ internationally</td>
</tr>
<tr>
<td>A rapidly growing third sector facilitating innovative delivery and the first rural Social Enterprise Zone</td>
</tr>
<tr>
<td>A vibrant creative sector which can drive innovation</td>
</tr>
<tr>
<td>Unique natural resources with significant energy production potential</td>
</tr>
<tr>
<td>A long history of collaborative partnership working</td>
</tr>
<tr>
<td>One of the best digitally connected rural areas in the world connecting to new markets and encouraging innovation and growth</td>
</tr>
<tr>
<td>High levels of self employment and business survival rates</td>
</tr>
<tr>
<td>Emerging concentration or clusters in high value sectors (e.g marine renewables, aerospace, e-health, agri-tech, digital economy) and evolving value in ‘traditional’ sectors (agriculture, food)</td>
</tr>
<tr>
<td>A strong and long established enterprise culture</td>
</tr>
<tr>
<td>Building on previous EU Investment to drive forward economic growth</td>
</tr>
<tr>
<td>Proactive local investment and engagement in improving transport infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalise on FE/HE infrastructure and expertise to increase R&amp;D and create conditions for growth</td>
</tr>
<tr>
<td>Emerging markets &amp; sectors (e.g. e-health, renewables, agri-tech) provide opportunities to increase productivity and shape the future economy</td>
</tr>
<tr>
<td>Exploit the competitive advantage of superfast broadband to facilitate growth for business by improving content &amp; access to markets</td>
</tr>
<tr>
<td>Abundant environmental assets to increase productivity and growth in key low carbon sectors with nationally significant energy production capacity to capture value in the future and drive growth in the agri-food sector with enhanced manufacturing and supply chain activity</td>
</tr>
<tr>
<td>Large numbers of agile SMEs and above average business survival rates creating potential for accelerated growth for business if appropriate &amp; bespoke support (finance/export/start up) can be delivered.</td>
</tr>
<tr>
<td>Existing physical assets and social capital which have further growth potential (Innovation Centres; Aerohub/Wavehub) with further infrastructure investments to enhance conditions for growth.</td>
</tr>
<tr>
<td>Potential to develop replicable pilot/research projects to lead the EU/UK future economy (smart energy infrastructure)</td>
</tr>
<tr>
<td>Maximising funding opportunities as a Less Developed Region for the EU structural and investment funds 2014-20 programmes</td>
</tr>
<tr>
<td>Capitalise on an existing locally based transport infrastructure skills base delivering A30 Temple to Higher Carblake.</td>
</tr>
<tr>
<td>Building on previous EU Investment to drive forward economic growth</td>
</tr>
</tbody>
</table>
From contextual analysis to SEP intervention strategy

Considerable further contextual analysis and evidence of performance has been produced in both the December draft SEP and in the suite of EUSIF documentation - so this will not be repeated here. What this chapter does show, however, is how evidence has determined and driven our intervention themes and strategies. Our low productivity and low innovation profile can be redressed through exploiting a small number of national and global capabilities in building the Future Economy. Our high levels of worklessness and skills concerns dictate a more generic Growth for Business approach across our bedrock industries as well as traditional and emerging sectors. Connectivity and affordability issues for both residents and business can be addressed through foundation Conditions for Growth investments. The options for progressing these three themes can build on firm successes showcased above in each intervention area. A new relationship with national government (through the growth deal), the private sector (through the LEP), and local communities (e.g. through EUSIF LEADER and Community Led Local Development measures) can redress the weaknesses of previous strategies.

On balance, it is certainly the case that connectivity and economic structure remain enduring challenges for national government and for local C&IoS leadership - but probably the answer to the challenges posed in the introduction to this chapter rests more centrally on the final two propositions. Our SEP 2014-20 needs to leverage the investment successes of previous programmes which were undoubtedly stalled by the global financial crisis and subsequent recession. It needs to do this through new approaches to C&IoS taking increasing responsibility for the decisions that most impact on C&IoS long-term economic fortunes. The following chapters show how our plan for growth, LGF programme, and local growth deal can enable us to do this.
Our approach under Future Economy is to prioritise investments which will capitalise on C&IoS’s strengths and unique characteristics to exploit new and emerging markets with an identified competitive advantage. We will utilise research, development and innovation as a recognised driver of growth. 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. These opportunities must be exploited, and new ones created, if we are to transform our economy. This entire plan is focussed on delivering the physical and social platform that will enable us to realise the Future Economy vision.

Key Interventions

- Create over 100 new businesses in the identified smart specialisation areas and within Green and Marine industries by 2020
- Create 700 new high paid jobs by 2020
- Support the increase in renewable energy production to meet and exceed the national 15% generation target by 2020
- Introduce 40 new to the market products, processes or services by 2020
- 1,166 participants involved with high level/future economy based skills training

Future Economy

| FE1 | Newquay Cornwall Airport (NCA), Aerohub & Goonhilly |
| FE2 | Renewable energy – technology and generation |
| FE3 | Agri-food & agri-tech, food sustainability & innovation |
| FE4 | E-health & smart homes |
| FE5 | Digital economy |
**Rationale for intervention**

As an identified driver for economic growth and productivity, innovation is an essential thread throughout all of the identified areas for intervention in our growth plan. Effective innovation is built around targeted investment in priority growth opportunities. This is often referred to as Smart Specialisation, which is an internationally recognised approach to addressing new growth opportunities. It is based on identifying a limited number of priorities for investment which have an identified competitive advantage based on physical, knowledge and enterprise assets. This links well to the national agenda, with UK Government requesting a framework for innovation that focuses investment in areas where there are competitive advantages for a region in the global market, aligned with the UK Industrial Strategy that identifies a number of key sectors for investment to raise global competitiveness.

We will address historic poor performance in Research, Development and Innovation (RD&I) through targeted investments that capitalise on our strengths and unique characteristics to exploit new and emerging markets and sectors in which we have a competitive advantage.

**A C&IoS ‘Smart Specialisation’ perspective**

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 can benefit from national funding mechanisms such as the Technology Strategy Board (TSB). 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.

C&IoS has adopted the smart specialisation approach to identify key areas for investment, joining the European Smart Specialisation Strategy (S3) platform and subjecting our approach to ‘peer review’. This process has identified key features of our innovation asset base and this has informed our areas for research and innovation investment:

- Business base: concentration of agri-food, creative businesses; clusters of offshore renewables, e-health/wellbeing; and business consultation responses
- Partnerships and networks: e.g. South West Marine Energy Park
- Research/assets and knowledge base: e.g. Environment & Sustainability Institute, European Centre for Environment & Human Health, Academy for Innovation & Research, Innovation Centres (digital, creative and health & wellbeing), Wave Hub/PRIMARE, Aerohub at Newquay Cornwall Airport.
- New and growing Higher Education/Further Education (HE/FE) sector with key specialisms: agri-tech, creative, (including digital), health and wellbeing appropriate and in particular to global market opportunities.
....together with a small number of areas of economic activity where S3 comparative advantage may be exploited:

- Space/Aerospace assets
- Renewable Energy Technology
- Agri-Tech
- E-Health
- Digital Economy

In line with Smart Specialisation methodology we narrow down the specific areas of opportunity to invest in those areas where we have a real opportunity to create genuine new market opportunities. We will also seek to partner with other regions (both nationally and internationally) where our businesses can become part of a global supply chain.

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 support to companies that have the potential to exploit new market opportunities and those that can deliver the region’s ambitions to be a ‘green and marine’ area. We will use the EU programme to attract investment and RD&I in market opportunities with a focus on smart specialisation and opportunities for high growth.

As well as the key areas for investment outlined above, we must also target our investment in RD&I based upon local business strengths and our asset base (e.g. geothermal), with alignment to national priorities where appropriate and in particular to global market opportunities.
Horizontal innovation

Our approach to creating an innovation eco-system to support a broadening of innovation density in C&IoS is identified under our Growth for Business strand. These measures will be particularly relevant to the specific Future Economy intervention strategies, including - for all these areas of economic activity - ensuring ease of access and support to:-

- Develop and support appropriate models that encourage research and innovation in C&IoS to develop business opportunities in the identified sustainable growth markets
- Undertake collaboration with centres of excellence to support growth within and exploit market opportunities
- Invest to build on current physical assets and address identified gaps in RD&I infrastructure through:
  - Support to grow businesses in specialisation markets
  - Support for start ups including through market led graduate entrepreneur schemes
  - Development of higher level research skills to drive HE/FE business collaboration
  - Initiatives that drive social innovation and open innovation in relation to the specialisation areas
  - Ensure businesses have access to appropriate HE/FE academic support for RD&I
  - Invest in capital infrastructure to further drive innovation clusters: building on current assets and supporting new models where appropriate
  - Revenue support to further drive innovation clusters: building on current assets and supporting new models where appropriate

S3 and other specialist areas of economic activity

Beyond the broadening of innovation our plan for growth for specific S3 and associated Future Economy interventions are described below.
Rationale for intervention

The Aerohub Enterprise Zone (EZ) at Newquay Cornwall Airport (NCA) is the UK’s only aerospace focused Enterprise Zone on an operational civilian airport. It is one of the largest planning free environments in the UK with an unparalleled aviation environment and some attractive financial incentives.

The Aerohub provides a unique opportunity for specialisation not only in niche direct aerospace (and space) activity but particularly in unmanned aerial systems and in due course autonomous systems and robotics. **The challenge is to attract significant inward investment capable of delivering highly skilled well paid jobs.** Aerohub is now looking to the Government to support this sector in order to ensure that the UK and C&IoS capitalise on the competitive advantage we have, which could result in a global draw for inward investment.

Additionally, NCA is reliant on a PSO for its London route; its status as a viable commercial passenger airport will affect the future of both the airport and the Enterprise Zone, this is covered in more detail in the Conditions for Growth intervention theme.

Goonhilly Earth Station is seen by the UK Space Agency as a key national asset and is a fully operational satellite communications teleport. The 2010 Space Innovation and Growth Strategy, a joint Government, industry and academic study, outlined a 20-year vision for the UK space sector, to double the UK’s global market share to 10% by 2030, estimated by then to be worth some £40bn, and in so doing create 100,000 high value jobs.

**Goonhilly has huge potential to be a catalyst for significant growth and the creation of a new space sector cluster.** Goonhilly Earth Station Ltd and Avanti run operations from the site, with strong academic links developing research and training programmes and there are ambitious plans to link Goonhilly to the Harwell Space Catapult Centre.

Our approach to intervention

The NCA site, with its large runway, clear airspace and a developing cluster will be underpinned by capital investment into infrastructure, an aircraft maintenance facility and executive Aviation Centre in 2014-16 and the development of the **Cornwall Institute for Advanced Technology**, which will pioneer an industry led training establishment. Our partnership with West Wales Airport and the National Aeronautical Centre will enable us to test and certify new unmanned systems in a unique aviation environment, currently unrivalled in Europe.

The Enterprise Zone financial incentives are a key offer, in particular, the short term rate reliefs offered to inward investors as a direct catalyst for investment, continuity in Government support to rates relief will be fundamental in its continued growth. **An extension of the Government support to the rates relief for a further 2 years until April 2020 will allow the LEP to continue to invest the rates retentions into the Zone.** This will allow our EZ to reach a particular stage of maturity where it can sustain activity and spread the benefits into the wider economy.
Although it is fully recognised that we are not at a point to fully exploit Goonhilly’s potential today, there is an ambition to harness its economic potential. The National Space Agency has confirmed that Goonhilly is seen as a key national asset and there are significant opportunities to develop capacity and expertise in this area.

The LEP seeks opportunities for additional investment in the space sector in Cornwall and support for development of applications to specific competitions such as the Technology Strategy Board’s LaunchPad programme and the UKSA National Space Technology.

**Newquay Cornwall Airport, Aerohub & Goonhilly plan for growth**

**What we will do**

- Deliver to the market over 50 acres of serviced employment land at the Aerohub Business Park
- Construct a new Aviation/aerospace hub with a new aircraft maintenance facility and executive Aviation Centre for completion by 2016
- Develop the Cornwall Institute for Advanced Technology ready for delivery in September 2016
- Further develop our relationship with West Wales Airport and the National Aeronautical Centre to identify collaborative opportunities and create an airspace environment that allows unmanned and space systems to operate
- Continue to develop capacity and expertise in the space sector through R,D&I
- Maximise the impact of the Bloodhound Super Sonic Car (SSC) project through 2015 & 2016

**Our ‘Asks’ of Government**

- Extend the period of business rates relief for the Newquay Aerohub Enterprise Zone a further 2 years (until 2020) to allow the LEP to further invest in developing the zone and so it can reach maturity
- Continue to support the EZ through capital match funding from initiatives like the Local Infrastructure Fund (LIF)
- Review the potential of an Enhanced Capital Allowance Zone for the EZ
- Assist with the creation of the dedicated airspace at Aerohub/Newquay Cornwall Airport to facilitate operations of unmanned or space vehicles
- Support negotiations with the Technology Strategy Board and the UK Space Agency to exploit the satellite and relatively empty airspace of NCA and Goonhilly for national space teleport and aerospace testing
Marine renewables and technology: Rationale for intervention

Over the past decade the UK has established itself at the forefront of the global marine renewable energy sector, with a particular focus on Wave Energy, Wind Energy and Tidal stream energy. Since 2007, the South West has invested over £100 million to provide world leading research and demonstration facilities with assets concentrated in Cornwall, particularly around Falmouth and Hayle, and further clusters around Plymouth and Bristol. The UK government has supported the creation of Marine Energy Parks (MEP) with the South West now recognised as the leading centre for marine energy technology development outside of Scotland employing between 400 and 500 people.

C&IoS are uniquely placed in this sector; with an extensive coastline, and excellent marine energy and resource. We are home to Wave Hub, the largest consented demonstration area for marine energy technologies in the world, the FaB Test nursery site in Falmouth Bay and a world class hydrodynamic test facility in Plymouth. We have world leading supply chain companies, a concentration of marine engineering and marine operations expertise, strategic port infrastructure at Falmouth plus the new Marine Energy Business Park at Hayle and importantly we have political and stakeholder support for the marine energy sector.

Our focus on wave energy and floating wind and strengths around marine engineering and operations, combined with the research capability and facilities available through the region’s universities and in the private sector, ensure that we are able to provide a ‘Technology Pathway’. This Pathway will support the development of new technology from concept design, prototype and component testing through to full-scale demonstration.

The global potential of the UK industry is significant; the industry could grow to provide £3bn per annum to the UK economy and employ 19,000 people by 2030, predicated on the basis of industry reaching full commercial maturity in that timeframe and securing a significant export market.

However, the marine energy industry faces a number of challenges to reach full commercialisation. In the next 5-7 years we expect to see the industry begin to move from technology development through to full commercial projects. Moving marine technology into the commercialisation phase is a priority if the UK is to maintain its industry leading position in this sector.

We will also build on our long established tradition of boat building and repair to ensure it remains a key economic driver for C&IoS in the 21st Century. We have one of the largest natural harbours in the world at Falmouth, along with one of the UK's largest ship repair complexes. This coupled with the fact that there is a 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, means there are a set of conditions in place that can drive growth opportunities.
Our local strengths and competitive advantages include:

- **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 (University of Plymouth)
  - 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
  - One of the largest ship repair complexes in the UK, accommodating vessels up to 100,000 tonnes
  - Plymouth University tank test facilities
  - Opportunities for innovative testing (e.g. St Mary’s Airport offshore renewable energy generation scheme)

- **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

- **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

**Marine renewables and technology: Our approach to intervention**
C&IoS’s strong partnerships forged through the Plymouth and Peninsula City deal and though the South West Marine Energy Park will ensure we lever in all possible resources, avoid duplication and share best practise.

This commercialisation phase is about de-risking project investment, with the greatest barriers faced by the marine energy industry today being access to funding and the marine licensing regime in the UK. But success will be dependent on a number of factors, including:

- Proving the technology at full scale at sites such as the European Marine Energy Centre (EMEC) and Wave Hub
- Attracting larger Industrial (OEM – Original Equipment Manufacturer) Investment
- Securing access to project sites – beginning with small scale “Demonstration Sites” of 5MW, 10 MW and up to 30 MW and then larger sites of 50-100 MW
- Attracting finance from project developers and utilities
- Introduction of financial instruments to encourage private sector inward investment
- Securing grid connection and other infrastructure such as ports and manufacturing
- Building capability and skills in the supply chain
- Securing a significant export market
- Driving down costs through economies of scale and continued innovation
- A streamlined and efficient planning and consenting process

We will work directly with our tier 1 marine technology companies to help them fulfil their growth potential. Each of the tier 1 companies are already developing new technologies to meet global demand and support for these businesses will be critical to achieving long term, high value added growth. We will also support the marine technology supply chain which already employs approximately 1,500 people. We will work with the supply chain to develop the skills and expertise needed by tier 1 companies and so support a long term sustainable approach to marine technology.

Geothermal energy: Rationale for intervention

Due to the underlying geology of the region, Cornwall is best placed to exploit the UK’s deep-geothermal resource. A recent report commissioned by DECC suggests the South West (mainly Cornwall) current potential is up to approximately 100 MW of electricity (enough for 16,000 homes). This could increase considerably as the sector matures, uncertainties are removed and costs reduce. Another report concluded that Cornwall could produce as much as 4 GW of electricity. This is approximately 5% of the total UK demand and as a bi-product wide-scale thermal energy could heat local homes, businesses and public buildings.

Cornwall is internationally recognised for its deep geothermal potential due to the world renowned Department of Energy research programme that was run at the Rosemanowes Quarry near Penryn in the 1970s and 1980s. During this period Cornwall developed local academic and industrial expertise. At the close of that project, much of the expertise base moved into the private sector, establishing local companies such as Geoscience, Calidus Engineering, Altcom, Wardell Armstrong’s renewable division and EGS Energy Ltd. There is also expertise at the Camborne School of Mines including regional structural geology and geotechnical engineering.

Cornwall possesses around 60% of the UK’s geothermal resource. This resource has the potential to make a major contribution to the UK’s energy mix moving forward. However, until the technology is proven through the development of several sites, it will not be possible to produce a meaningful estimate of the renewable electricity and heat generation potential in Cornwall and beyond.
**Geothermal energy: Our approach to intervention**

Cornwall is the **first region in the UK to approve planning permission for deep geothermal plants**, with 2 fully consented sites at Eden and United Downs. Through targeted investment in these pilot sites we will ensure we remain ahead of the curve both nationally and internationally, with significant opportunities to develop a nascent renewable industry in the UK. We need the right environment for this to happen, and regulations and licensing must support growth; greater flexibilities are essential to ensure that the commercial risks associated with the development of a new technology are minimised as much as possible to encourage and secure the investment that will need to be made in this new UK renewable sector.

There is currently no deep geothermal resource licensing framework in the UK. This is considered to be a significant barrier to commercial exploration and investment in the sector.

**Smart Grids: Rationale for intervention**

C&IoS Local Enterprise Partnership has a well established strategy and targets which identify both the benefits of developing a future Low Carbon Economy and the potential for our natural environment to drive the economy. This ambition is firmly shared by both local authorities.

As demand for energy rises and as the production of decentralised generation grows, the aging energy distribution infrastructure within C&IoS has the potential to become a key barrier to future growth. However as identified by DECC in the 2012 Energy statement, nationally energy projects represent the largest opportunity for infrastructure investment in the UK. The statement identifies the need for circa £110 billion of capital investment over the next 10 years.

Recognising these opportunities, we are increasingly finding innovative ways in which energy is produced, transmitted and consumed. At the core of this activity is a commitment to develop a robust and increasingly ‘intelligent’ energy system. As such, enabling investment in the development of a Smart Grid will provide the necessary technological backbone to enable changes in the C&IoS wider energy system as a whole.

Evidence produced by Regen SW has already identified that much of the distribution network in the South West is constrained. The minimal spare capacity means that the resulting need for high voltage network reinforcement costs are being reflected in the increasing connection charges faced by the developers of decentralised energy projects. In some instances these costs have now reached a point where the charges have become prohibitive to energy infrastructure development activity.

However, investing in improved facilities for energy storage at the domestic, commercial and distribution level coupled to enhanced information management systems will increasingly support the bidirectional flow of energy. An improved balance between energy supply and demand will beneficially enhance the efficiency of C&IoS existing distribution networks. In turn this will help to defer costly network ‘reinforcement’ costs, encourage the development of local energy markets and provide greater levels of energy security within C&IoS as a whole. Based on a recent evidence base produced by Cornwall Council the outcomes of such investment have the potential to realise £107m of GVA by 2020, whilst localising up to £18m (3.8%) of energy spend through the growth of Local Energy Markets.
**Smart Grids: Our approach to intervention**

Our approach to intervention is based on managing demand and supply. Early support for the development of a robust energy system which supports intelligent, efficient, secure and as far as possible, local energy supplies will ensure wider investments in key areas such as locally owned energy, marine renewables, the development of ‘Smart Homes’ and Deep Geothermal are effectively leveraged. This will include:

- Enabling businesses and households to reduce costs through more efficient and intelligent use of energy
- Implementing a ‘Smart Campus’ demonstration project at Penryn Campus
- Driving energy innovation through the development of pilot energy storage systems
- Providing a platform for the development of Local Energy Markets with a view to localising energy spend and proving replicable models for wider national roll outs
- Delivering business development activities to enable innovation and to support start-ups, diversification and expansion, exports and inward investment
- Supporting an estimated CO2e savings of around 70 k tonnes by 2020

### Renewable energy – technology and generation - our plan for growth

**What we will do**

<table>
<thead>
<tr>
<th>Marine renewables and marine tech</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership working through SWMEP and Plymouth City deal</td>
</tr>
<tr>
<td>Commit significant resources to taking forward the sector in C&amp;IoS, with a coordinated programme management structure</td>
</tr>
<tr>
<td>Investment through European programme in RD&amp;I</td>
</tr>
<tr>
<td>Support our tier 1 marine technology companies to optimise new market opportunities and develop the supply chain to meet these, and wider, growth markets</td>
</tr>
<tr>
<td>Work with Central Government to establish a virtual C&amp;IoS Marine Renewables Enterprise Zone</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geothermal energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to explore the heat and power options of geothermal in Cornwall within the context of their impact on both the local and national future energy mix</td>
</tr>
<tr>
<td>Invest in projects at Eden and United Downs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Smart grids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in smart technologies and research and development that work towards producing the first integrated smart energy system in the UK, linking in strongly with the development of a local energy market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Our ‘Asks’ of Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine renewables and marine technology</td>
</tr>
<tr>
<td>Through close cooperation with central government and the MMO develop clearer guidance for marine licensing with the aim of reducing the time it takes for</td>
</tr>
</tbody>
</table>
decisions and in so doing reduce uncertainty and encourage investment.

- Allow local authorities to work with the Crown Estates to identify potential commercial deployment zones
- Work with Central Government and the UK’s Marine Energy Parks to explore the feasibility of developing a ‘Marine Renewables Enterprise Zone’.
- Support from National Government to interpret and apply state aid General Block Exemptions to maximise the opportunities and incentive for MRE developers (including clarifying the relationship between Renewable Obligation Certificates and ERDF grants), or where appropriate to support the State Aid notification of individual projects or programme to the European Commission.

Geothermal energy

- Introduction of a licensing framework for development of geothermal projects: vesting in the state the right to issue exploration and development licenses over defined areas for a specified period of time
- The ability to work with national government to propose a mechanism in which geothermal companies can claim both ‘state aid’ and RHI/ROCs/CfD’s without penalty

Smart grids

- Set up a working group with OFGEM, Western Power Distribution, the LEP and DECC to investigate the conditions/investment/regulations required to overcome grid constraints linked to smart solutions, this could include the Welsh and Scottish devolved administrations
Rationale for intervention

Agriculture is at the very heart of our economy for a reason; we have some of the most fertile land in Europe and a unique climate. The geography and climate of C&IoS gives us a distinct advantage in horticultural production (particularly potatoes, vegetable and fruit), providing an earlier and longer growing season than many areas of the UK. Employment in all agri-food and drink related sectors in C&IoS is significant; the land sector is up to two-and-a-half times more important for employment in C&IoS than for the UK as a whole. 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 their importance to C&IoS (2012).

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 areas have been identified.

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 EUSIF and Rural Development Programme.

Building on the assets and partnerships in place we will work with partners across the country to develop world leading expertise in dairy welfare and resource efficiency. This directly relates to one of our key challenges around food security and sustainability.

Our approach to intervention

Food sustainability and innovation is a key Smart Specialisation opportunity. Greater use of the latest technologies will improve efficiencies (and margin) and provide the scope for higher paid jobs. We will exploit our natural assets, and attract investment, through building on existing assets and investment in R&D through EU programmes. This includes the unique bio security aspects of the Isles of Scilly. Our approach builds on local strengths and competitive advantage:

- 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, fruit and vegetables
  - Marine environment – with sea on three of its four borders, there is a rich fishing and aquaculture heritage
- **Knowledge Assets**
  - Duchy College Future Farm – new dairy unit and research facility
  - Duchy College Rural Business School – currently delivering the largest 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

- **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

---

### Agri-food and agri tech, food sustainability and innovation - our plan for growth

#### What we will do

- Develop world leading expertise in dairy welfare
- Work with the national Agriculture and Horticulture Board to develop leading research and innovation around resource efficiency

#### Our ‘Asks’ of Government

- Support to pilot the joining up of the local EAFRD funding stream with the DEFRA national competitiveness programme and EU structural funds
FE4: E-health and ‘Smart Homes’

Rationale for intervention

C&IoS has the potential to go beyond the usual definition of e-health to become a centre of expertise in eWellbeing, looking at digital solutions to help both the prevention of long term conditions and ongoing management of long term conditions. In 2013 Cornwall Council entered a strategic partnership with BT and formed a new entity, BT Cornwall. This partnership provides a number of back office support services for Cornwall Council and health partners in addition to managing telehealth and telecare services. BT Global Services has recently announced that all telemonitoring support services for England, currently involving around 12,000 users, will be consolidated onto one BT Cornwall site. BT Cornwall will provide the basis to make C&IoS a national centre of excellence for assisted living through technology.

We will build on existing assets and 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. Our Pioneer health and social care integration status fully capitalises on our advantage in assisted technology, as well as enabling us to develop the skills and the knowledge to deliver genuinely joined up solutions to health and care.

We have 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.

C&IoS can demonstrate the value of these services to remote island communities, rural and urban communities and to vulnerable populations. This will become increasingly important when the pressures of reducing resources and increasing demand becomes ever harder to bridge using more traditional approaches to healthcare. The rationale is provided by our local strengths and competitive advantages:

- Physical Assets
  - European Centre for Environment and Human Health – research centre focusing on the links between human health and the environment; includes business collaborations, new product development and evidenced 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

- 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

- **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
  - Large adult care sector engaged in the e-wellbeing agenda

**Our approach to intervention**

We will pilot new technologies around low carbon housing and smart homes, and to develop new housing solutions to meet the need of an ageing population.

New approaches to the commissioning and implementation of e-health will allow the widespread adoption of appropriate technologies based around individual needs. In order to successfully integrate e-health as ‘mainstream’ solution, it is important that the users and operators of the technology understand and accept it. With this in mind, we will develop an ‘end to end’ skills and training programme to upskill new and existing health professionals, commissioners of services and the end users.

By addressing both the issues of deployment and utilisation of e-health products and services, C&IoS can act as an exemplar in this field.

**E-health & Smart homes - our plan for growth**

**What we will do**

- Continue to grow our expertise and business in providing co-ordinated telehealth/telecare services
- Develop an ‘end to end’ skills/CPD programme to ensure practitioners and patients understand and adopt e-health solutions
- Use our co-terminus status (one LEP, two Local Authorities and one Clinical Commissioning Group) to develop new ways of working to implement innovative ways of procuring services; engaging with SMEs; commercialising ideas; and adopting e-health solutions
- Embed this work within our Health Pioneer status
Rationale for intervention

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 C&IoS is comparable or superior to broadband connectivity in central London. This makes C&IoS 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 C&IoS as in Media City or London.** As a result, many successful businesses are choosing to operate in the LEP area. Our local strengths and competitive advantages include:

- **Physical Assets**
  - Fibre optic broadband network – by 2014, 95% of Cornwall and the Isles of Scilly 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)

- **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
  - University of Exeter – expertise in data science/ data analysis and high performance computing
  - Plymouth University – expertise in data security, programming (2,000 computing graduates p.a.), digital creative and artificial intelligence

- **Enterprise Assets**
  - Rapid growth in the digital sector – between 2009 and 2014 employment has increased by 26%, with turnover increasing by 24%
  - Over 1,000 small and micro businesses in the digital sector
  - Cluster of world leading software and digital science businesses
  - Cluster of globally competitive digital creative businesses

Our approach to intervention

The opportunities for innovations exploiting the broadband infrastructure are 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.
We will provide ultrafast connectivity (minimum 100 mbs) to all key businesses and business parks in C&IoS whilst also ensuring there is access to exceptional grow on space for high growth companies. By providing this infrastructure we will not only support our current business base, but we will offer a compelling set of conditions for businesses in the digital and creative sectors to consider C&IoS as the best place to do business.

We will develop new and different business models to drive growth through new company start ups. Evidence suggests that job growth is often greatest through successful new start ups, and this is something that C&IoS will look to exploit - in particular looking at graduate start ups through our knowledge partners. Falmouth University is currently delivering a start up programme for digital gaming through the internationally successful ‘Alacrity’ model. If this model proves successful it is something we will seek to deliver across a range of growth sectors to drive job creation and develop new, internationally recognised innovation clusters.

**Digital Economy - our plan for growth**

<table>
<thead>
<tr>
<th>What we will do</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Provide ultrafast connectivity to all key businesses and business parks</td>
</tr>
<tr>
<td>• Provide exceptional work space for those working within the digital economy to help drive the growth of our existing businesses and encourage others to relocate here</td>
</tr>
<tr>
<td>• Implement new business models to drive growth through new company start ups</td>
</tr>
</tbody>
</table>
This section outlines investments which will accelerate increases in productivity and competitiveness in the region’s businesses. Our overall strategy is very much business-led, and it is important that our businesses have the tools and support to deliver. This section shows how developing a strong and competitive business base is imperative to a robust and sustainable economy that can continue to thrive in new areas, as well as making the most of more traditional sectors in C&IoS. We aim to make investments which will increase productivity and competitiveness, with a particular focus on businesses with high growth potential and on optimising connectivity. Labour market skills and employability will also feature strongly. This will encourage a business culture based on research, development, innovation and accessing new markets (i.e. an increase in exports) to drive a step change in economic activity that can therefore improve productivity and GVA.

Key interventions

GB1 Bespoke business ‘Growth Hub’
GB2 Targeted and bespoke business support to those with potential to grow
GB3 ‘Grow on’ and work space supply
GB4 Expanding market reach to export products and services
GB5 Creating a step change in business innovation culture

Targets

- 1920 existing enterprises will be supported
- 336 new enterprises will be supported
- 2160 jobs will be created
- 346 companies will be cooperating with Research Institutions
- 10 enterprises with new to market products
- 230 enterprises with new to firm products
- 18,900 participants involved with skills training
**Rationale for intervention**

C&IoS is an economy composed primarily of small enterprise, entrepreneurs, and the self-employed. This reflects our spirit of individuality and flair. But we are also a low wage, low productivity economy. Many businesses and their employees fail to reach their full potential. Our Growth for Business strategic theme will address both business growth and competitiveness, and workforce (including young person) skills and employability. The raising of general levels of productivity across the economy is central to achieving our overall growth and development ambitions.

There are over 25,000 registered enterprises in C&IoS. However, when incorporating all registered enterprises, including those that fall beneath the VAT registration level, there are an estimated 75,000 businesses in C&IoS. These Small and Medium Enterprises (SMEs) and Micros are key drivers for local economic growth: they make up 84% of the total number of businesses. Although the proportion of SMEs and micros is similar to national averages - particularly for non-metropolitan areas - in general C&IoS are smaller, older, more insular in their trading patterns, and with less churn than national averages. Similarly, despite recent improvements, the education and skills attainment of both existing and prospective employees continues to be average or poor.

A bespoke C&IoS approach to a business growth hub is founded on the following rationales:-

**Growth-oriented businesses find the current business support landscape complex and confusing:** A recent consultation conducted by BIS demonstrated a need to simplify, rationalise and integrate national and local business support. Government outlined in Small Business: Great Ambition its aspiration for business support and its ambition to roll out Growth Hubs across all LEP areas during 2014 and 2015. Feedback from C&IoS businesses during the EUSIF 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.

**Key national business support products and programmes have inappropriate eligibility and design criteria to support C&IoS business characteristics and growth priorities:** In C&IoS there are large number of businesses (including new start-up companies and social enterprises) that do not meet strict criteria for ‘high growth’ which nonetheless have potential and willingness to grow. Evidence from a number of local business support providers shows considerable demand for supporting enterprises that do not meet the growth criteria required for national support such as Growth Accelerator. A report commissioned by NESTA concludes that high-growth firms are responsible for the majority of job creation and prosperity in the UK. Focusing attention on growing businesses and promoting excellence will give rise to widespread economic growth. Therefore, interventions that target firms with higher growth potential are likely to be more efficient than generic business support activities for all SMEs, who may lack the ambition to grow. There are approximately 400 high growth businesses in C&IoS. It is important that we select and provide intensive support to businesses that have greatest growth potential for C&IoS. We will ensure that appropriate mechanisms will be put in place to refer individuals and businesses that do not meet the high growth criteria to appropriate provision. Support will be offered on a sliding scale: as businesses demonstrate the willingness and skills to grow and become more productive, they will be offered additional support.

**There continues to be lack of supply of suitable workspace available to high growth businesses.** There is a high latent demand for workspace in C&IoS, including high quality workspace and grow-on space, with very low vacancy rates for office space (c.4%) in C&IoS, compared to the national average (8-10%). A lack of workspace in C&IoS is a barrier to growth. Businesses in C&IoS often make the decision to expand or take on new premises only when they see new workspace constructed in the local area. The Cornwall Local Plan Employment Land Review (2009) estimates that a supply of around 150ha is needed to meet demand by the end of the Plan period; this reflects a need to address longstanding stock and market attractiveness issues. 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 the period.
While a wide range of workspace is required, we expect an increased demand for high quality workspace as a result of significant investment in superfast broadband, which enhances the attractiveness of C&IoS as a business location, particularly for higher-value knowledge-based firms. In addition to this, there is a specific demand for grow-on space. Previous EU programmes of investment have supported the development of bespoke and speculative workspace including three Innovation Centres focusing on digital, health and wellbeing and creative and eco-environmental industries. The Innovation Centres are now performing well, so it is anticipated that there will be a demand for high quality grow-on workspace as companies move out during the 2014-2020 programme period. The success of previous investments in Innovation Centres has and will continue to generate demand for additional workspace to which low market values will restrict purely commercial delivery.

**With relatively small local markets, too few C&IoS businesses are exporting goods and services.** UKTI needs assistance to promote the distinctive qualities of ‘brand Cornwall’ to inward investors: C&IoS has the lowest ratio of all 39 LEP areas in terms of employment in export intensive industries. Export figures from HM Revenue and Customs (released at regional level) show that the South West had the smallest total value of exports for the year ending September 2013 (£13bn). UKTI estimate that approximately 1,000 (5%) of the total number of registered businesses in C&IoS export goods and services. There are significant growth advantages from exporting: on average, businesses that trade online have double the turnover of businesses which do not. Export figures from HM Revenue and Customs (released only at a regional level) shows that the South West had the smallest total value of exports for the year ending March 2013 at £12.7bn. This is 5.7% of England’s total. There is a lack of Foreign Direct Investment (FDI) across C&IoS. ONS data (2009) shows that 9% of employees and 2% of companies operating in C&IoS are in foreign ownership compared to a figure of 18% nationally. Our aim is to increase access to local, national and international markets. 40% of UK SMEs say that within three years they will generate between 21% and 40% of their revenue globally.

Research carried out by Oxford Economics concludes that approximately 68% of SMEs in the UK are now focusing on penetrating new geographic markets. Branding can open up access to new markets and allow business competitors to use mutually beneficial marketing opportunities. Businesses moving into an area can bring a large amount of high-quality jobs in a short period of time. Follow up companies can also greatly increase local productivity.

**Many C&IoS businesses find it difficult to access finance for credible investment-ready business growth propositions:** According to research carried out to inform the development of the EU SIF there are a number of growth businesses in C&IoS (c200-600) that wish to access finance from traditional sources but are unable to do so. Currently, the Southwest Investment Group (SWIG) take up of loans indicates a demand for these businesses that have been turned down by banks. Micro businesses are often unable to access finance due to lack of appetite from banks, high transaction costs and limited business readiness. Emerging and innovative sectors lack initial development capital and early stage support. Aversion to higher risk profiles and long-term payback from banks is a market failure in C&IoS. Social enterprise also encounters difficulties in obtaining finance due to longer payback and lower return profiles. Investor readiness has been identified as an issue across most types of SMEs in C&IoS. There is a lack of equity financing even though there is a strong supply of equity finance nationally.

**There is a low propensity to innovate and invest in R&D in many C&IoS businesses.** Investment in innovation is an important driver for economic growth and productivity; enterprises which innovate are more productive than those that do not. There is a weak innovation and R&D culture within the business base of C&IoS. This is evidenced by low take up of R&D tax credits and levels of R&D expenditure – only 0.18% of GDP (2008), showing a 44% fall since 2005 (second largest fall in relative expenditure in the UK). This has contributed to our declining level of competitiveness (from an already poor position – ranked 314 (2010) of 379 local authority areas, compared to 309 (2009). At the same time we have major opportunities to build on previous investments to further develop an innovation eco-system across C&IoS e.g. Innovation Centres, Academy for Innovation and Research (AIR) and the Environment and Sustainability Institute.
Our approach to intervention

Based on this analysis our major growth for business intervention strategy will therefore be working to establish a bespoke Growth Hub model for C&IoS – building on our involvement in the Plymouth and Peninsula city deal.

The Growth Hub will be co-designed with local businesses and support providers to ensure that it best meets local need as well as the link through the City Deal partnership to wider South West and National networks. Its primary function will be to provide a mechanism for the delivery of business support: rationalising and integrating national and local services. We would seek to commission all investments outlined below.

The Growth Hub will ensure strategic collaboration with national schemes including BIS, UKTI, TSB, Growth Accelerator and MAS. It will provide an enterprise-centric approach to business support through a variety of means including face-to-face, web-portal and telephone.

The C&IoS hub will identify and target businesses with growth potential (including start-ups) and offer high-quality support to exploit opportunities, raise ambition and improve resilience and productivity. Given wider issues faced particularly in C&IoS we will also enable and encourage businesses to adopt flexible working practices to address workforce health issues, disabilities in the workplace and an ageing workforce.

Our focus will include, amongst others:

- Simplifying access to business support, stimulating enterprise growth, and funnelling demand for support to appropriate solutions
  - Supporting start-ups, investment readiness programmes
  - Supporting growth potential businesses to access public sector procurement opportunities and navigate the regulatory environment
  - Providing a Customer Relationship Management (CRM)/concierge approach to the business ‘customer journey’ for identifying and accessing support needs
  - Business Support (human resources, legal, technical) training and advice for employers
  - Better Business for All programme to ensure public sector opportunities (from public sector contracts to support through regulatory services) are simplified and accessible

- Tailoring and raising demand for national products and programmes (through Opt-In or other arrangements)
  - Seeking to secure an enhanced Manufacture Advisory Service (MAS) support offer.
  - An enhanced UKTI support offer and additional bespoke exporting support to complement this.
  - Supporting business participation in national innovation, R&D programmes

- Addressing skills, employment and economic participation issues through the Hub’s involvement
  - Enabling and encouraging businesses to adopt flexible working practices to address workforce health issues, disabilities and an ageing workforce
  - Projects to enable people to work effectively from home
  - Provide delivery contracts that are based on ‘working from home’ systems and provide specialist recruitment into these
  - Projects to support those with ill health to stay in work – i.e. one to one support, minor equipment needs
  - Specialist recruitment agency for those with disabilities /learning disabilities
  - Self employment programmes for those with a range of significant ill health and disabilities
Tailored and increasing ladders of support for high growth potential businesses:
- Implement bespoke and targeted support for businesses with high growth potential (including start-up firms)
- A bespoke mentoring programme
- Support to access public sector procurement opportunities and navigation of the regulatory environment
- Supporting the Enterprise Zone, and potentially further 'enterprise areas'; encouraging connections between surrounding businesses
- Ensuring growth potential businesses are able to access finance

Growing the innovation eco-system
- Encouraging innovation in the business base
- Support for maximising economic activities from identified smart specialisation areas, including employment and business opportunities for the supply chain
- Implementing mechanisms for improved partnership and collaborative working (linked to Smart Specialisation areas, including the development of business clustering and supply-chains)

Ensuring that there is an adequate supply of work and Grow on Space and that this is tailored to the needs of businesses at every stage of the firm’s lifecycle
- We will utilise EUSIF investment for Grow on space. It should be noted here that the connectivity and infrastructure investments outlined under Conditions for Growth will form an important part of delivering this objective.

Through a programme of targeted support, the LEP aims to enable businesses to expand their market reach supporting them to export products and services to new domestic and international markets and encourage investment into C&IoS. We will do this through:
- Encouraging and supporting businesses to expand their market reach: enabling them to export products and services to new domestic and international markets
- Supporting business to make the best use of C&IoS’s distinctive culture and heritage in branding and marketing
- Strengthening local and national supply chains and support Foreign Direct Investment
- Enabling businesses to maximise the use of IT and boost their online presence
- Supporting businesses to maximise supply-chain and cross-clustering opportunities

Businesses able to access appropriate finance programmes:
- Developing a Growth for Business Fund, using a range of Financial Engineering Instruments
- The establishment of appropriate programmes to ensure businesses are able to easily identify the finance packages appropriate to them
- Finance for non start-up small loans.

Providing intensive investment readiness support to early stage SMEs with a potential for growth.

Increase levels of R&D and innovation across the business base in C&IoS, creating a step change in our business innovation culture

Further details on our approach to investment in research, development and innovation in smart specialisation areas is outlined in Future Economy. However, the ladder of 'horizontal' innovation support for all businesses with high value, high growth potential includes:-
- Increase levels of R&D and develop an innovation culture from early ideas through to commercialisation and implementation including technical skills development
- Use existing research and innovation centres to drive jobs and growth
- Ensure the availability of appropriate physical spaces, facilities, equipment and specialist advice to meet the needs of the innovative business base and stimulate new business growth.
- Stimulate collaborative opportunities to drive knowledge transfer, research and development, and innovation to drive jobs and growth (business2business, HE2business)
- Enable businesses with growth potential to overcome barriers preventing them benefitting from research and innovation and stimulate new business creation by supporting graduates (and others) to drive job creation and growth
- Use Social Innovation to provide collaborative solutions to key challenges (e.g. energy, health and housing)

## Our Business ‘Growth Hub’ plan for growth

<table>
<thead>
<tr>
<th>What we will do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation via the EU programme of a bespoke Growth Hub</td>
</tr>
<tr>
<td>Further alignment with the Plymouth and Peninsula City Deal Growth Hub for Offshore Renewable, elements of the GAIN model and other mechanisms where appropriate</td>
</tr>
<tr>
<td>Consider National Opt-ins and include into any Growth Hub design where applicable</td>
</tr>
<tr>
<td>Deliver a strategic managed business support programme that provides a coherent offer to businesses</td>
</tr>
<tr>
<td>Provide high-quality targeted support to high growth potential business aimed at increasing productivity and competitiveness</td>
</tr>
<tr>
<td>Provide support for access to finance at each stage of the businesses’ lifecycle</td>
</tr>
<tr>
<td>Support enhanced access to new domestic and international markets</td>
</tr>
<tr>
<td>Develop networking and business clustering opportunities</td>
</tr>
<tr>
<td>Foster the development of collaborative research between businesses and HE and FE institutions</td>
</tr>
<tr>
<td>Tailoring and demand stimulation for take up of national programmes - including through SIF opt-in negotiations</td>
</tr>
<tr>
<td>Increase levels of R&amp;D and develop an innovation culture from early ideas through to commercialisation, building on previous and current investments to stimulate business growth</td>
</tr>
<tr>
<td>Support businesses to overcome barriers to growth and from benefitting from research and innovation including using social innovation to provide collaborative solutions.</td>
</tr>
<tr>
<td>Continue to further develop the Better Business for All Programme</td>
</tr>
</tbody>
</table>

## Our ‘Asks’ of Government

- The ability to commission all activity through the EUSIF
- Extension of opt-in agreements to DECC, DEFRA, Arts Council and Creative England
- A specific DEFRA agreement on alignment of local and national farming competitiveness and productivity programmes
- Negotiations to extend local tailoring of opt-in arrangements and flex national business support eligibility criteria with UKTI, GA, and MAS
Rationale for intervention

There has been a definite increase in numbers of those with higher level skills and a reduction in those with no qualifications in C&IoS, which shows that the interventions of the Convergence programme (2007-13) have started to have an impact. However, in order for C&IoS to compete, we need a further 13,000 of our workforce developing skills at NVQ level 4 and above to bring us in line with national averages. Conversely, nearly 75,000 of our workforce are not yet qualified to Level 2, the national skills benchmark level. The implication is more significant for Cornwall alone, as the Isles of Scilly have a higher level of skills in their workforce, but suffer from underutilisation of those skills, due to the lack of economic opportunity on the Islands.

National Skills policy is very clearly moving towards employers being far more involved in the shaping of qualifications and skills delivery; through our employment and Skills Board we have made significant advances in this area but there is more to do.

In December 2011, the UK Commission for Employment and Skills outlined its vision for employer ownership of skills and four bold propositions. This document recommends:

• Funding employers, rather than colleges, for the delivery of apprenticeships
• Making public and private investment work harder by measuring the impact on people and business performance rather than simply counting qualifications
• Bringing trusted Labour Market Information (LMI) together and making it freely accessible to answer questions like “how many of this type of job will be available in the future?” and “what do people doing that job get paid?”
• Incentivising employers to work collaboratively and with unions to form industrial partnerships, taking end to end responsibility for skills within a sector or locality by setting standards and defining quality and career pathways

The Isles of Scilly faces particular challenges; the islands’ economy is heavily reliant upon tourism. Of minor importance but of local significance is employment in the fishing, farming and agriculture sectors. Tourism provides the majority of employment but also the critical mass for services such as the mainland travel services through the airport and St Mary’s harbour, the Council of the Isles of Scilly, retail, banking, health care and inter island travel. There are high levels of employment, with particularly high levels of self employment and individuals having a multiplicity of jobs. Incomes are significantly lower than the national and regional average due to the preponderance of low paid, part time and low skilled jobs. The majority of employers are micro businesses and SMEs. The additional costs for delivery on the islands can be prohibitive and due to the small size of the population there is little opportunity to reduce costs through delivery to large cohort groups. Additional costs for traditional delivery of 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 c.£2-6,000 for apprenticeships.

The Department for Work and Pensions has a key priority to encourage work and make work pay. By supporting individuals in work and into work, we are supporting this Government agenda.
In general a lower level of economic inactivity indicates a bigger workforce base in an area. Changes in the levels of economic inactivity can reflect a number of factors, including retirement and sickness. Economic inactivity can be associated with social exclusion and is a key issue within Europe 2020.

*Dame Carol Black’s report (Health at Works 2011) stated: “Every year 140 million working days are lost to sickness absence, much of which ends in a swift return to work. However, a significant number of absences last longer than they need to and each year over 300,000 people fall out of work onto health-related state benefits. Before reaching this point, many have been long-term sick off work. They have become increasingly distanced from the labour market and suffer from the reduced economic, social and health status that come with being out of work. We know that the longer someone is off sick or out of work, the harder it is to get back to work, and worklessness comes at great personal and financial cost. Much absence and inactivity is due to comparatively mild illness which is compatible with work – and may indeed be improved by work”.*

General ill health is higher than national averages in C&IoS (28%; National 23%); this impacts on service delivery and economic activity levels. There are over 20,000 people of working age experiencing ill health that makes them ‘inactive’. The issues of inactivity are significantly related to ill health, as well as caring commitments. There are likely to be a range of ‘employment or ‘earning’ opportunities that could be explored to enable people back to activity and this will require more innovative approaches to realise opportunities and higher levels of support for the individual and their potential employer to enable this to happen. There is also a need for support for those with learning disabilities. Nearly £100m per year is spent on support and care for adults with a learning disability in Cornwall across the Health and Social Care community. Unemployment rates in people with learning disabilities are over 90%.

**Our approach to intervention**

The previous Convergence Programme invested heavily in the capacity of the Higher Education sector in Cornwall through the Combined Universities of Cornwall (CUC). This, added to the increased national development of higher apprenticeships to develop high level vocational skills, has provided a sound base for the development and deployment of these aspects in the economy.

We must continue the evolution of Combined Universities Cornwall (Higher Education and FE Colleges) and industry partners to sustain and accelerate progress on acquisition and deployment of workplace ready higher level skills. C&IoS are lagging behind and needs to invest in those higher skills related to business and organisations that will drive economic growth forward. Using a range of EUSIF investments we will tackle the higher skills needs of the existing workforce and businesses. We shall also deepen and broaden the industry engagement programmes and business influence on the curriculum, KTP and broader education-industry links, and the innovation and commercialisation of the research institutes.

Having employers at the heart of the design and delivery of employment and skills development opportunities is vital. Having developed and managed an Employer Ownership of Skills project, we have experienced the positivity of this approach and now seek to replicate this for all employers. The various reviews of apprenticeship schemes have also led national policy to seek far more involvement from companies in the development of sector based qualifications, and is encouraging skills providers to further develop and evidence their alignment to employer / economic needs. There is a significant skills gap in the workforce – skills at the lower and higher levels need substantial development to ensure that companies have the ability to grow. The substantial number of employees without level 2 qualifications is still an issue, and new approaches to engagement and delivery are required. Similarly employers need support to tackle the ongoing ill health issues of their staff, or to take on those who have been inactive for a period. We can make the economic case to employers with comprehensive support packages which will offer substantial returns to government in terms of reduced benefit cost and increased tax revenue.
Therefore, our new approaches to employer engagement in labour market skills and employment supply will have the greatest impact on these issues. Our new approach to ‘business, careers and skills’ will enable local employers to be more involved in designing, delivering and enhancing the skills for the workforce. Key labour market interventions include new personalised approaches to labour market entry and progression - supported by impartial tailored advice and guidance, and a range of innovations in the delivery and management of Skills Funding Agency (SFA) and Department for Work and Pensions (DWP) programmes.

Using our private sector led LEP Employment and Skills Board we will deliver the following employment and skills strategic objectives:

- Create an aspirational and innovative employment and enterprise culture
- Improve skills and boost employment in growing global markets
- Enable those out of work to compete in the labour market by developing the necessary skills
- Increase employer and individual investment in skills
- Improve the quality of, and access to, information for learners, employers and providers

Work with Combined Universities in Cornwall (CUC) partners to maximise the impact of HEFCE and other higher skills funding mechanisms to develop higher skills in the economy through:

- Aligning research areas with future economic growth sectors
- Developing higher apprenticeship delivery
- Supporting the development of business:HE and HE: business linkages and implementation of resulting projects and investments.

The EUSIF strategy remains a central instrument for co-financing these interventions, offering the best leverage of public funding in the UK - so we are seeking significant government flexibilities in how this is designed and delivery managed in C&IoS.

**Our Skills, talent and raising aspirations for Business Growth - plan for growth**

**What we will do**

**Use EUSIF Funding to:**

- Deliver a comprehensive programme of higher skills development activity to build upon the previous capital investments, this will include:
  - Graduate placement schemes and Internship project programmes for Cornish students/ companies
  - Specialist skills development including delivery of PhDs and MRes in companies
  - Development of Higher Apprenticeship delivery and take up alongside academic higher skills
  - Delivery through new methodologies i.e. development of a SPOOCs (small private open online courses)
  - Enhanced learner support to encourage access in Higher Skills development

- Deliver specific activity to overcome the significant ill health and inactivity issues faced by C&IoS employers and employees:
  - 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 and advice for employers
o Projects to enable people to work effectively from home
o Provide delivery contracts that are based on 'working from home' systems and provide specialist recruitment into these (i.e. oDesk; Elance; Arise)
o Specialist recruitment agency for those with disabilities /learning disabilities
o Self employment programmes for those with a range of significant ill health and disabilities

- Deliver effective employer designed career and skills pathways for the future economy of C&IoS through the development of full support offer to employers, employees and those entering the labour market to support their skills and career development including:-
  - The development of employer consortia (including micros and supply chain approaches) to identify future skill needs and develop the curriculum content
  - Buying time for the development of this content into teaching materials and the evolution of different delivery methodologies and normally ‘unviable’ test projects (i.e. working differently with very small learner numbers; working across dispersed geography) – of particular relevance to the Isles of Silly and more remote parts of Cornwall
  - Programme of STEM skills development including purchase of equipment and resources to develop
  - Enhancements of the National Careers Service offer for all working age population
  - Learner Support mechanisms, including transport support funds
  - Learner support funds for adults irrespective of previous qualification level and allows for support for re-skilling
  - Specific learner support available to Isles of Scilly (particularly to support living costs whilst studying, travel costs etc.)

- Use **FE Capital investment** to deliver in key economic sectors that have the potential to grow

**Our asks of government**

- Enhanced opt-in negotiations with SFA and DWP to ensure the skills and employment regime in C&IoS is fit for the purposes of this plan for growth; and that the planning and management of the EUSIF is deployed optimally to its ends
- Assurances that C&IoS will not be prejudiced in access to national FE capital whilst we firm up our FE capital strategy during 2014/15
- Agreements with BIS, HEFCE (and potentially other government agencies and departments) to positive strategic engagement in strategic planning discussions with local role players, and Exeter, Falmouth and Plymouth universities on the development of the CUC 'brand' and HE provision over the 2015-20 period
Our ambition for a prosperous future is built on sound evidence and an intimate knowledge of our people, our places and our resources. Conditions for Growth form the foundations for Future Economy and Growth for Business. This is the part of our plan which ‘takes the brakes off’ our business-led growth ambitions and enables them to come to fruition. These are the five intervention areas without which our pioneering approach to a Future Economy will not be realised.

Key Interventions

CG1 Strategic and intra connectivity and infrastructure
CG2 Isles of Scilly infrastructure for growth
CG3 Housing: right homes, right place
CG4 Skills, talent & raising aspirations
CG5 Creating community capacity & resilience

Targets

- Secure air connectivity to London Gatwick and secure international hub airport link by 2020
- Superfast roll-out to address remaining 5% of the properties through alternative technologies and support 4,275 businesses to exploit it for growth opportunities
- 13.5% increase in rail passengers
- 10% increase in bus passengers
- 4,275 additional enterprises accessing ICT products and services
- 34,300 taking part in skills for work training
Rationale for intervention

Poor connectivity is one of the biggest barriers to growth in the LEP area and brings into sharp focus the need for IT and transport solutions to provide modern business support and connectivity to the rest of the country and the world, making it possible to reach markets and suppliers easily and reducing transport costs.

Our challenging connectivity is related to our location and characteristics:
- C&IoS is one of the most remote mainland and island areas in the UK, creating a distinct disadvantage in terms of our connections to the national economy
- Our rural location, remote islands and dispersed population without a dominant economic centre provides its own set of challenges - there is a complex inter-relationship between settlements and the lack of agglomeration that drives productivity in many other regions
- As a growing proportion of freight and business journeys become time sensitive, they require better journey time reliability in order to meet their customers’ requirements and be cost effective. Delay along arterial routes serves to act as a barrier to business connections between C&IoS and the rest of the country and increase transport costs for businesses. Transport and freight incur 43% uplift to all capital projects on the Isles of Scilly.

If there is no investment in our transport network and services considerable levels of congestion can be expected on the road network by 2026. This will result in:
- an annual gross domestic product cost of £300m to the C&IoS economy
- poor connectivity leading to long journey times and high transport costs that act as a deterrent to inward investment
- significant increases in journey times effecting productivity will constrain economic growth

In terms of different modes of transport:
- The bus network plays a key role in public transport provision serving those people without access to a car. Over 17% of households in Cornwall do not have access to a car and more than 60% of 16 – 24 year olds use non-car modes the most in order to travel. However we know that many people do not currently see the bus as a viable alternative to the car due to perceptions of unreliability, length of journey times or, its inability to connect with other services or modes of transport.

- Major companies have identified air links as a key component in their decision making process for doing business. Cornwall and the Isles of Scilly have 3 airports, Newquay Cornwall Airport (NCA), Land’s End and St Mary’s Airport. Lands End, NCA and St Mary’s are important access points for the Isles of Scilly. NCA connects Cornwall and the Isles of Scilly farther afield and to other domestic and international routes. The links that NCA supports to UK, European and international business centres and markets are vital for the wider business community. NCA delivers £5.9m GVA resulting from efficiency benefits to local businesses with 47% of outbound journeys undertaken for business. In the winter the only access to the Isles of Scilly is through fixed wing flights to and from Land’s End and NCA, making them lifeline infrastructure for access to health, education business and leisure.
• The port infrastructure in C&IoS provides a diverse range of opportunities to support the development, manufacture, installation, servicing and ongoing operations and maintenance for marine renewables and services as well as transport infrastructure for passengers and freight. Overall it is estimated that Cornwall and the Isles of Scilly marine industry sector generates around £500m Gross Domestic Product and supports in excess of 14,000 jobs.

• The backbone A30/A38 strategic road corridors need to be completed to national trunk road standards, and key gateways and circulatory routes in major settlements that are constraining growth need to be addressed.

The importance of a reliable and resilient transport infrastructure has been magnified over the past three years following the disruption generated by extreme weather, resulting in significant economic and social impact on our communities and businesses. The collapse of the Dawlish sea wall led to an increase in journey times to London of over two hours.

National research released by the Federation of Small Businesses (FSB) based on a poll carried out in the South West, South East and the Midlands has revealed for the first time that the direct costs of this winters flood damage (2013) on small businesses in the UK is circa £830 million pounds. Although it is too early to fully cost the damage to businesses, homes and infrastructure from the recent flood events, the Cornwall Chamber of Commerce have calculated that the February 14th Storm which closed the line at Dawlish is estimated to be costing between £6-8m per day to our economy.

The continued waterlogging at Land’s End Airport and the disruption to freight services on the Island’s have severely affected access to services and the ability of the Island’s community and business community to function. Damage to the harbours at St Mary’s and Penzance have highlighted vulnerabilities to storms, and have had the impact of salt intrusion into the water supplies of the smaller inhabited islands of Bryher and St Agnes.

Connectivity to the rest of the UK is reliant on transport infrastructure and services in other areas of the South West. In order to ensure schemes are delivered that improve economic connectivity, it is important that the benefits of working with other South West authorities, LEPs, transport operators and providers are realised to protect existing transport links, make those links more reliable and deliver enhancements.

The significant investment in fibre broadband in C&IoS is a complementary part of our approach to connectivity. It ensures that we are fit for purpose for a 21st Century economy – and acts as a catalyst for other areas of our plan for growth such as telecare and smart grid. Business needs broadband to compete on a global level. It accelerates business growth and inward investment providing new opportunities for innovation, expansion and e-commerce. Our communities are also better connected which in turn creates choice, wealth and opportunity.
Our approach to intervention

There are a number of transport proposals and measures that we can implement to improve connectivity to the rest of the UK including: investing in our road and rail networks to improve journey times and reliability; continuing to support NCA; ensuring our existing links remain resilient in the future; and enabling and promoting sustainable transport options to reduce congestion and provide wider access to employment and workers. Connecting to and through Cornwall also benefits the Isles of Scilly and embeds investment in Penzance, St Marys and Lands End connectivity points. This can be achieved by investment in the following areas:

Road
We will continue to invest in our strategic road network so that the A30 becomes an expressway, providing a consistent standard of infrastructure delivering reliable journey times and lower transport costs for businesses, and the A38 becomes a gateway to Cornwall from Plymouth providing a resilient and reliable transport corridor. This will require an early commitment by the Department of Transport (DfT) to:

- Work closely to develop the A30 and A38 Route Based Strategies to ensure that they address the key transport infrastructure priorities for economic growth.
- Allow C&IoS to take greater control of prioritisation and effect delivery through the design, build and part funding of improvements to the strategic road network in conjunction with the Highways Agency and the DfT.
- Support the case for infrastructure interventions, which will improve connectivity, capacity and levels of performance, including dualling of the A30 Temple to Higher Carblake and dualling of the A30 Carland Cross to Chiverton and capacity improvements to key junctions on the A30. This will allow Cornwall to put in place the resources to deliver these schemes.
- Ensure that restrictions on development are not imposed by the Highways Agency where the route programme is being delivered by Cornwall Council.
- Support the delivery of a second strategic route to the South West to reduce the reliance on the M4 and M5 strategic link.

The trunk road through Cornwall linking to the national motorway system has long acted as a constraint on economic growth; the local response to this challenge has been a proactive and innovative approach. Cornwall Council has taken on the responsibility for delivering the improvements required, working closely with the Highways Agency and the DfT. This delivery model was successfully applied for improvements to the A30 Chiverton Roundabout, and a further three junctions on the A30 were improved in the Camborne Pool Redruth regeneration area. The experience gained, skills developed and working relationship formed with the Highways Agency, provided the conditions which allowed the Council and the LEP to put forward more ambitious plans to develop proposals to dual the A30 at Temple, a scheme which will provide economic benefits in excess of £117m to the Cornish economy.

The A30 Temple dualling scheme will be on site in January 2015, and demonstrates our drive to work collaboratively to deliver improvements. Delivering Temple will be a major achievement, but our ambition does not stop here. The single carriageway section north of Truro between Carland Cross and Chiverton creates the greatest congestion on the A30; at 14km it is a bigger challenge again. We now have assembled the skills and expertise to deliver it, and will commence work on reviewing the options towards the end of the year (by transferring the A30 Temple team across).

Rail
We plan a number of strategic improvements to support growth, deliver a resilient and passenger focused railway. We will focus on schemes that support the growth of the private sector economy and open up job opportunities. This will require an early commitment by the DfT:
Establish firm proposals to meet the need for increased capacity and faster, long-distance services to Cornwall and the South West

Support the case for infrastructure interventions that will improve connectivity, capacity and levels of performance, such as a programme of track and signalling improvements on the mainlines to the South West, both within Cornwall and other South West LEP areas

Support the provision of additional quality rolling stock for Cornwall and the South West (with suitable improvement to depot facilities)

Support the case for a refresh of Night Riveria rolling stock so that this key service continues to provide the best possible gateway to and from Cornwall for leisure and business customers

To develop a programme of improvements to provide network resilience against weather related disruption

Support local improvements to stations, car parks and interchanges

We have a history of working with the industry to deliver improvements to the rail infrastructure and develop additional capacity (this was the forerunner to the approach we now adopt on the trunk road network). This has made us Network Rail’s largest local authority client in England, with over £30m going into rail over the last 10 years. These schemes have given a good rate of return, with patronage growing at double the national average. The number of journeys on the rail network in Cornwall has grown from 2.7m in 2000/01 to 6.5m in 2012/13 and will if our future plans are delivered, rise to 13.7m in 2020/21. The main driver of the growth to 2020/21 will be achieving a 30 minute service frequency on the mainline, which will allow it to perform both a long distance connectivity and local public transport role. Having established this public transport ‘spine’, the proposals for the development of the bus based public transport in Cornwall will see services connecting with the key stations on the mainline, hence the proposal to deliver the West Cornwall Transport Interchange. This follows on from the development of bus rail interchanges at Penzance, Redruth, Truro, St Austell and Liskeard.

Bus
The provision of frequent and reliable bus services will significantly expand labour market catchments, education and skill enhancement opportunities. This will benefit businesses and those seeking employment, especially to those without transport. We want to see the local delivery of a sustainable customer focused bus network and services.

Ports
Specific investments in Falmouth Harbour and Queens Wharf form part of a masterplan to develop the area and support the marine and marine renewable sectors. Further works to Penzance harbour will improve the passenger comfort and protection of freight for transport to the Isles of Scilly. Further work is underway to evaluate and prioritise investments in the wider port infrastructure, such as Fowey.

Air
Our airports are a vital link between the Isles of Scilly, Cornwall and the rest of the UK and beyond. NCA is a vital link to London; major companies have identified air links as a key component in their decision making process for doing business. Without resilient air links to the Isles of Scilly there will be continued decline in visitors to the islands and to the quality of life and access to essential services by islanders. We have already invested significantly in NCA, Land’s End Airport and St Mary’s Airport and we are committed to maintaining the link with London through a PSO.

We do seek further support on the following specifics to improve air connections:

- **International air connections**: support to secure long term access to a London or other international hub airport e.g. Gatwick, Heathrow, Amsterdam
• **Regional Aircraft**: Ensure continued accessibility of regional (turbo-prop) aircraft into hub and major airports.

**Travel app – ‘Intelligent Engine House’**

C&IoS experiences **significant peaks in travel demand**, particularly during summer months, when tourist traffic is at its greatest. This means that some infrastructure within C&IoS is over-designed for ‘normal’ flows, whilst other areas are unable to cope during busy times.

It is proposed to provide residents, visitors and businesses with **dynamic, intelligent and predictive information** in order to inform their activity planning and schedule. The information provided will be focused on improving overall user experience through the provision of recommendations, alternative things to do or see and also travel options based on live dynamic data from businesses and equipment.

**Flood resilience**

Recent events have highlighted the South West’s connectivity resilience as a nationally recognised issue requiring **significant improvements in order to protect the region’s economic growth**. This will require further action and funding to improve the rail and infrastructure robustness, including the potential for improved diversionary capacity in other LEP areas.

With the concentration of communities on Cornwall’s coast and at the mouth of tidal estuaries or around river concourses, and the vulnerable exposed nature of the Isles of Scilly archipelago; we need to prioritise measures that will protect key employment sites and economic assets and infrastructure. **Targeted investment in key projects has been identified as critical to deliver over the next 5 years (see Local Growth Fund section)**. These projects individually and together (both locally and with partners in the South West) provide a solution to ensure that existing and future impacts of flooding on C&IoS growth plans are minimised.

**Digital Connectivity**

New technologies can turn our location into our biggest advantage; the benefits of superior broadband capability is evident in the enhanced rate of growth in ICT and creative digital industries. We deal with this issue more fully in our Growth for Business strategic theme, but in purely infrastructure terms, **we will complete the roll-out of superfast broadband targeting 95% premises coverage by 2015; support technological innovation for securing access for the remaining 5%; and commit to development of a next wave ultrafast infrastructure and services to keep C&IoS at the forefront of non-metropolitan areas in Europe**. The plans for the fibre connection between the mainland and the Islands will make the Isles of Scilly the best connected islands in Europe and open up new potential for a diversified economy.

**Our aspiration is for connection speeds of 30Mbps or above for as many properties as a possible, with 98% considered attainable, and we are committed to the next wave of ultrafast broadband as well as assisting those hard to reach places. Our focus for the ultrafast programme will be business clusters - businesses connecting and trading in the rest of the UK and internationally, leading to increased profitability and greater resilience.**
## Connectivity & Infrastructure plan for growth

### What we will do

#### Road
- Assure and underwrite effective delivery of a +/- £192m investment over 2015-20 which builds on the Cornwall track record of working with Highways Agency to complete A30 and A38 trunk road infrastructure to enable C&IoS growth
- A parkway station, bus, park and ride transport interchange on the A30
- Invest in sustainable modes of transport to relieve pressure on the strategic road network

#### Air
- Continue to build infrastructure, services and commercial viability at Newquay Cornwall Airport (NCA)
- Further investment into resilient air links with the Isles of Scilly

#### Rail
- Mainline signalling improvements between Plymouth and Penzance to enable half-hourly mainline services
- Relocation of the night sleeper 'traincare' centre from Old Oak Common to Penzance - thus facilitating HS2 investments in London
- Upgrade of the Night Riviera Sleeper service
- A transport interchange at St Erth improving the attractiveness of rail travel to West Cornwall

#### Bus
- Deliver and manage the agreed bus solution with Government to generate increased patronage and lower long-running public sector franchising and subsidy costs

#### Town Transport Packages
- £145m (including competitive LGF bid) investment in a portfolio of town packages unlocking and accelerating delivery of 6,394 additional homes by 2017

#### Ports
- Falmouth Harbour Dredge and Queens/North Wharf infill will safeguard future port operations and jobs & prepare port infrastructure for future roll out and deployment of marine renewables technologies
- Further investment in Penzance and St Mary’s harbour to improve the resilience of the links to the Isles of Scilly

#### Travel app - 'Intelligent Engine House’
- All of the above opportunities will be supported with a ‘travel app’ to provide a dynamic, intelligent and predictive overall service (subject to competitive LGF bid)
- This approach could be applied to other areas to manage demand and improve the utilisation of existing infrastructure achieving significant saving in capital infrastructure costs

#### Flood Resilience
- Targeted investment in packaged flood defence measures to safeguard and enhance economic growth (see information in Local Growth Fund bid)
Digital Connectivity

- 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
- Deliver 98% coverage of 30+Mbps and 50% of premises subscribing to services of at least 100Mbps
- Invest in digital infrastructure to support delivery of strategic aims and to develop and maintain competitive advantage

Our ‘Asks’ of Government

- Competitive LGF commitments between 2015-17 for transport investment
- Evolution of LTB arrangements towards an enhanced devolution/decentralisation model
- Secure Public Service Obligation (PSO) to a London hub airport
- An exemption and/or reduction in the rate of Air Passenger Duty (APD) for Newquay Airport to support continued passenger growth
- Agreements with Highways Agency and DfT on a bespoke C&IoS regime for major investments and development regulation
- Early commitment from Department for Transport to establish firm timetable plans for the development of faster, long distance services to Cornwall and the South West
- Pilot new integrated transport models particularly around commissioning bus services at a strategic level and trialling an opt-out for concessionary fares
- Agree with government a bespoke Cornwall Strategic Flood Deal Package to enable strategic investment and assured programming within the 6 year Medium Term Plan cycle (rather than yr on yr bidding)
- Support ongoing dialogue with DCLG and HCA regarding the creation of a bespoke Revolving Community Infrastructure Fund (RCIF)
Rationale for intervention

A significant challenge to delivering both economic and housing growth on the Islands is its aging water, sewerage and waste infrastructure. DEFRA have identified an urgent need to ensure that National and European legislative instruments are applied on the Islands and that the waste water treatment infrastructure is upgraded to the appropriate standards, this is mainly to ensure the UK fully complies with all the relevant EU legislation and to ensure public health and the environment is protected as well.

Without these improvements DEFRA, the Drinking Water Inspectorate and the Environment Agency have advised that they will not permit any further developments on the Islands. This is a significant blockage to growth and economic viability of business and must be addressed in order to unlock economic potential.

The Islands are served by a summer only passenger ferry and all year round freight service operated by the Isles of Scilly Steamship Company from Penzance and an air service from Exeter, Newquay and Land’s end to St Mary’s also run by the Isles of Scilly Steamship Company (IOSSCo). The IOSSCo also runs the inter-island freight vessel from St Mary’s to the other four inhabited islands. There is a need to arrest the decline in passenger numbers (currently 10% annually since 2002) by improvement in our tourism offer and diversifying the economy for a long term viable, sustainable community on the Islands. The recent decision to support the Quays at Penzance and St Mary’s and the airports at St Mary’s and Land’s End are most welcomed.

Isles of Scilly infrastructure - our plan for growth

What we will do

- Resolve long term viability for IoS sea and air connectivity
- Deliver a compliant and future proofed water and sewerage systems on the Islands
- Ensure that growth and development are not limited by inadequate and aged infrastructure
- Minimise risk of polluting internationally important designated marine sites and 27 Sites of Special Scientific Interest (SSSI)
- Avoid risk of severe public health issues in both the resident and visitor population and consequent impact on tourism dependent economy

Our ‘Asks’ of Government

- Support from DEFRA and other agencies to bring utilities infrastructure to EU compliance and remove blockage to growth
- Competitive LGF commitment for a water and sewerage solution to enable growth
Rationale for intervention

The housing market serves a number of key growth enabling functions within the economy, but this is not currently matched with effective local market conditions to deliver all of these functions:

- Supporting labour market flexibility
- As a sector - providing employment in housing and related sectors plus more broadly in the construction sector
- Contributes to ‘place competitiveness’
- Supporting aspiration and life chances (reducing inequality)
- Enables wealth generation through home ownership and capital investment
- Affordability, location and associated impact on commuting

Declines in mortgage lending have limited prospects and mobility for first time buyers. **Affordability is a major challenge.** Between 1996 and 2013 average house prices tripled in C&IoS from £53,700 to £181,000.

The average home in the C&IoS LEP area now costs **£181,000 – 10.4 times the average local wage - making the standard 25% deposit £45,250.** House prices have remained largely resilient during the economic downturn which has compounded affordability factors. Consequently, to purchase a home on the ‘traditional’ 3.5 times income/10% deposit scenario would need an income of £37,273 in Cornwall; around £15,000pa more than gross annual income. Businesses tell us that this is often a hurdle to attracting the workforce required to grow. Home ownership is in decline, and Local Authority housing waiting lists provide further evidence of a housing market under pressure with over 28,000 households on Cornwall Council’s housing register.

We need new homes in the right place to support growth and sustainable lifestyles, and we also need our existing stock to serve us well. 50% of homes in the private rented sector are in poor condition; this compares poorly to national data. The private rented sector is important for labour mobility and is increasingly the choice for younger people who cannot access mortgages.

The Isles of Scilly’s particular housing circumstances, with very low owner occupier and the highest percentage levels of rented accommodation in England, require innovative and new approaches. The Council of the Isles of Scilly, with partners have developed a Housing Growth Plan which looks to unlock housing across the 5 inhabited islands, with the development of new small discrete settlements and infill on the edge of settlements.
Our approach to intervention

The plan for growth will focus initially on unlocking major infrastructure to deliver new homes in our major settlements through a suite of ‘town packages’. In the medium term, we recognise the need to work with the HCA and public and private sector partners to innovate in housing market reforms that will:

- deliver the Local Plan targets of 47,500 new homes by 2030 with a focus on early and accelerated delivery
- address affordability for local residents, and ensure there is a range of housing types and tenures to meet growth demands
- make the most of construction activity as a driver of growth in its own right
- upgrade the existing stock in ‘sustainable living’ terms
- make good use of public sector land to lever additional delivery
- deliver new funding options that can address viability challenges, such as the Revolving Community Infrastructure Fund (RCIF)

Housing plays an important role in supporting and delivering economic growth. There is a pressing need to deliver the infrastructure required to facilitate schemes in the larger Cornish Towns, and this is our priority in the short term. Towns such as Truro, Bodmin and Newquay, offer significant opportunities for growth but this potential is being constrained by lack of investment in infrastructure.

Cornwall Council, through its Housing Investment Plan (HIP), has initiated a number of supply side initiatives focusing particularly on boosting the number of affordable homes and improving the quality of the existing stock. The HIP outlines an ambitious response and heralds significant investment for housing in the region. It also identifies the need for innovation to ensure the declining public resources do not further erode housing delivery. Supporting the Council in delivering this plan is a key role for the LEP.

Cornwall Council has set a Local Plan target of 47,500 new homes by 2030 and this presents a huge opportunity to invest in our places and in high quality housing. But it is not just about more homes at any cost. Quality of life is a highly prized asset in the region, and homes that respect the stunning environment and rich heritage form a vital part of this. Warm and efficient housing has a huge impact on wellbeing and productivity, and delivering housing fit for a modern low carbon economy provides a huge opportunity for innovation and specialisation. There is a strong appetite for innovation in construction and for looking at stubborn challenges from a different perspective.

The St Austell and Clay Country eco-community is an example of innovation in place shaping. This is an ambitious plan to regenerate the area through new villages, job creation and improved infrastructure. The Cornwall Land Initiative (CLI), which uses 11 council owned sites, is another example of the local appetite for new models of delivery. Judicious use of public sector land has the potential to accelerate delivery and innovation. We need to work with partners to explore whether public assets could contribute to housing supply in the right locations.

We will hone our understanding of the role of construction and the housing sector in the economy. To do so we will work alongside the existing partnerships and frameworks. Key stakeholders, such as the Homes and Communities Agency, Local Authorities, Registered Providers, Developers, Land owners and businesses in the region are already working together to maximise knowledge and skills and we need to find our role in this landscape so that we can add value.

Addressing viability challenges through mechanisms such as Revolving Infrastructure Funding, and alternative funding models present opportunities to do more to stimulate supply, and we are working closely with partners to understand how these and other tools can be used to best effect.
A priority action for the short terms is to unlock growth in key towns in Cornwall through targeted investment in infrastructure. Our LGF bid will unlock and accelerate delivery of over 6,394 houses by the end of 2017 and act as a stepping stone to bigger ambitions. The investment in the Isles of Scilly will allow the Community to aspire to home ownership on the islands.

The Isles of Scilly have identified a need to increase the housing stock by over 50 homes – which will mean major new sites in the context of the Isles of Scilly with innovative approaches to Section 106 Agreements and open market housing. Carn Thomas the former school site is likely to provide 23 new homes working with Cornwall Rural Housing Association and the HCA.

A priority for LEP is the establishment of a Housing sub group to explore the following issues:

- The role of housing in stimulating economic growth in our key towns
- The use of public sector land to stimulate delivery of new homes
- Innovation in construction and scope for reducing the cost of delivering new homes
- Financing options, including the use of HRA borrowing to deliver more housing for rent
- Best practise across other LEP areas and beyond
- Engage with the construction and house building sectors to understand better the challenges faced in delivering new homes
- Explore ways to create a platform for collaboration across the public and private sector

A dedicated resource has been engaged to provide technical support to the sub group. It is expected that the outcomes of this work will inform future LGF bids.

Our Housing 'plan for growth' – right homes, right place

What we will do

- Invest in a portfolio of town packages targeted at unlocking and accelerating delivery of 6,394 homes by 2017
- A housing sub group of the LEP will be established to instigate a strategic and proactive approach to housing investment and financial modelling - looking at all tenures, and understanding where the use of public sector assets can be used to unlock housing development opportunities
- Accelerate delivery of larger urban housing sites
- Develop the relationship between housing construction with the increase and retention of local skills and support for local businesses
- Work with a number of partners (local and National Agencies) to ensure that there is a strong focus on the affordability and supply issues in C&IoS

Our ‘asks’ of Government

- Work alongside Cornwall Council to model options to extend the Housing Revenue Account (HRA) borrowing limit to finance delivery of additional rented housing
- Support negotiations with the HCA for borrowing to fund new homes, treating the Cornwall 'portfolio' of sites under the HCA 'major sites' regime if this will accelerate delivery
Rationale for intervention

There have been longstanding concerns over local aspirations for skills and employment progression in both the existing workforce, those not participating in the labour market and young people. For schools and post-16 education, Department for Education performance tables highlight some areas of concern on performance. In terms of the labour market, there are still entrenched issues:

- **Inactivity:** 28.4% of people aged 16-64 are economically inactive this equates to 94,300 people (nationally 23.4%) Since 2011 there has been an increase in economic inactivity rates. There are an estimated 32,100 workless households in Cornwall, 19% of total households. Of these, the majority (27,300) consisted of adults who were inactive rather than unemployed.
- **Unemployment:** Current unemployment rates are on par with national average but there is a small entrenched long term unemployed ‘group’ which has remained at over 20% for the last year. The unemployed are far less skilled (43% are below NVQ2, double the rate for employed). Adults with disabilities (of any kind) have a much higher unemployment rate.
- **Seasonal Cycles:** 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. The need is therefore to develop more sustainable jobs, with long seasons, or ideally, not linked to seasonal employment.
- **Youth Unemployment:** 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 and that young men are more likely to be unemployed than young women. There is a support void at the age of 19+ when those who have been NEET can become invisible through the existing support mechanisms.

Our approach to intervention

Skills, talent and employment in C&IoS require a 'whole system' approach - with a consistency and coherence within and between different intervention strategies. Our overall approach is elaborated further in the LEP Employment and Skills Strategy (produced by the Employment and Skills Board) and in the EUSIF strategy and supporting documentation. Our approach to skills for business growth is contained within our Growth for Business section. Our major plans for creating more generic Conditions for Growth interventions can be summarised as:-

- A foundation 'raising aspirations' programme including significant pre-15 activity: Working with all parts of the education community, working with parents, governors, businesses and Cornwall Council to ensure that all children and young people are given the best possible start in life a Raising Aspiration and Achievement Strategic Partnership Board has been created. The aim of the Board is to draw together representatives from the worlds of education, business, commerce and enterprise with the wider community including parents and carers to provide a better future for Cornwall, its children, young people and its
community as a whole. A Raising Aspirations Strategy has been developed. This Strategy has identified five specific priority areas where more work is needed to drive up standards. These five “golden threads” include:

- Raising aspirations – particularly for higher attaining students so that their performance at least matches and then exceeds national performance
- Developing highly effective leadership and governance to provide robust challenge and accountability for standards
- Improving the performance of boys from early years through to ‘A’ Levels so that their performance at least matches and then exceeds national performance
- Closing the gap for the most vulnerable children and young people so that they attain and achieve as well as then exceed the performance of all children and young people nationally
- Ensuring that school organisation models are fit for purpose, ensuring sustainability and allowing providers to deliver high quality education

We are initially focusing on three areas:

- Parental Engagement - to develop, improve and sustain greater parental and carer engagement in the education of children and young people
- Standards and Achievement - to provide a targeted approach to drive up the standards and achievement of children and young people
- Continuing Professional Development - to co-ordinate, develop and innovate to provide a coherent, cohesive and effective CPD offer, by identification of best practice, as well as by signposting partners to enable them to make best use of peer to peer support for their improvement journey.

- **A new strategic approach to post-16 education**: Cornwall Council have commissioned a review of Post-16 education which will report on the status of post-16 provision in particular which will form an important part of influencing our approach over coming years. We are committed to supporting future FE Capital investment opportunities that may arise in order to strengthen post-16 performance and to raise the aspirations, achievements and employability of young people. We are developing plans to provide strong FE Capital asks for 2016/17. This will strengthen the route from our proposed LGF school based activity, through our FE Capital projects in 2016/17, resulting in increased post-16 performance and to raised aspirations, achievements and employability of our young people and a more productive future workforce.

The EUSIF strategy remains a central instrument for co-financing these interventions, offering the best leverage of public funding in the UK - so we are seeking significant government flexibilities in how this is designed and delivery managed in C&IoS.

### Our Skills, talent and raising aspirations - our plan for growth

#### What we will do

- Work with partners to maximise the impact of the £20m+ national Further Education (FE) based Adult Skills Budget and Apprenticeship funding annually available to providers based in the Peninsula to deliver
  - Rural development through FE capital developments
  - Increased number of apprenticeships in the changing landscape of funding
  - Consistently high quality delivery across all local providers
• Use EUSIF funding to
  o Enable better progression into the workplace for those currently inactive or unemployed through targeted interventions that work alongside Department for Work and Pensions (DWP) programmes; this will include enhancing the existing Flexible Support Fund and Local Supplier framework (extension of current) for use by Job Centre Plus (JCP) and partners to develop innovative engagement and delivery mechanisms
  o Deliver targeted activity for young people to enable effective access to the labour market for all whilst responding to the raising Participation Age challenge
  o Provide specific interventions to tackle the issues faced by those on the Isles of Scilly (such as under employment, lack of access to opportunities; lack of specific Adult Skills Budget allocation for the population)

• Work collectively as part of the Plymouth and South West Peninsula City Deal to deliver new approaches to entrenched youth unemployment in Plymouth and its travel to work areas (including South East Cornwall)

• Deliver a new approach to raising the aspirations and skills of our future workforce through a specific programme of activity led by business and educators to widen experiences of the world of work in our young people, better preparing them for their future careers (See LGF bid)

Our asks of government

• Assurances that C&IoS will not be prejudiced in access to national FE capital whilst we firm up our FE capital strategy during 2014/15
• An identified Department for Education champion to work with us to develop our new approach to raising aspirations and achievements in our schools (through our LEP Whitehall sponsor)
• Enhanced opt-in negotiations with Skills Funding Agency and the Department for Work and Pensions to ensure the skills and employment regime in C&IoS is fit for the purposes of this plan for growth; and that the planning and management of the EUSIF is deployed optimally to its ends
Rationale for intervention

A June 2012 Experian report identified that 26% (59,000) households in Cornwall were ‘at risk of poverty’; ranking 21st out of 424 local authorities (where 1 is the worst). 26% equates to 59,900 households. This places Cornwall in the worst 5% areas in the UK.

Crucially, households where individuals are in work are equally affected. 40% of all Citizens Advice Bureau advice requests are about debt – last year 29,000 people sought support on this issue. Personal insolvency rates continue to be higher than the South West and national averages, however the gap between C&IoS and the rest of the country is decreasing. Moreover, child poverty levels have remained at approximately 18% of all children & young people aged 0 – 19 in Cornwall from 2007 – 2010.

The European platform against poverty and social exclusion is one of seven flagship initiatives of the Europe 2020 strategy for smart, sustainable and inclusive growth. It proposes that 20% of ESF be earmarked to tackle these issues, supports partnership with a strong civil society and seeks innovation in tackling entrenched issues through social policy actions. It requires new approaches through Social Innovations: developing new ideas, services and models to better address social issues. It invites input from public and private actors, including civil society, to improve social services. As the largest per capita EUSIF and only Less Developed Region programme in England, therefore, the need for a credible community capacity and resilience intervention is clearly a priority.

Our approach to intervention

Social inclusion and combating poverty are issues that impact upon and are affected by employment, education and skills. Our ‘Inclusion Cornwall’ partnership is revising the strategic approach and leading work to tackle the key issues of a low wage, high living cost economy. Our strong, supportive voluntary and community sectors have played a crucial role in developing our European plans, as well as being an integral delivery mechanism for the plan and our strategy. Using our economy as the driver we believe people in C&IoS can look forward to a more inclusive society, based on innovative problem solving to enable individuals and families a better balance between income and the cost of living. Research into the local Voluntary, Community and Social Enterprise sectors (VCSE) identified that the annual turnover of the sector has increased markedly since 2008, when it was £390m, now being of the order of £580m million making it one of the largest contributors to the local economy. The announcement of the first rural Social Enterprise Zone in C&IoS in 2013 shows the commitment to using this approach to provide new service delivery methodologies, to develop new markets and to meet market failures.

The commitment to deliver 5% of the EUSIF to Community Led Local Development (CLLD) signifies a deal that will empower communities to build capacity in preparation for devolution, improve resilience, grow their economies, stimulate social enterprise and invest in their places.

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.
Through our substantial proposal for social inclusion activity in the EUSIF, we will tackle the key underpinning community issues. This is a wide programme which will be broader than the very specific, localised interventions identified through the CLLD approach. We will prioritise developing communities that are economically and socially resilient, sustainable and inclusive. We will deliver interventions that develop the following:

- **A Future C&IoS Social innovation programme**
  - Innovation in community transport management systems
  - Innovation in social care marketplace
  - Innovation in food systems

- **Stronger Social and Community Enterprise**
  - Enhanced start up services to deliver more start up advice and support for social enterprises
  - Growth programmes for social VCSE including use of non-executive directors and market assessment tools
  - Research projects linked to developing new social enterprise markets in response to public sector change
  - Increased impact metrics usage for all enterprises to assess the contribution to the community as well as the economy

- **Enterprising Communities**
  - Development of enterprise hubs (for micro companies and VCSE orgs) and ‘digital making’ facilities in these enterprise hubs
  - Support for developing self-employment (small scale finance and advice)

- **Smart Money**
  - Methods to tackle high debt living and financial inclusion including:
    - Establishing alternative lending methods and services
    - Financial and budgeting skills development
    - The development of advice skills through volunteering, work placements and further qualification development

- **Work with families**
  - Whole family approach’ solutions and personalised services to improve aspiration, health, education, skills and employment prospects
  - Co-produced local solutions that deliver early help to vulnerable families to prevent problems from becoming entrenched and families from slipping into crisis and poverty further down the line
    - Maximising the potential and efficiencies of local community buildings/facilities e.g. Children’s centres, Youth centres in order to take services closer to the local community
Our Community capacity and resilience 'plan for growth'

What we will do

- 5% of the EUSIF will be allocated to Community Led Local Development:

<table>
<thead>
<tr>
<th>Cornwall and Isles of Scilly Leader CLLD approach</th>
<th>Future Economy</th>
<th>Growth for Business</th>
<th>Conditions for Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support locally devised approaches to tackle the LEP and EU strategic priorities</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Cornwall & Isles of Scilly Leader Community Led Local Development – devise approaches to tackle the LEP and EU Priority Themes | Supporting business to increase resilience, competitiveness and to grow and diversify. | Unlocking the potential of businesses at local level. | Supporting training to fulfil needs, skills development and leadership development. |
|───|-------------------------------------------------|---------------------------------|-------------------------------------------------|
| | Developing economic activity at local level. | Adding value to business products. | Stimulating collaboration. |
| | Developing confidence locally to move people out of the risk of poverty and to promote social inclusion. | Harnessing, appropriately packaging and enhancing the unique assets of the area. | Increasing understanding of research at local level. |
| | Making full use of opportunities from the devolution of assets and local management of services. | Local business development around product. | Implementing findings of local surveys. |
| | Utilising the natural environment at a local level. | Supporting supply chain collaboration and joint actions. | Local involvement and management of assets. |
| | | Stimulating and supporting innovation. | Developing enterprising communities that support their micro enterprises and community organisations. |
• Major community capacity building and empowerment programmes through LEADER, SIF CLLD and other programmes
• Locally owned energy
• Build upon our current and successful ‘family’ programmes to tackle family poverty
• Work with our civil society partners to develop socially innovative response to endemic issues such as debt, financial exclusion and high living costs

Our asks of government

• Production of a substantive national 'pilot' to bring the first rural 'Social Enterprise Zone' to meaningful fruition
• Support for the substantial investment in social inclusion activity proposed through the EUSIF, including local tailoring of national approaches and match funding and support from the Civil Society Office
Governance

The Cornwall and Isles of Scilly (C&IoS) LEP is in a unique position in England as a LEP with a clearly articulated economic functional area, two Unitary Authorities and a geography co-terminus with a NUTSII Region for the EU. Our geography is such that we have a well-defined sense of place as an archipelago and peninsula surrounded by water, with a strong cultural identity, heritage and language. We are a force to be reckoned with when we stand together across the public, private and voluntary sectors – and for our ambitious economic growth strategy we do indeed stand together.

This SEP (including our priorities for the EUSIF and Growth Fund) has undergone an extensive consultation and development process. The LEP has engaged across all stakeholders both directly through task and finish groups, workshops and wider events with some 200+ individuals and organisations, as well as an on-line consultation. The SEP has the support of Elected Members of both Authorities, MPs, as well as with key representative private sector organisations including the Chamber of Commerce, the Federation of Small Business, the Home Builders Federation, the National Housing Federation, the NFU and sector representative bodies in Cornwall and the Isles of Scilly (such as the Creative Industries Network, the Construction Industry Training Board, Cornwall Marine Network and Cornwall Manufacturers Forum to name but a few).

Where appropriate we have also sought direct links to other LEPs. Our structure has enabled Cross-LEP Investment and Programme Management for collaborative commissioning. These discussions are on-going with a number of LEPs. We have identified a number of potential opportunities to collaborate on alignment, lobbying and joint commissioning on delivery including sector development and infrastructure. Most recently we have partnered the Heart of the South West LEP in the aspirations of the Plymouth City Deal to drive productivity-led growth through the marine sector, with a Growth Hub model driving our approach to offshore renewables. We are also working as part of the ‘Deal for Young People’ we will be tackling the endemic Youth unemployment in Plymouth’s travel to work area which includes South East Cornwall through the development of an employability gateway, employer charter and youth wage progression project. Key transport issues have also united both LEPs in a common agenda over recent months. Other examples include our work with the West of England LEP on Aerospace connected to our Enterprise Zone and on offshore renewables as a partner in the South West Marine Energy Park.

We have a long and successful track record of partnership working across the area and across sectors. We have built on this record and simplified structures in recent years to now work primarily through three partnerships. All share the same core principle of ‘achieving growth whilst ensuring the culture, communities and environment of Cornwall and the Isles of Scilly remain special and unique’. Each partnership leads on the three elements of sustainable development: economy (C&IoS Local Enterprise Partnership - LEP), environment (C&IoS Local Nature Partnership - LNP) and social (Health and Well Being Boards for Cornwall and the Isles of Scilly - HWB).

The Public Sector Group is made up of the executive officers from each of the key public sector organisations across Cornwall and the Isles of Scilly, including Government agencies like the Environment Agency, Skills Funding Agency, Highways Agency and the Homes and Communities Agency. This Group was formed in 2010 in order to identify opportunities for efficiencies and integration across public services. They have recently established a work plan to drive increased collaboration across five themes;

1. Collectively Addressing Financial Hardship
This theme is led by Jobcentre Plus and is aimed at assisting people into work, as well as increasing financial literacy, reducing household debt and increasing earnings potential through improved skills.

2. Integration, Early Intervention and Prevention
This theme includes gathering learning from existing major public sector transformation programmes such as Cornwall’s Pioneer programme for health and social care integration, the Together for Families (Troubled Families) programme, and the creation of a single intelligence hub for Cornwall and the Isles of Scilly to improve the interpretation of data analysis, trends and forecasts, including economic data.
3. Workforce
This theme is designed to work across the whole of public services to create a well-trained, flexible, and resilient workforce with the right skills and culture to adapt to the significant changes in the public sector in the next few years.

4. Digital Public Services
This theme is focussed on driving channel shift across the public sector, for back-office systems and through the interface with customers. It is about improving the customer experience, using customer insight to tailor services and promoting culture change across the population to encourage greater digital literacy, promote more online activity and support innovation.

5. Public Sector Assets
This theme seeks to drive maximum value from the whole public sector estate by promoting co-location and asset rationalisation, as well as identifying opportunities to use public sector assets to stimulate economic growth.

There are also several other thematic partnerships which have a specific role to play in terms of delivery, for example around the social inclusion agenda, and statutory partnerships like the Safer Cornwall partnership and the Children’s Trust.

The LEP also engages directly with the Cornwall Voluntary, Community and Social Enterprise Commissioning Board. This partnership provides a strategic interface with the third sector across Cornwall and is critical to delivering certain aspects of EU programmes, particularly those requiring strong community engagement.

The relationship of the LEP with these wider partnerships provides access to diverse networks across Cornwall and the Isles of Scilly, which strengthens the quality of intelligence that the LEP can draw upon to set strategy and to inform decisions. It also ensures that major investment programmes are aligned to derive maximum benefit.

The C&IoS LEP has successfully built on our well-established partnership approach to achieve a level of joint decision making that allows a clear and simplified growth programme and governance arrangement articulated within this SEP. We have a common purpose and a co-ordinated governance arrangement which allows a single investment programme between the public and private sectors.
Through regular reporting arrangements with both Unitary Councils (via a dedicated Economy Committee process as well as through Cabinet decision when required) we ensure that where key decisions require Local Authority endorsement this is achieved in a way which is both timely and with clear and transparent due process.

The LEP is structured in a way which supports this approach and ensures wide engagement:

The LEP Board meets formally every two months, with all agendas and minutes made public. The Board is comprised of private sector Directors appointed via a Nolan Principle process. Public sector Directors are by appointment and comprise the Leader of Cornwall Council, the Economy Portfolio Holders from both Isles of Scilly and Cornwall Councils as well as one appointed Member from the ‘opposition’ within Cornwall Council. The final public sector place on the Board is reserved for the Chair of the Combined Universities Cornwall Steering Group (representing all members of this important Higher and Further Education Partnership).

To date the Investment Board has focused on appraising and supporting the Regional Growth Fund (£13m) and Growing Places Programme (£6.3m) delivery within Cornwall and the Isles of Scilly. This has not only delivered a significant number of jobs but is also used to compliment ERDF investments. As a result of this SEP and the opportunities within it, we will be strengthening the role of the Investment Board as detailed below.

The working groups of the LEP stretch across our main themes and priorities and include the Local Transport Board, Employment and Skills Board and Enterprise Zone Board. These groups support a wider engagement across the priorities of the LEP and include business leaders, voluntary and community based organisations, further and higher education, the two Unitary Councils as well as key Government Agencies. The work of these groups will be supported in turning priority to action and delivery via a dedicated Commissioning Group which will act as a Corporate Programme Board, and which will be supported by specific Project Boards for individual interventions. This will ensure effective performance management reporting as investments move forward.

We will also 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. Following discussions with all key stakeholders
(the LEP, Cornwall Council, Council of the Isles of Scilly and current Local Action Groups) the map below outlines the five areas.

**Delivery of SEP Themes through Spatial Investment**

Cornwall and the Isles of Scilly are characterised by a dispersed settlement pattern. Our communities are equally diverse having developed strong local identities and traditions - many of which continue today. Nine towns have a population of over 10,000 (five over 20,000) while a further seventeen small towns have around 5,000 residents. These sit amongst many other sizable villages and hamlets.

Cornwall’s lack of a single dominant centre in terms of population and functionality, impacts upon the economy and future growth potential. Cornwall and the Isles of Scilly are 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 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 and address key drivers of local growth in housing, transport and skills.

New development and investment should provide the most sustainable approach to accommodating growth; making the best use of infrastructure and services whilst respecting the natural and historic character of the area. It should improve conditions for business and investment providing for an overall increase of jobs, supporting the provision of better paid full-time employment opportunities to drive an increase in the Gross Domestic Product to rise above 75% of the EU’s average.

To enable Cornwall and the Isles of Scilly LEP to deliver the ambition and priorities within the SEP, whilst maximising the economic benefits and opportunities to the area, the Local Growth Fund proposal has identified LEP wide strategic projects (that will benefit the entire LEP area) in addition to area specific investment including:
a) Supporting the economic regeneration of Camborne and Redruth, and Pool
b) Supporting the role of Bodmin as a strategic employment location taking advantage of its position on the transport network
c) Development to deliver the Eco-community at West Carclaze/Baal and Par Docks
d) Supporting the Newquay Cornwall Airport and the Aerohub Enterprise Zone through improved linkages as an economic catalyst for the wider Newquay area and beyond
e) Supporting Truro’s wider role as an economic and service centre
f) Supporting economic development in South East Cornwall, meeting the area’s own needs and benefit from its relationship with Plymouth and the Heart of the South West LEP area
g) Strengthening the role of Launceston and Saltash as Gateways to Cornwall through economic growth along the A30 and A38
h) Providing for marine businesses and maximise the economic growth and the benefits of the proximity to the Combined Universities in Falmouth
i) Supporting the economic regeneration of Penzance and travel interchange, including the improvement of Penzance Harbour, and retention of a main line rail link to Penzance as a strategic link for Cornwall and the Isles of Scilly and the UK
j) Supporting town centres, e.g. housing renewal and regeneration.

Invariably the above spatial investments and developments will be delivered at different timescales, however the LEP are committed to setting an ambitious SEP that will close the existing economic gaps between C&IoS and the rest of the UK, and place it at the forefront of economic growth. Community Network area profiles and the initial work of a new economic strategy for provide a starting point for further work in places – particularly through the Neighbourhood Planning process and community led local development opportunities.

An important principle underpinning the governance arrangements for our SEP is to secure a devolved responsibility for decision making through a **single investment programme with ONE clear route for all growth investment decisions**.

The case for greater local decision making is clear, is central to Government economic policy and is supported by the private sector.

We are proposing a number of mechanisms to ensure a single investment programme approach to deliver our SEP. We appreciate that this may be an evolving process as more devolved responsibility is transferred to Cornwall and the Isles of Scilly over the course of this Strategic Economic Plan lifetime as our case for greater devolved powers are proven. We outline here our optimum governance arrangement to genuinely achieve a single investment programme. This arrangement would need to align funding and governance process across local, National and EU Funds to deliver the priorities outlined within this SEP. As the only Less Developed Region, with the regulations allowing for greater flexibility, our SEP will be better delivered with bespoke arrangements.

**The Case for Change**

C&IoS has 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. The latest data shows that C&IoS Per capita GDP is now at 64% of the indexed EU average. The high point for Cornwall & IoS was 2006 when per capita GDP equalled 78% of the EU average (down 14 points). This reflects the fact that UK per capita GDP has fallen back from 122% in 2006 to 105% in 2011 (down 17 points). A centrally driven and top down approach to the delivery of EU funds has not delivered the anticipated growth in the UK and analysis of the latest EU GDP figures shows that if a more up to date reference period of average GDP figures (09/10/11) was used instead of the current reference period (07/08/09) 6 English regions would decline from ‘more developed’ to ‘transition’ and 2 regions would move from ‘transition’ to ‘less developed’. On this measure, this is the worst performance in Europe.
It’s clearly time to try new things and we believe our proposal will support economic growth and deliver the Governments devolution agenda as set out in ‘Local Growth Realising Every Places Potential. Specifically;

- Local communities and businesses are in the best position to understand and respond to the opportunities and needs of their own economies and this Government is determined to give them the tools and the incentives to do this.

- The Government will enable and encourage local ownership and leadership of action to address local economic priorities instead of imposing solutions from the centre.

- We will also encourage alignment of the Regional Growth Fund with ERDF, where the aims of bids are eligible for support from both Funds.

- The Government believes that it is important that any new delivery structure increases the local accountability for ERDF investment decisions to improve the impact of the fund in terms of the growth and jobs it supports. Any future delivery structure should also look to increase the private sector leverage of the fund and minimise the administrative burden.

This was subsequently reiterated in No stone unturned: in pursuit of growth - Lord Heseltine review. Lord Heseltine has set out a comprehensive economic plan to improve the UK’s ability to create wealth. His independent report makes the case for a major rebalancing of responsibilities for economic development between central and local government, and between government and the private sector.

The current proposals for governance and delivery, as set out in the UK Government Partnership Agreement, do not deliver the vision set out by Ministers in response to the Heseltine Report despite strong evidence that empowering regions is key to economic growth and contributes to strong national economic performance.

There is increasing academic consensus that ‘Functional Economic Areas’ grow quicker when they have more influence over the levers of growth and this is already included as part of the Partnership Agreement evidence base. Specifically the OECD report; ‘How Regions Grow’;

“Although national factors influence regional growth, regional factors in most cases largely determine the regions’ international performance...Greater growth occurs when regions are able to mobilise their own local assets and resources, rather than depending on support from the national government. Regional policies can assist in this task and in this sense regional policies are not a zero sum game...Proximity among the diverse local actors in a regional innovation system may well be a key ingredient.”

The case for greater regional decision making is clear, central to Government economic policy and supported by the private sector. As the only Less Developed Region outside the devolved administrations and with the second highest EU allocation in England, C&IoS is uniquely placed to take on the extra responsibilities required to drive growth. We have a range of financial and policy flexibilities available to us that will be lost if delivery of our 2014-20 programme is through a one size fits all approach delivered from the centre.

It is essential that locally accountable partners are able to fully engage in the preparation, implementation, monitoring and evaluation, development and delivery of EU and National funding programmes.

Learning the lessons from previous programmes

As part of the process of developing the SEP and EUSIF Strategy, C&IoS LEP have reflected on the processes and responsibilities for the 2000-2006 and 2007-2013 EU programme periods. A key message from C&IoS businesses consulted during the SEP and EUSIF development process was that the previous application processes could be cumbersome and expensive. Local businesses have called for a proportionate administration and for bureaucratic red tape to be reduced wherever possible under the next EU programme and any linked National funding. The views from businesses and reflections on former processes have been used to inform the proposals for delivery processes and responsibilities as part of C&IoS’s proposals here.
Lessons learnt tell us:

- The value of integrated programmes with multifund processes seamlessly linked for beneficiaries
- The importance of a largely commissioned programme to allow strategic direction for investments and encourage efficiencies for the business process
- The key role played by local communications teams in publicising opportunities for investment and communicating the outcomes of EU funds
- The vital role played by partners in the appraisal and approval process to ensure strategic delivery and local confidence
- Issues with delivery can be responded to more directly
- The value of local accountability and confidence

It is important that we learn the lessons from these previous programmes and do not seek to replicate or encourage processes that disjoin funds, promote inefficiency or remove influence from local decision makers.

We are proposing three things to be considered to enable the successful delivery of the 2014-2020 European programmes in C&IoS and look forward to a dialogue with Government via the next stages of the Growth Deal and Local Growth Fund as to how National funds can be integrated into these proposals:

1. A separate Operational Programme (OP) for ERDF and ESF for C&IoS to recognise our unique status. By developing a C&IoS Operational Programme, the strategic fit of the SEP, EUSIF and the OP will be perfectly aligned ensuring joined up investments.

2. The ability to better integrate funds through a separate territorial investment. As integrated territorial strategies are vital for the achievement of the aims of European funding, the Common Provisions regulation introduces the Integrated Territorial Investment (ITI) as a key instrument to implement such strategies. We would like to respond to the European Commission’s aim that the UK should make use of the ITI mechanism and use an ITI to draw on funding from several priority axes of local and national Operational Programmes for all four Structural and Investment funds to enable the efficient implementation of integrated actions through simplified financing. This request was the subject of a full proposal from C&IoS to HMG in May 2013. This would form a key pillar of our ability to deliver this SEP via a single investment programme.

3. Delegation of strategic decision-making responsibilities to an Intermediary Body to the local area to drive higher performance through better local knowledge, delivery of the European Commission’s simplification agenda and a joined up approach to investment (including match funding). We wish to formalise this role with the LEP and partners locally responsible and accountable for strategic decisions with Cornwall Council taking on Intermediate Body status for specific activities.

Under the 2007-2013 programme, Cornwall Council managed ERDF commissioning processes on behalf of DCLG and has extensive experience in the strict compliance mechanisms required to make this work including separating the function of IB from beneficiary where Cornwall Council could be the applicant for EU funds.

The diagram below shows the proposed roles and responsibilities for organisations in the process:
Implementation

What are the benefits of devolving responsibility?

A single investment programme aligning local, National and European funds through the priorities within this SEP would provide a formalised delegation of strategic decision-making responsibilities to our LEP area. Simplification and unification of approach will provide the platform for investment decisions that will address both the transformation of the economy and facilitate investment to penetrate to community levels. In order to do so we will apply best practice based on the Treasury Five Case model:

- A single gateway into all economic development funds. Multiple access points disjoin decision making processes. By having a single access point for investment, European, national and local funds can be joined together to provide a streamlined access point and single investment programme via an intermediary body function for EU Programmes with linked governance arrangements for non-EU funds. This will help to provide greater certainty and clarity to applicants for investment (both public and private), and support
alignment with National agencies such as Homes and Communities Agency and Environment Agency when there are joint investments.

- **Single point of contact for project pipeline development and commissioning.** This would further allow for the integration of funds making accessing and understanding the process simpler for beneficiaries and deliver quicker decision making. A single streamlined process will also allow us to integrate other sources of local and national funding including increased confidence from private sector match funders bringing additional leverage into the programme.

- **Standard and clear criteria for investment**

- **Simplification of arrangements for the process of selection of operations:**
  - *project applications:* single responsible organisation for the management of the pipeline of projects, development of project specifications, undertaking the process of publicising, managing the application or commissioning process, and providing technical advice and support to prospective applicants and communicating decisions, key guidance and programme/policy changes to partners;
  - *project selection:* to undertake technical and strategic checks and appraisals on applications (based on EU criteria, Treasury green book principles and WEB-TAG methodology) and facilitate the assessment of applications and recommendations of local project selection;
  - *project monitoring and auditing:* to carry out monitoring visits on all projects to ensure fulfilment of funding obligations; and
  - *reporting:* to monitor progress towards financial targets and contribute to funding requirements.

A fit for purpose structure would be created allowing the LEP to drive forward new investments as well as performance managing existing investments - this is outlined below.

Underpinning this structure are important principles in overseeing public funds from both a European and national perspective. Cornwall and the Isles of Scilly have a long track record of excellent practice in delivering public funded programmes, particularly from the EU, and we are building on this good practice. We are cognisant of the fact that these structures will need to be fit for purpose primarily for the regulations of the European Commission in the LEP’s role for the 2014-20 Structural Funds Programme as well as Government Departments – for example the alignment of the C&IoS Local Transport Board’s Assurance Framework for the Department for Transport. We would also utilise recognised good practice in project development from the Treasury Five Case model:

![Five Case Model Diagram](image-url)

This arrangement would support the investment process from start to finish. The entire process would be supported from a management, compliance and performance perspective by a dedicated team working on behalf of the LEP but provided with the support of Cornwall Council in an Intermediate Body (IB) capacity, with the ability to utilise this arrange with other funds. There would of course be a strong partnership arrangement with the Managing Authority for EU Funds and any other lead Department via Local Growth Teams. This IB function would
have responsibility for and oversee all aspects of project development and appraisal, contract management, performance management and the project closure process. In practice, this would include operational issues such as undertaking compliant commissioning and procurement processes, monitoring contract negotiations, holding audit files, and so forth.

The dedicated team would also hold all performance monitoring information to report to the LEP via a dedicated delivery group and ultimately to the Investment Board (Sub-Committee). Such performance information will also help to determine the focus of future investment decisions and link multiple funds together to a co-ordinated investment programme. A dedicated Programme Group will be in place to support the work of this function – bringing together key operational staff to oversee, support and scrutinise the wider investment programme.

A Commissioning and Delivery Group will bring together a number of existing groups currently performing this function across multiple programmes already operating in Cornwall and the Isles of Scilly (including the current EU Convergence Programme and RGF/GPF Programmes). This group will oversee future commissioning/open calls for new investments and will also work closely with the IB Team to ensure oversight and management of on-going delivery. It will take its direction from the LEP Thematic Sub Groups who will support new project pipeline and development and in turn ensure that the overall LEP strategy as outlined within this SEP is being delivered. This function (shown via the diagram below) will in practice be the SINGLE ROUTE by which new initiatives come forward.
Local resources and capacity to deliver

In order to deliver the aspirations set out in the SEP we strongly believe in a longer term approach to investment in order for the Local Growth Funds and Growth Deal to go further.

In Cornwall and the Isles of Scilly we have not only the capacity and skills to deliver the investment programme but we also offer funds from existing budgets, as well as the potential for leveraging prudential borrowing.

It is important that delivery occurs at a number of levels and that the community will benefit from this as well.

Resources - Partner commitments

As detailed within the ‘2014-2020 European funding - The case for local decision making in Cornwall and the Isles of Scilly’ document submitted to HMG in May 2013, alongside devolution of responsibilities for European funding and the creation of a single investment route for growth funding in the region, Cornwall and the Isles of Scilly will commit to the 40% of the necessary match funding from local budgets and will secure about 15% of private sector match, decreasing the programme intervention rate to 70% allowing for a comprehensive programme of economic investment over the programming period. This major investment from the EU Programme will align with all other investment to deliver our comprehensive growth programme.

In order to deliver co-ordinated and targeted investment the Council and the LEP are creating a single investment programme based on a Revolving Community Investment Fund (RCIF). This will not only be about placing funds it will ensure that longer term value in the form of investment returns will be captured so that the investment can be recycled.

Capacity to deliver

The structure described above already exists in part and we have much good practice to build upon, particularly in relation to the compliant use of EU Funds and a strong track record and experience of delivery from the public and private sectors.

The LEP has a pooled resource of experienced staff with which to both manage and support delivery of this ambitious strategy, all of whom have significant experience of both National and EU Programme management and delivery. This experience covers all strata of investment, from the strategic and transformative to the more local investment projects.

By working closely with the two Unitary Councils, Cornwall Council’s wholly owned Cornwall Development Company and other partners we are able to provide a unique capacity with which to support delivery of this SEP.

We will use a number of mechanisms to deliver our ambitious programme via the single investment programme approach. Clearly the two Unitary Councils will be important delivery agents, particularly for the strategic Conditions for Growth infrastructure investments as detailed within our LGF bid and longer term in our Plan for Growth. Both Authorities are currently revising their organisational structures to ensure a fit for purpose approach. For example, Cornwall Council has developed a single Major Projects Team under one senior responsible officer who will oversee all capital projects delivered by the Council.

Our focus however is to maximise investment via the private sector to deliver on jobs, productivity increase and high quality housing growth alongside our emphasis on community led local development. The following mechanisms to support delivery in these areas are being developed now to commence by late 2014/early 2015.
Investment to and with the private sector:

1) Single Investment Programme – Alternative Finance Mechanisms

Delivering growth in Cornwall and the Isles of Scilly will not occur unless the blockages to investment are removed. One of those is about a pro-active approach to provide a flexible response to community and business needs, over a longer term. This is not a one size fits all approach but requires the development of a number of financial tools to respond to market forces. It also needs to vertically integrate social and economic well being.

Working closely with Government (DCLG), Cornwall Council and the LEP are developing a Revolving Community Investment Fund (RCIF) that will complement other funding streams including the SME Revolving Flexible Fund in the EUSIF (see below), Growing Places Fund, Community Energy Fund, New Homes Bonus, Local Growth Fund, Rates retention, and so forth. Many of these have bespoke investment and eligibility criteria, specifically targeted, are limited in scale, separately managed and have shorter timeframes.

The RCIF approach by Cornwall Council offers the LEP its resources and powers to provide an interventionist approach that is holistic, reaches all communities and achieves the aspirations of Cornwall and the Isles of Scilly by creating a vehicle that seeks to harness strategies and business plans over a long term investment period e.g. over 20 years. We see this proposition developing to support our wider SEP ambitions – particularly building on our approach to community resilience and the potential to innovatively tackle significant issues linked to housing and land supply. This is a proposition with an economic community approach (not just private sector led) utilising all the tools/powers available and maximising objectives from all investment streams. This will provide the resources to achieve scaleability in terms of aggregation and reinvestment, that will support economic and community resilience.

Investment is by its very nature long term. The RCIF provides the vehicle through which longer term investment returns can be channelled and reinvested. Its aim will be to grow and multiply the impact of the investment, as well as step in where the private sector will not invest. This catalytic approach will accelerate recovery and underpin investor confidence.

There is a drive and determination across C&IoS not to sit back and accept the situation and the development of this SEP and aligned review of the funding environment provides an opportunity to make a step change in the way we invest. The programme the C&IoS LEP could oversee in its own right will in itself be limited in terms of scale and breadth, and to a certain degree be constrained by the criteria of the funding streams at its disposal. Therefore, a mechanism which permits the expansion of these limits together with the promotion of greater collaboration in terms of capital investment between the LEP and other key stakeholders in Cornwall and the Isles of Scilly, e.g. Cornwall Council, Council of the Isles of Scilly, Housing Associations and lower level tiers of Government is attractive. One such way that this can be achieved is through the establishment of a revolving community investment fund (RCIF). The establishment of a fund of this nature will facilitate the convergence of the objectives, assets and resources from across the region to address market failure and deliver significant infrastructure improvement, thus securing financial benefit from these interventions for the broader benefit of the region. The RCIF has the potential to become the vehicle for regional, national and international investment.

In February 2014, GVA was appointed by DCLG to provide property and financial advisory services to the department in relation to its enterprise zone (EZ) programme across the South West region. This includes the Aerohub@ Newquay Cornwall Airport Enterprise Zone. A key area of GVA’s support has been to help the EZ and C&IoS more widely address the continuing market failure across the region through the development of a potential revolving community investment fund. Various reviews have confirmed that market failure perpetuates and continues to constrain growth in Cornwall and the Isles of Scilly.

It is hoped that by combining the RCIF and the EUSIF Financial Instruments funding that we could provide a pot of £100m to invest in a wide range of projects. The RCIF is work in progress and we would hope to continue to develop it with DCLG over the next couple of months.
Investment Approaches
There are a number of potential mechanisms that can be used to invest resources into individual projects. The advantage of a fund approach is to take a strategic approach to investment across C&IoS. In so doing RCIF leadership has the opportunity to diversify the investment approaches, risk exposure and potential level of returns from individual projects to enable cross subsidy between schemes in order to deliver more from a pooled approach than can be delivered through a more piecemeal investment strategy.

There is a variety of investment approaches that can be used that sit across a spectrum of risk vs. reward. The key mechanisms identified include:
- Debt
- Equity
- Delivery Vehicle / Public Private Partnership Utilising Assets
- Loan Guarantee
- Grant
- Direct investment

Payback Mechanisms
It is only through investments being made to work harder and to be made to “revolve” on a regular basis that the RCIF model will be successful. Indeed for RCIF to achieve the long term aspiration of becoming an external fund that is seen as an attractive investment for the private sector it must achieve a track record of delivering returns over time.

In order to achieve this, effective methods for the payback of funds must be built into the business plan for RCIF to ensure the fund is sustainable over time. Key methods include:
- Locally retained business rates
- Enterprise Zone business rates
- Developer contributions
- New Homes Bonus
- Shadow Toll
- Equity return
- Debt Interest

Potential Investment Model
The report identifies a number of comparable case studies of different revolving funds and places the potential RCIF structure in this context before identifying a potential high level model as detailed below:
This model offers the opportunity for Cornwall Council, in partnership with the LEP, to help to alleviate the fundamental mismatch in investment vs. benefit by utilising its borrowing powers, income base, assets and utilise the strength of the local authority’s covenant, to help provide the necessary financing for such investment through a fund, in return for contributions over time. Such a course of action should not be undertaken lightly, and we will be working on this initiative over time with DCLG.

In the meantime, we are clear that our priority remains our Local Growth Fund package of investments which are **time critical** to unlock to support our growth programme and aligned EUSIF Investments.

The RCIF will provide the overarching approach to all investment streams which will be used in combination to suit requirements. Flexibility is the approach as well as engendering a change in culture from grant to investment ideology.

The EUSIF will have a similar approach to investment but in order not to cross pollinate investment criteria and rules the governance that will be put in place between the Council and LEP will ensure that the investment streams will be applied consistently to maximise their impact.

Critical to the success of this investment strategy will be to provide effective access to funds by SMEs, with the ability to be flexible with the intervention ie the decision to lend or other form of financing. Both the RCIF and the EUSIF funds will have similar flexibilities.

For the private sector more directly, we are prioritising the need to make a step change in the way we make economic development investments. Interventions should be market led and encourage C&IoS from a reliance on grants to **a culture of investment**. In order to make a step change we will deliver a minimum of 12.5% (£63.5m) of the EUSIF 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 proposed model prepared in partnership with PWC.

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 LEP area 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, £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 high 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:
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 LEP’s 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. However, this investment still has the potential to deliver additional direct investment into business and to generate significant outputs for the programme, 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.

<table>
<thead>
<tr>
<th>Measures</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Jobs created</td>
<td>2918</td>
</tr>
<tr>
<td>Businesses Assisted; of which start ups</td>
<td>894 (up to) 234</td>
</tr>
<tr>
<td>Gross Increase in GVA</td>
<td>£91.6 million per annum</td>
</tr>
<tr>
<td>Private sector investment</td>
<td>£108 million</td>
</tr>
</tbody>
</table>

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 financial instruments 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.

2) Community Capacity and Resilience implementation

Our focus on community capacity and resilience as part of our Conditions for Growth priority will cover 100% of the C&IoS area with 5% of the total EUSIF allocation will be delivered through this mechanism. Our emphasis on community capacity and resilience will permeate through everything we do both in relation to statutory services as well as economic-driven growth. There will be times when this approach will mean that investment proposals coming forward will have a different slant and different 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 which might not be captured otherwise.

For our EUSIF investment 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 developing 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. If it is not possible to integrate this in a combined CLLD/LEADER/FLAG approach, linkages will be developed to avoid duplication and joint working will be promoted wherever possible.

<table>
<thead>
<tr>
<th>Area</th>
<th>EAFRD</th>
<th>ESF</th>
<th>ERDF</th>
<th>Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isles of Scilly</td>
<td>£1,250,000</td>
<td>£300,000</td>
<td>£3,000,000</td>
<td>£4,550,000</td>
</tr>
<tr>
<td>Cornwall</td>
<td>£8,750,000</td>
<td>£6,700,000</td>
<td>£16,050,000</td>
<td>£31,500,000</td>
</tr>
<tr>
<td>Total Budget</td>
<td>£10,000,000</td>
<td>£7,000,000</td>
<td>£19,050,000</td>
<td>£36,050,000</td>
</tr>
</tbody>
</table>

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.
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 Investment Board.

Each of the five local groups will follow guidance to establish the correct structure for its area, giving due consideration to 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 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 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, reflecting additional transport costs. Therefore, it is likely that each area will have a different proportion of the outputs that will not just relate to the funding made available. Population, need and absorption levels will also be taken into account.

We will work with community groups and stakeholders in C&IoS to develop evidence based Local Delivery Strategies that are closely linked to the investment areas of the SEP and EUSIF 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.
Local growth deal proposal

Local Growth Deal

Introduction: The third component of our SEP is the 'growth deal' offer to and asks of Government. We are explicit and clear that our ambitions for C&IoS in terms of enhanced localism and decentralisation are high and demanding. We would argue that twenty years (i.e. post-1994) of intensive EU assistance in recognition of economic underperformance - largely led and shaped by national and regional role players - has not yet delivered a transformational sustainable improvement in relative economic position in the UK. In this sense we concur with Government’s 'localism' approach of "unleashing the ambition and creativity of local leaders...in pursuit of growth".

We have sought to pursue a multi-functional integrated 'growth deal' with government since at least 2011 - firstly within the whole place community budget framework, then alongside the city deal process. We are an integral member of the Plymouth and Peninsula City Deal - demonstrating our willingness to play a collaborative role on a peninsula level where appropriate; and also a Health and Social Care 'Pioneer', which indicates our ambition to accelerate the integration between health and social care, and address whole system reform.

Our SEP proposals for 'growth deal' agreements to 2015/16, therefore, are a further staging post in a process that will place C&IoS at the forefront of enhanced localism in England - alongside London, the Core Cities and other ambitious and 'special' geographies. We have always recognised the interdependency between creating a vibrant economy, and reducing demand on public services by encouraging greater self-sufficiency for individuals and communities.

Our headline offer to government and 'UKplc': Our plan for growth has been elaborated in detail above and commits C&IoS partners to deployment of all our energies and resources in pursuit of the following key results. Our 'headline offer' to Government, therefore, includes:-

- Exceed predicted Gross Value Added (GVA) growth by an additional £338m (5% stretch) by 2020 (£190m by 2017)
- Investment in 18,313 new additional jobs over the plan period with 4,801 of these accelerated directly by LGF to 2017
- Delivery of 13,953 homes to 2020 with accelerated delivery of 6,394 of these by end of 2017 as a direct result of LGF
- Higher level skills (Level 4+) attainment converges with UK average by 2020
- GCSE attainment converges with national average by 2020
- Exceed the national target of 15% renewable energy production target by 2020
- Support 100 new businesses in future ready technologies by 2020

At a more granular level, full implementation of our plan for growth will deliver:-

- Effective delivery of England's only Less Developed Region EUSIF programme - amounting to over £600m of investment and delivering (subject to negotiation), amongst others, over 60,000 training and employment opportunities, creating over 5,000 jobs and supporting around 5,000 enterprises (including 700 start ups)
- The majority of the development of the Aerohub Enterprise Zone, with the potential for 114ha of development land, 250,000sqm of commercial floorspace, 5,000 jobs and £250m of private sector leverage - which, together with Goonhilly Earth Station, will support a cluster making a distinctive, major contribution to UK aerospace and space industrial strategies
- A major contribution to UK offshore and renewables energy strategies and targets through pre-commercialisation and commercialisation development of wave, tidal and geothermal energy - contributing to a potential 34GW and 4GW generation capacity respectively, and delivering up to 1,400 jobs by 2030
• C&IoS assuming increasing responsibilities for provision of national transport infrastructure responsibilities (in partnership with but relieving pressures on bodies like Highways Agency and Network Rail) through implementation of our LGF (and related) transport investment programme. This delivers and enables 4,770 direct jobs, 8,865 safeguarded or indirect jobs, and 12,400 homes (7,300 directly); and also makes a major contribution to delivery of HS2 as a national priority growth project.

We consider this offer (collectively and individually) to be hugely significant for both C&IoS, and also for 'UK plc'. We wish to negotiate a ‘growth deal’ of localisation, co-design and co-commissioning arrangements, freedoms and flexibilities (in addition to our LGF proposals) that will assure delivery and better performance manage the risks of our transformational SEP.

What is the deal?

As stated above, we see the negotiations for our first local growth deal as a staging post on a more lengthy and fundamental C&IoS ambition for enhanced devolution and localisation at the forefront of UK and England sub-national development. At the same time, we recognise that, with twenty eight city deals and a commitment to 39 LEP-based local growth deals, the capacity of government to conclude fundamental reforms is constrained in the short term. Therefore, for our first local growth deal negotiations, we have focused our offer and asks on three inter-related areas. These are:-

### Negotiating Area #1
**Effective implementation of the SEP – including the EUSIF**

#### Why it is important
- With 10% of the national EUSIF allocation, making a success of the programme is of national significance both in compliance and outcome terms

#### Description
- A separate Operational Programme for ERDF and ESF for C&IoS to recognise our unique status and which provides us with the full range of policy and financial flexibility.
- The creation of an Integrated Territorial Investment (ITI) to better integrate funds at a local level. The EU recognises integrated territorial strategies as vital mechanisms to successfully deliver the aims of European funding.
- Delegation of strategic decision-making responsibilities to an Intermediary Body to the local area (Cornwall Council) to drive higher performance through better local knowledge, delivery of the European Commission’s simplification agenda and a joined up approach to investment leading to higher programme outputs and results.
- Extension of depth and breadth of ‘opt-in’ agreements within an overall C&IoS bespoke business growth hub programme - building on already agreed Plymouth and Peninsula City Deal flexibilities

#### Summary offer
**We will deliver…**
- A reversal of the consistent decline in GDP per capita compared to the EU average since 2007
- We will reduce the proposed intervention rate and effectively increase the size of the total programme in order to deliver greater Programme Outputs, specifically;

<table>
<thead>
<tr>
<th>Output</th>
<th>Existing target</th>
<th>Stretch (IB Target)</th>
<th>% increase</th>
<th>Additional GVA increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. participants (a+b+c)</td>
<td>57,664</td>
<td>58,400</td>
<td>1.27%</td>
<td>TBC</td>
</tr>
<tr>
<td>Jobs created</td>
<td>4,500</td>
<td>5,000</td>
<td>11.1%</td>
<td>£15,110,982</td>
</tr>
<tr>
<td>Enterprises supported</td>
<td>4,000</td>
<td>4,400</td>
<td>10%</td>
<td>TBC</td>
</tr>
<tr>
<td>New enterprises supported</td>
<td>700</td>
<td>775</td>
<td>10.7%</td>
<td>TBC</td>
</tr>
</tbody>
</table>
• Alignment with our existing GPF, RGF, Enterprise Zone and other mainstream government funding programmes
• Alignment with EU and national products and programmes
• A simplified point of access to the programme for the private sector and other partners
• Accelerated appraisal processes leading to quicker investment and increased match funding

Our part of the deal...

• Cornwall Council will prioritise its own Capital Programme in order to align it with an agreed C&IoS Operational Programme up to a maximum of £60 million. In order to add value to the programme we will use this funding to maximise leverage and decrease the intervention rate for the programme to 70% rather than the proposed maximum regulatory 80%. We estimate this £60m to be 40% of the required match funding for the programme and this additional funding will deliver an approximate 10% increase in programme outputs as set out above.
• We will invest repaid Growing Places Funding (projected to be £4m) as additional match funding to the EU programme for our proposed Financial Instrument.
• We will match fund the Technical Assistance required to run the IB. We estimate this to be approximately £500k of match funding over the programme period.
• We will resource the production of a separate Operational Programme for C&IoS (estimated to be £250k).
• We will maintain our revenue investment in Economic Development over the programme period in order to match fund key projects and programmes and drive the Governments growth and devolution agenda in line with both the Heseltine Review and Local Growth: Realising Every Places Potential’
• We will support our proposed approach to Community Led Local Development (CLLD) by investing in programme delivery (£525k) over the programme and provide a £800k cash flow facility to speed up investment.
• We will co-locate Managing Authority (MA) staff with IB staff, at cost, to provide a joined up single team to drive growth within the region.
• We will increase our investment in the Cornwall Brussels Office to facilitate good working relations with the European Commission.
• We will ‘Opt in’ to all Governments proposed national products subject to final agreement of outputs and value for money.

Summary asks

• Integration of all EU structural and investment funding to be spent in C&IoS (including for instance relevant EAFRD and EMFF national programmes) in respect to key major intervention strategies proposed in SEP/EUSIF
• The ability to commission activity at a local programme level rather than via national calls.
• The use of Technical Assistance at a local level to support Programme management.
• The use of locally-led communications for the EUSIF.
• Bespoke ITI and IB delivery management arrangements under National Growth Board and a separate Operational Programme. We are proposing a number of mechanisms to ensure a single investment programme approach to deliver our SEP. We appreciate that this may be an evolving process as more devolved responsibility is transferred to Cornwall and the Isles of Scilly over the course of this Strategic Economic Plan lifetime as our case for greater devolved powers are proven. We outline here our optimum governance arrangement to genuinely achieve a single investment programme. This arrangement would need to align funding and governance process across local, National and EU Funds to deliver the priorities outlined within this SEP. As the only Less Developed Region, with the regulations allowing for greater flexibility, our SEP will be better delivered with
bespoke arrangements.

- Development of arrangements for alignment with other EU funding (e.g. Horizon 2020)
- Negotiations to extend local tailoring of opt-in arrangements and flex national business support eligibility criteria with UKTI, GA, and MAS
- Extension of opt-in agreements to DECC, DEFRA, Arts Council and Creative England
- Enhanced opt-in negotiations with the Skills Funding Agency and Department for Work and Pensions to ensure the skills and employment regime in C&IoS is fit for purpose and to support full optimisation of the EUSIF.
- A specific DEFRA agreement on alignment of local and national farming competitiveness and productivity programmes
- UKTI and government support of further co-design and development of a high profile ‘Brand Cornwall’ proposition in global markets
- Continued DCLG support to develop the Revolving Community Infrastructure Fund as part of the Financial Engineering Instruments of the C&IoS EUSIF

**Improved results**

Beyond assuring the agreed outputs and targets of the EUSIF programme (and those areas of stretch outlined above), C&IoS will negotiate improved results and outcomes for each enhanced opt-in agreement against the current national agency/programme performance metrics

<table>
<thead>
<tr>
<th>Negotiating Area #2</th>
<th>Delivery of our Future Economy ambition</th>
</tr>
</thead>
</table>
| **Why it is important** | • Supporting a business-friendly environment that incentivises development of Future Economy potential of national and international competitiveness, building on C&IoS assets and opportunities  
• It is important that the Newquay Aerohub EZ is a success to 'prove' a government flagship policy (EZs) and as a key local asset and catalyst for the economy in C&IoS.  
• Supporting the successful delivery of the South West Marine Energy Park and associated marine priorities within the Plymouth and Peninsula City Deal  
• Maximising the opportunities at Goonhilly Earth Station and exploring links to the Enterprise Zone and higher education  
• Driving the Smart Specialisation and Horizon 2020 priorities within the C&IoS EUSIF to support both the C&IoS economy and links to wider UK economy  
• Supporting delivery of UK growth targets linked to the UK Industrial Strategy and the Eight Great Technologies |
| **Description** | • A package of measures to extend and deepen business growth incentives of the regulatory, taxation, RD&I regimes in C&IoS for renewable energy and aerospace/space-related growth - especially linked to EZ, offshore and geothermal developments |
| **Summary offer** | • Continued local support for access to and developments at Newquay Cornwall Airport (NCA) and EZ  
• Cornwall Council investment in and facilitation of local energy grids and ESCO-arrangements to test and prove both wave and tidal and geothermal renewable energy developments  
• A minimum £40m private sector investment in marine and geo-thermal related developments over the 2015-17 period with further future leverage to be agreed  
• Agree business rates retention and simplified planning regimes that support and enhance any additional EZ-type arrangements agreed by government for aerospace, space, geothermal and offshore renewables business growth |
| **Summary asks** | • Extending EZ business rates relief allowances for a further 2 years to 2020, allowing the LEP to further invest in developing the zone and align to the lifetime of the EUSIF  
• Pro-active exploration of extending Enterprise Zone-type incentives in relation to other key national designations - notably marine energy park (licensing consents regime and concept of 'floating enterprise zone'); any geothermal consent-based... |
issues; and Cornwall’s designation as the first rural Social Enterprise Zone by government.

- A streamlined access to maritime associated licensing to reduce the time taken to obtain licences and create a deployment advantage in C&IoS
- Support Local Authorities/LEPs to work with Crown Estates to identify potential deployment zones
- Support to explore a mechanism in which Marine Renewable and Geothermal developers can claim both a ‘state aid’ (grant investment) and ROCs/CFDs/RHIs without penalty
- Introduction of a licensing framework for the development of geothermal projects

**Improved results**

- Maintaining momentum at a level to be agreed on the EZ towards delivery of 114ha of development land, 250,000sqm of commercial floorspace, 5,000 jobs and £250m of private sector leverage
- Significant pre-commercial and commercial development of wave, tidal and geothermal energy - contributing to a generation potential of 38GW and up to 1,400 jobs, at levels to be agreed
<table>
<thead>
<tr>
<th>Negotiating Area #3</th>
<th>Effective delivery of Conditions for Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why it is important</strong></td>
<td>Connectivity and sound infrastructure are major drivers of economic and business growth. As a peripheral maritime region with modest population and very high visitor numbers, many national transport priorities and programmes do not transpose successfully to the C&amp;IoS context. This has been demonstrated in increasing pressures on national road and rail agencies to deliver growth-oriented infrastructure and services, and in constraints in maintaining and augmenting airport and port provision for business growth. We are also developing a number of other local tools in the areas of housing and skills – both of which we recognise require a more strategic approach to deliver on our growth targets. There is a specific <em>sui generis</em> case for the Isles of Scilly – in both connectivity and basic infrastructure requirements. Their case as an island under Article 174 in the Lisbon Treaty should be noted in which ‘particular attention’ shall be paid to certain types of regions which ‘suffer from severe and permanent natural or demographic handicaps’.</td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td>The evolution of current arrangements towards a more sophisticated and localised institutional regime for transport development and management builds on Cornwall Council's track record in transport innovation and delivery, and on the successful establishment and agreements of the LTB on business and economic growth priorities. Support for the Isles of Scilly Council as the only place in England where the Local Authority is still responsible for water and sewerage. Formal arrangements to support them in this work are sought as part of this deal. Given the on-going extraordinary weather impacts, evolving a new arrangement with Government to support a longer term approach – rather than year on year, ad hoc bidding arrangements for funds.</td>
</tr>
<tr>
<td><strong>Summary offer</strong></td>
<td>• Establishment and operation of a multi-modal interchange alongside the West Cornwall Transport Interchange project • Deployment of a minimum of £10m private sector match (e.g. through developer obligations) to the LGF/LTB investment programme with further CIL-led contributions to be agreed in due course • Continued local rail, bus, walking and cycling investment and services support to increase patronage and reduce pressures on the strategic network • Continued local support and route development of NCA (see negotiating area #2). • Delivery of compliant and future proofed water and sewerage systems of the Isles of Scilly • Supporting the accelerated delivery of 6,394 homes across C&amp;IoS and addressing key issues of affordability and supply • Maximise the impact of Government skills programmes through joint investment with EUSIF.</td>
</tr>
</tbody>
</table>
| **Summary asks** | • Negotiations on evolution of LTB arrangements towards enhanced devolution/decentralisation model • Confirmed PSO arrangements for NCA-London Gatwick route • An exemption and/or reduction in the rate of Air Passenger Duty (APD) for Newquay Airport to support continued passenger growth. • Increased quality and frequency of rail services to London to meet 30 minute mainline service goals of the LTB/LGF Mainline Signalling investment • Agreements with Highways Agency and DfT on a bespoke C&IoS regime for major...
- Pilot new integrated transport models particularly around commissioning bus services at a strategic level and trialling an opt-out for concessionary fares
- Agree with government a bespoke Cornwall Strategic Flood Deal Package to enable strategic investment and assured programming within the 6 year Medium Term Plan cycle (rather than yr on yr bidding)
- Support ongoing dialogue with DCLG and HCA regarding the creation of a bespoke Revolving Community Infrastructure Fund (RIF)
- Accelerated resolution of IoS connectivity issues and choices
- Support from DEFRA and other agencies to bring utilities infrastructure to EU compliance and remove blockages to growth
- Work alongside Cornwall Council to model options to extend the Housing Revenue Account (HRA) borrowing limit to finance delivery of additional rented housing
- Support negotiations with the HCA for borrowing to fund new homes, treating the Cornwall 'portfolio' of sites under the HCA 'major sites' regime if this will accelerate delivery
- An identified Department for Education champion to support our Raising Aspirations work

**Improved results**

- Cornwall Council has a demonstrated track record of delivering schemes that reduce pressures and spend by Highways Agency, and increase bus and rail patronage to reduce local public subsidy and national franchise costs
- Subject to negotiation, C&IoS will take increasing responsibility for transport infrastructure and services expenditure commensurate with the increasing level of devolution. For instance, we have suggested that our 2015-17 rail investments can increase patronage and reduce franchise costs by £73m, with a further £4m direct savings to government. This could be extended under a TfL-type regime.
- Isles of Scilly will achieve increased levels of growth and maintain/grow population amongst its off-islands. It will also secure important designated marine sites and 27 terrestrial SSSI's.
- An improved approach to delivery on housing growth with the potential to utilise an innovative approach to revolving infrastructure investment.

**Concluding comments:** The C&IoS approach to our SEP is founded on growth reducing dependency, in preparation for graduation for less developed area designation in 2020. Our local growth deal identifies three major packages of freedoms and flexibilities that assist in delivering that growth. They also provide a set of measures that will demonstrate how we can exercise local powers and resources to reduce dependency. We look forward to negotiating these with government.
<table>
<thead>
<tr>
<th>Date</th>
<th>Version</th>
<th>Author/Editor</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2014</td>
<td>1</td>
<td>Sandra Rothwell/Clare Salmon</td>
<td>Submitted to BIS</td>
</tr>
<tr>
<td>8 May 2014</td>
<td>1.1</td>
<td>Clare Salmon</td>
<td>Amendment to page 34/35 – ‘freedoms and flexibilities’ relating to marine renewables (FE2) as agreed with Sally Edgington</td>
</tr>
</tbody>
</table>