

1. Identification

Operational Programme	Objective concerned Convergence
	Eligible area concerned Cornwall and Isles of Scilly
	Programming period 2007-2013
	Programme number (CCI No) 2007 UK 16 1 PO 003
	Programme title Convergence Programme for Cornwall and the Isles of Scilly
Annual Implementation Report	Reporting year 2014
	Date of approval of the annual report by the monitoring committee 5 June 2015



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Introduction

The Managing Authority for the Operational Programme is the Secretary of State for the Department for Communities and Local Government [the Department]. The South West Growth Delivery Team has been responsible for drawing up this Annual Implementation Report for 2014, gaining approval for the Report from the Local Management Committee and submitting to the European Commission.

The Report should be read in conjunction with the Operational Programme 2007-13, which explains the strategy behind the Convergence Programme; how that strategy was developed in relation to the socio-economic context; incorporates cross cutting themes; spatial priorities; how Convergence could add value; how the budget has been divided between Priority Axes; how the budget might balance between activities in each Priority Axis and the delivery arrangements for the Programme. The Programme objective is:

To establish the momentum for transforming the economy to a high value added economy where knowledge, environment and quality of life underpin sustainable economic growth.

SECTION TWO: OVERVIEW OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME

2.1 Achievement and analysis of progress

2.1.1 Strategic Activity

In 2014 the Programme fully committed its ERDF allocation and saw delivery accelerate as partners moved to complete activity before Programme close. The Programme again exceeded its N+2 target, increased the private sector match funding to over £143m, £90m of which has already been spent and continued to outstrip the regulatory target for Lisbon compliance. The large number of physical developments also means many areas of Cornwall and the Isles of Scilly have changed since 2007 as educational campuses have grown to accommodate their relationships with business; BREEAM Excellent workspace has been constructed and targeted infrastructure provides links between communities and employment space.

Local Management Committees

The Local Management Committee (LMC) continued to undertake the role of Regional Committee for the European Social Fund (ESF) in addition to its Programme Monitoring committee functions for ERDF. The new DCLG Director for European Programmes and Local Growth Delivery took on the role of LMC Chair. The LMC considered the 2013 Annual Implementation Report by Written Procedure in May, but met in July and October during 2014.

The LMC's ERDF business covered updates on compliance, commitment and in depth consideration of progress towards targets. The Technical Assistance funded Convergence Support Team presented the proposed content of an ERDF Convergence evaluation for the LMC's consideration and there was a presentation on progress in the Rural Development Programme for England (RDPE)

Use of Programme Interest

At the beginning of the Programme £27m was advanced to the Managing Authority, the funds had generated interest which was eligible for use as match funding for ERDF projects. The Local Management Committee was approached for their view on the use of the Programme Interest and the consensus view was it should be used to extend existing project activity in Cornwall & the Isles of Scilly and help to retain capacity within existing projects, bridging the gap to the next Programme. The LMC's sub-group the Convergence Management Group (CMG) was given the task of determining which projects should be offered the Programme Interest, resulting in awards to six projects including the Managing Authority's Technical Assistance Delivery Costs.

Risks

The Local Management Committee have continued to receive an update on risk ratings at each meeting covering four key areas: N+2 achievement, impact of the exchange rate on the Programme allocation, availability of match funding, commitment of each of the Priority Axes, achievement of Programme outputs and

achievement of Programme Results and Impacts. Throughout the year each area has been assessed against a traffic light system, those areas with serious concerns being identified as red. As in 2013 the risk rating for achievement of Programme targets has remained red as the review of contracted and pipeline activity confirmed that the targets as set in the Operational Programme would not be met by 2015. Projections do still suggest that the combined impact of the Convergence projects would meet the ambition of the Operational Programme, but not until after Final Reports on the Convergence Programme have been completed.

Spend (N+2)

The Cornwall & Isles of Scilly Convergence Programme exceeded the 2014 N+2 target of €344.046m (including Programme advance) by declaring expenditure of €365.377m.

Error rate

The national error rate for the Programmes for this ACR period was 2.414%. The error rate is based on a national random sampling methodology and therefore the national error rate applies to the whole ERDF England. There is no statistically valid programme level error rate.

Closure activity

SW GDT had closed 34 projects in the Convergence Programme by the end of 2014.

Interruption to payments

In May 2013 the European Commission's Interruptions Committee decided to interrupt payments to the 10 English 2007-13 ERDF programmes.

Following several exchanges of correspondence during 2013 and the early part of 2014, where the Managing Authority complied with requests from the Commission for more information and some assurances around Article 13 verifications, the handling of irregularities and the recording of data on the Management Control Information System, the interruption was lifted in March 2014.

Communications

The ERDF Partnership Office project has continued to provide publicity support to ERDF investments through the Convergence Communication Team. The Team has also compiled a range of case studies highlighting the positive effect of ERDF investment, produces regular newsletters and has developed a legacy document highlighting the successes of the Convergence Programme..

Evaluation

The national evaluation work undertaken in 2013 has assisted preparation for the 2014-2020 programmes along with local project level evaluations which have been used to help inform LEP ESIF Strategies.

At a local level the Technical Assistance funded Convergence Support Team

commissioned an independent thematic evaluation of the Convergence Programme, canvassing the views of a wide range of Programme stakeholders. The consultants were asked to produce reports on the following themes: Business Support, Transport, Environment, Regeneration, Workspace, Innovation & Research and are due to report in Spring 2015.

Technical Assistance

The business case supported by the Local Management Committee in 2013 proposing the virement of Technical Assistance funds to Priority 4 was agreed by DG Regio and the Operational Programme was formally modified on 14 March 2014.

2.1.2 Investment Activity

The sub-group of the LMC, the Convergence Management Group (CMG) met twice during 2014. At the April meeting the CMG made its last recommendation for ERDF investment in a project, recognising that contracting with this project fully utilised the Programme allocation. At the behest of the Local Monitoring Committee, the CMG met once more in October, and undertook a final Written Procedure to consider use of Programme Interest.

By the end of 2014 the Programme had committed 102% of its ERDF allocation. The slight over-commitment of resources was made in recognition that a number of projects will not utilise their full ERDF investment and will return sums to the Programme pot. The over-commitment was made taking into account the variances to the exchange rate. The risk that underspends would not balance the over-commitment was considered manageable.

2.1.3 Projection for 2015

As Programme funds have been fully committed, the main activity of 2015 will be supporting the completion of contracted activity. Consideration will be given to where there may be a need to manage the transition for activity where partners support its continuation from the Convergence Programme to the 14-20 ERDF Programme. To this end an exercise will be undertaken in early 2015 to request projects to confirm completion dates or provide a rationale where a short time extension in activity will benefit the delivery of the project objectives and/or target achievement.

It will be critical for projects to meet the milestones in their funding agreements, drawing down funds promptly to allow sufficient time for a project to meet its commitments around compliant closure.

2.1.4 Information on physical progress of Operational Programme

Table 1 Overview of Programme Indicators (aggregated from all Priorities)

Indicators	Achievement 2007- 2014	Achievement 2014	Forecast achievement of contracted investments	Target Number
Outputs				
Number of businesses assisted to improve their performance	3,803	4,761	5,434	6440
Number of research and innovation centres supported	6	8	8	6
Proportion of premises constructed/upgraded to at least the BREEAM standard of excellent or equivalent	tbc	tbc	(% to be calculated at Programme close)	80%
Square metres of new or up-graded premises/facilities	30,875	49,433	84,912	153 000
Major investment projects	1	1	1	2
Hectares of land for development	7.42	7.42	52	58
Redundant buildings developed for new economic use	2	6	7	40
Historic buildings / sites developed for new economic use	3	5	7	20
Sustainable Integrated Development Strategies Prepared	7	7	7	7
Results				
Core Indicator:				
Gross new jobs created	3,306	6,365	11,945	15 412
Gross jobs safeguarded	1,013	1,925	4,162	8 767
No of patents granted and other IPRs and other IPR devices	9	10	24	140
No of SMEs launching new or improved products	58	60	157	1,956
No. of businesses using new infrastructure	0	0	0	10 000
Gross increase in GVA	£98.81m	£194.54m	£469.99m	£539.4m
Private sector investment	£27.7m	£53.43m	£64.14m	£517m

arising from support				
No. of companies using new ICT (new & upgraded)	0	0	25	4 410
No. of businesses benefitting from up-graded ICT infrastructure	3,728	8,030	10,000	10 000
No of businesses with improved performance (GVA)	949	2.696	6,000	6 000
Impacts				
Net additional safeguarded GVA	0	0	£70m	£99.3m
Net additional GVA	£35.41m	£59.57m	£277.77m	£370.5m
Net additional employment	255.6	987.25	5,713	10 590

Baseline indicators are not included in the operational Programme.

2.1.5 Financial Information

Table 2

These figures reflect the formal modification of the Operational Programme dated 14 March 2014.

Summary Financial Table (€m)			
	ERDF	National	Total
1 Innovation and Research & Development	105.013	35.004	140.017
2 Enterprise and Investment	130.011	54.504	184.515
3 Transformational Infrastructure	105.013	52.507	157.520
4 Unlocking the Economic Potential of Place	107.590	65.868	173.458
Technical Assistance	10.429	3.476	13.905
Total Convergence	458.057	211.359	669.416

Table 3

Overview of Programme Performance to end of 2014 £sterling					
ERDF Allocation ¹	ERDF Value of contracts to end of 2014	% of Allocation contracted	Payments to beneficiaries in 2014 ²	Total Payments to beneficiaries start to end of 2014	% of Allocation Paid to beneficiaries
383.48m	391.708m	92%	£60.6m	£291.35m	75.97%

¹ ERDF Allocation has been calculated by deducting Euro value of claims paid by EC from Euro OP allocation and then applying HMT forward rate to remainder of Euro OP allocation

² Payments to beneficiaries excludes Programme advance of 34.4meuros

Table 4 Programme Expenditure

2007-2014	Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority	Corresponding public contribution	Private Expenditure	Expenditure by the body responsible for making payments to the beneficiaries	Total payments received from the Commission
Priority axis 1: Innovation and Research and Development (wholly ERDF) - of which ERDF expenditure	143,639,179.32 93,458,888.13	143,639,179.32	0	93,458,888.13	105,005,517.98
Priority axis 2: Enterprise and Investment (wholly ERDF) - of which ERDF expenditure	131,090,246.82 83,257,159.17	95,339,602.32	35,750,644.50	83,257,159.17	89,272,393.74
Priority axis 3: Transformational Infrastructure (wholly ERDF) - of which ERDF expenditure	178,331,967.01 93,861,735.92	129,784,472.76	48,547,494.25	93,861,735.92	104,696,651.81
Priority axis 4: Unlocking the Economic Potential of Place (wholly ERDF) - of which ERDF expenditure	124,114,421.76 61,204,458.15	86,853,388.13	37,261,033.63	61,204,458.15	61,098,621.59
Priority axis 5: Technical Assistance (wholly ERDF) - of which ERDF expenditure	7,898,890.53 5,920,650.48	7,898,890.53	0	5,920,650.48	5,303,337.18
Grand total - of which ERDF expenditure	585,074,705.44 337,702,891.85	463,515,533.06	121,559,172.38	337,702,891.85	365,376,522.30

An advance was made to the Programme from the Commission in 2008; this represented 5% of the Programme value, that is, 22.9m euros. An additional advance of 2.5% of the Programme's value, 11.45m euros, was made during 2009 in response to the world-wide recession, which was impacting on many European Programmes due to increased costs of materials and scarcity of financial resources. The additional advance was intended to facilitate implementation and to help Programmes meet expenditure targets in 2009, although it does not decrease the levels of expenditure Programmes' will need to achieve in later years to deliver against the Programme budget.

In 2010 the European Commission amended the formula dictating N+2 targets, which had the crude effect of reducing the 2010 target, but increasing all targets from 2011 onwards. Projects were warned in early 2013 that a reduction in ERDF allocation due

to their own activity not delivering to schedule raised the possibility that individual funding contracts would be reduced in line with the slippage on delivery.

There are no transitional areas within the Convergence Programme area so this information is not included in this table. The Programme has not made use of the flexibility offered under Article 34(2) Regulation 1083/2006 where limited ERDF funds may be made available to finance ESF types of expenditure, therefore this information is not reflected in this table.

2.1.6 Information about breakdown of use of funds

The Operational Programme was drafted to promote competitiveness in recognition of the economic impact delivering such a strategy could have on the area. The Programme target for the proportion of expenditure allocated to schemes directly delivering activity compliant with the Lisbon agenda has been set at 80%; this is deliberately higher than required for Convergence areas (Article 9(3) of Regulation (EC) No 1083/2006 specifies 60%) as proof of partner confidence in delivering a challenging Programme strategy. The compliance rate stands at 87.3% at the end of 2014.

ERDF Convergence investments are contracted and managed in sterling. In previous reports Table 5 has identified contracted investment against the combination of codes of dimensions by setting the euro conversion rate for each investment at the exchange rate applicable in December of the year in which the project was contracted. That meant different exchange rates applied to different investments, but enabled additional investment to be tracked in each category rather than investment in a category being completely deflated by an exchange rate change in any one reporting year. In 2014 the euro amounts have been aligned to data in the centralised MCIS reporting system, which results in slight changes due to the exchange rates used. There have been 72 variations to original investment amounts as projects near completion and are able to forecast accurately the remaining costs of delivery; the vast majority were tiny adjustments. There were four withdrawn projects under Code 5 and one under Code 8, but the biggest change to figures in the table below from 2013 has been new ERDF investments.

Table 5
Cumulative 2007 – 2014

Combination of the Codes of Dimension 1-5 2007 - 2014						
Objective	Code(*) Dimension 1 Priority theme	Code (*) Dimension 2 Form of Finance	Code (*) Dimension 3 Territory	Code (*) Dimension 4 Economic Activity	Code (*) Dimension 5 Location NUTS II	Amount in euros (**)
CON	1	1	5	12	UKK3	€ 50,569,051
CON	1	1	5	21	UKK3	€ 34,697,085
CON	2	1	5	22	UKK3	€ 7,938,280
CON	2	1	5	12	UKK3	€ 3,560,265
CON	3	1	5	22	UKK3	€ 2,183,113
CON	5	1	5	22	UKK3	€ 37,470,386
CON	6	1	5	21	UKK3	€ 1,134,367
CON	6	1	5	22	UKK3	€ 4,796,864

CON	8	1	5	11	UKK3	€ 11,645,589
CON	8	1	5	12	UKK3	€ 93,711,149
CON	8	1	5	22	UKK3	€ 5,691,058
CON	8	2	5	22	UKK3	€ 4,207,339
CON	9	1	5	22	UKK3	€ 7,946,834
CON	10	1	5	10	UKK3	€ 66,521,044
CON	15	1	5	22	UKK3	€ 6,739,920
CON	16	1	5	11	UKK3	€ 4,994,905
CON	23	1	5	11	UKK3	€ 7,679,594
CON	25	1	5	11	UKK3	€ 148,375
CON	26	1	5	12	UKK3	€ 5,172,817
CON	29	1	5	11	UKK3	€ 20,709,137
CON	30	1	5	11	UKK3	€ 720,245
CON	30	1	5	12	UKK3	€ 6,778,810
CON	40	1	5	21	UKK3	€ 1,004,302
CON	41	1	5	21	UKK3	€ 285,258
CON	42	1	5	22	UKK3	€ 21,046,640
CON	50	1	5	21	UKK3	€ 1,581,065
CON	61	1	5	12	UKK3	€ 6,906,813
CON	61	1	5	22	UKK3	€ 647,807
CON	75	1	5	12	UKK3	€ 26,764,291
CON	75	1	5	18	UKK3	€ 2,917,516
CON	75	1	5	22	UKK3	€ 1,823,479
CON	85	1	5	17	UKK3	€ 6,023,952
CON	85	1	5	22	UKK3	€ 1,977,802
CON	86	1	5	22	UKK3	€ 1,474,960

2.1.7 Assistance by target groups

Priority 4 identifies locations subject to major regeneration changes that will require long term or significant support and areas that require more limited and specific interventions to unlock significant economic opportunities. By the end of 2014 ERDF investment in these areas had risen to £96m.

2.1.8 Assistance repaid or re-used

Irregularities

Table 6

Irregularities found by A.13 Team			
Type	No.	No. of Projects	ERDF Value £
Ineligible expenditure	2	2	7400.86

Table 7

Sum of Total Irreg Expenditure	Column Labels					
Row Labels	Admin/Filing	Claims	Contractual	Expenditure	Procurement	Grand
Apportionment				£3,194.23		£3

Calculation error				£7,693.67		£7,693.67
Cost not related to project				£80,000.00		£80,000.00
Inadequate audit trail	£209,828.90					£209,828.90
Inclusion of recoverable VAT				£45.67		£45.67
Ineligible Expenditure				£29,720.66		£29,720.66
Insufficient supporting evidence					£877,664.00	£877,664.00
Late submission		£54.00				£54.00
Match Funding			£5,000.00			£5,000.00
No or insufficient evidence				£22,207.35		£22,207.35
Other		£0.86			£6,122.88	£6,122.88
Grand Total	£209,828.90	£54.86	£5,000.00	£142,861.58	£883,786.88	£1,241,532.27

Sum of Total Irreg ERDF	Column Labels	Expenditure	Procurement	Grand Total
Row Labels	Claims			
Apportionment		£771.10		£771.10
Calculation error		£3,500.00		£3,500.00
Ineligible Expenditure		£8,241.88		£8,241.88
Insufficient supporting evidence			£261,513.29	£261,513.29
No or insufficient evidence		£6,541.45		£6,541.45
Other	£0.60			£0.60
(blank)				
Grand Total	£0.60	£19,054.44	£261,513.29	£280,568.33

Ineligible expenditure has either been clawed back or is in the process of being retrieved for the purpose of reinvesting in other ERDF activities.

2.1.9 Qualitative analysis

The Programme made 12 final ERDF investments in 2014, all in Priority 4. New contracts totalled £32.9m, taking the overall Programme intervention to 57.8%, significantly below the 68% agreed in the Operational Programme. Increased levels of private sector funding has had a large impact on the reduced intervention rate, which has meant in turn that achievement against private sector leverage has decreased. Private sector match equals £128.7m

Lisbon compliance

At the end of 2014 the Convergence Programme had achieved 87.3% compliance with the Lisbon agenda. As a Convergence Programme the Regulations only require 60% compliance, but Cornwall & Isles of Scilly partners set a target of 80% for this Convergence Programme and activity is on track to achieve that.

The 2013 report pointed out that some of the Lisbon codes identified for use at the beginning of the Programme have not been utilised. As the Programme is now fully committed where there is no activity listed against a Lisbon priority theme, this is not expected to change, however it is acknowledged that projects assigned to particular priority themes may also be contributing to other themes in a minor way. Although the spread of activity has differed in parts to the expectations in 2006/7, partners' ambition of achieving more than 60% compliance with the Lisbon agenda has been achieved. The euro figures against

individual priority themes have changed since the 2013 report. Previous reports had sought to minimise the impact of exchange rate fluctuations in the presentation of the figures by fixing individual project exchange rates to the Dec rate of the year in which they were approved – this step was taken after the global financial crisis generated large swings in the exchange rate making a cumulative picture difficult to follow. The 2014 report has used the euro data generated centrally through the MCIS database, taking the opportunity to effectively reset the clock on commitment at this point in the Programme. Actual expenditure against priority themes can only be calculated once all aggregate claims have been paid and the series of exchange rates applying to each project are known at Programme close.

By the end of 2014 the Programme had achieved 87.3% compliance with the Lisbon agenda, a further increase from 2013's achievement as predicted in the 2013 report due to the expectation that the final few investments for the Programme would be in Lisbon compliant activity. The 2013 report explained why some of the Lisbon codes identified for use at the beginning of the Programme had not been utilised. To confirm in the case of codes 62, 63, 68 and 74 this has largely been due to avoiding duplication with ESF activity, whilst activity that could meet codes 11, 12 and 14 has been picked up within a large scheme that predominantly meets code 10. There has been significant investment in code 42 rather than the spread of investment originally anticipated across codes 39, 40 and 43 there was new investment under code 40 during 2013, although on a much smaller scale than the activity under code 42. Investment in code 75 has exceeded expectations due to the additional opportunities that have come forward that embed earlier ERDF investment. Investment in codes 5 and 8 has also exceeded original estimates, but has occurred due to investments being shaped in response to feedback from SMEs and is regarded as an effective way of meeting needs arising from the economic situation and current landscape.

The Programme's focus on achieving Lisbon compliance at a level far exceeding the level required by the Regulations reflects Cornwall & Isles of Scilly partners' recognition that ERDF funding targeted at competitive activities will strengthen the local economy. The global economic crisis tested the continuing relevance of the focus of the Programme, but the 2010 Programme Review found that partners continued to support the strategy set out in the Operational Programme.

Outputs, Results, Impacts

The Convergence LMC has regularly reviewed the Programme's performance against its outputs and results and members have agreed that some indicators are more significant in achieving economic outcomes than others. Reports have focused on three of the most significant indicators: Outputs - Business Assist, as a measurement of activity; Results – Jobs Created and Safeguarded and Increase in GVA, examining trends and the contribution made by each priority axis.

In 2006 partners were keen to devise a Programme that could increase the rate of improvement seen in the Objective One Programme 2000-06, which led to ambitious targets in the Operational Programme. In 2010 consultants were appointed to undertake a review of Programme progress and reported that the impact of the global financial crisis on the local and UK economy was such that the Programme could not expect to reach its targets. The Programme Monitoring Committee (predecessor to LMC) debated the findings of the review and decided not to reduce Programme targets to encourage applicants to maximise the outcomes of their proposals.

Having sought to maximise the contribution to Programme targets from the development of pipeline investments through 2011-13, the Growth Delivery Team is now working with the remaining live projects to maximise their contribution through to 2015, especially towards those targets LMC have agreed are a priority.

LMC members asked for a report identifying projects that were i) most at risk of meeting contracted targets;

ii) furthest behind in meeting spend profiles; iii) not delivering economic activity that could be counted in this Programme, but had been supported for their future benefits.

One of the key pieces of information that emerged from the performance report considered by the LMC, focused on the number of projects that have been supported because partners have recognised the potential benefits that could lead from investment, but that the investment is non-productive in immediate terms for the Programme. The report recorded that:

- There were 59 projects that did not have contracted targets for either job creation or an increase in GVA. This represented £84.6m of ERDF
- 5 of the projects undertook Technical Assistance activity;
- 24 were infrastructure projects and represented £58.7m of ERDF.
- 2 of the infrastructure projects are expected to directly generate job creation and increase in GVA, but not until outside the Programme period.
- 6 of the infrastructure projects were site servicing, the job creation will be generated following the construction of units on the site.
- 10 infrastructure projects related to transport works designed to open up access around industrial estates and business space.
- There were 4 workspace projects where it was originally thought that job creation would not occur within the Programme period, but it since appeared that jobs would be created in time to be recorded. The projects did not have a formal contracted target, but once the jobs were confirmed, a retrospective exercise would be carried out to contract the achievement and include within reports on Programme targets.
- 5 projects were studies, undertaking feasibility activity to enable future activity that could generate job creation & increase in GVA
- 2 projects had been supported for their low carbon achievements.

A key factor affecting performance against targets was timing. Many projects were contracted late in the Programme period so will only achieve a proportion of their final impact by 2015, the final year of spend for the Programme. In recommending investment in these projects, Convergence partners had reflected on the impact that would be achieved after the Programme period. The evaluation programme should help to establish the impact of such investments.

Another fundamental challenge, noted by LMC in 2012 and by the 2010 Programme review, is that the Programme target for business assists is unrealistic in relation to the number of high value/high growth businesses which are the primary target of the Operational Programme. Research by Oxford Innovation suggested that there are c 400-600 high growth/high value businesses, meaning each would need multiple interventions totalling around 120 hours of support from 10 different providers to achieve the targets. That the Programme has managed to contract 92% of target reflects that some investments are working with a broader base of businesses, although the focus is on those potential for growth.

The LMC requested that the GDT kept track of original funding agreement targets where there were subsequent project variations. Although the validity for a decrease in outputs was not questioned, there was interest in tracking any changes and the reasoning for doing so.

An ongoing issue is where projects now directly input their claims onto the DCLG computerised payment system (MCIS) data entry of outputs can be corrupted as projects forget to use consistent terms i.e., 0.6m not 600,000 or transpose or omit information. The GDT are continually checking the entries, but there can be a delay in projects correcting these errors, which affects reports drawn from the system and requires manual adjustment.

Programme Interest

At the beginning of the Programme £27m was advanced to the Managing Authority, the funds had generated interest which was eligible for use as match funding for ERDF projects. The Local Management Committee was approached for their view on the use of the Programme Interest and the consensus view was it should be used to extend existing project activity in Cornwall & the Isles of Scilly and help to retain capacity within existing projects, bridging the gap to the next Programmes. The LMC's sub-group the Convergence Management Group (CMG) was given the task of determining which projects should be offered the Programme Interest, resulting in awards to the six projects set out below

Project	Sum confirmed through appraisal of Project Change Request
Business Investment for Growth	£18,718
Superfast Business Support Cornwall	£100k
Spaceport (as part of Convergence Support TA Team)	£200k (full amount requested)
DCLG Secretariat Running Costs	£240k (original request £340k)
High Value High Growth	£156k (original request £400k)
Jubilee Warehouse	£52,000

Core Indicators

Following discussion with the Commission on behalf of all English ERDF Programmes DCLG have agreed to report against a set of nine Core Indicators. The table below provides the position for this Programme as at the end of 2014.

Table 8

Core Indicator Number	Core indicator	Baseline	Cumulative Achievement up to 2014	Overall Final Target	Source of information
1	Number of jobs created	0	4,761	15,412	Projects are contracted to provide

2	Jobs created for men	0	303	No target as not OP indicator	In 2012 all projects were asked to respond to a specific survey of Equality outputs (see section 2.1.11 for full details) 63% of respondents declined to confirm gender take-up of jobs created, figures reported are based on confirmed data. An exercise to update the information will be undertaken for the Final Report.
3	Jobs created for women	0	344	No target as not OP indicator	
4	Number of RTD projects	0	10	No target as not OP indicator	No. of projects supported through Priority 1 activity strand 'Stimulating R&D' & 'Supporting Ideas, Innovation & Knowledge'+ one project from 'Innovation & Incubation' that also has a research focus.
6	Research jobs created	0	293	No target as not OP indicator	No. of jobs achieved by RTD projects as defined above
7	number of projects (direct investment aid to SMEs)	0	68	No target as not OP indicator	No. of GBI (27), SME workspace (40) projects & FEI (1)
8	Number of start ups supported	0	22	No target as not OP indicator	Only counts start-ups that have received over 12 hours of support – this is not a contracted project output, so assessment of achievement is ad hoc
10	Investment induced (million €)	0	121.5m	Definition agreed nationally does not translate to OP target	Figure represents private sector match expenditure incurred to date (see Table 4)
11	Number of projects (information society)	0	1 Major Project	No target as not OP indicator	Next Generation Broadband
12	Number of additional population covered by broadband access	25,000	64,000	No target as not an OP indicator	In Sept 2010 (pre-project) 25,000 people had access to a service of more than 500kbps. A service of less than 500kbps is not considered adequate to run most modern applications. Following the Superfast deployment 89,000 can now access a broadband service of more than 2Mbps. Project achievement = 64,000

2.1.10 Cross Cutting Theme - Environmental Sustainability

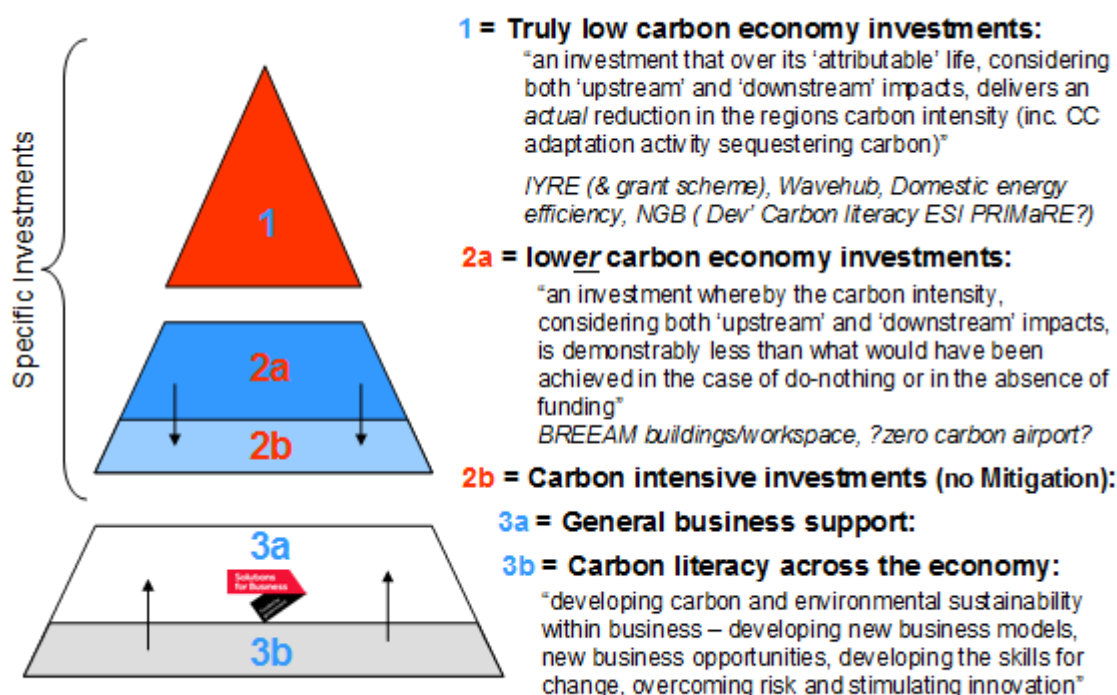
Environment Cross Cutting Theme

Background

In acknowledging that economic growth is constrained by finite environmental limits, the South West RDA (as the then ERDF Programmes Intermediate Body) agreed to use carbon dioxide (and its equivalents) as an environmental proxy in indicating the 'environmental intensity' of the investments it makes.

The approach adopted by the South West RDA was to develop a carbon accounting methodology (Carbon Compass) that could be used to assess the carbon intensity of an investment before it is commissioned or contracted. This methodology sought to establish both the 'upstream' (the carbon impact associated with construction and implementation phases of projects) and 'downstream' (operational carbon impacts) of both revenue and capital investments. Based on this methodology the following carbon triangle was developed to rate RDA/ERDF investments accordingly:

Targeting low carbon economy investment....?



Although the Carbon Compass methodology is no longer available for DCLG to deploy, the principles are applied in order to categorise projects according to their carbon "intensity". Projects are subjectively categorised as 1 to 3b as above and the Environment/ECCT monitoring/reporting requirements placed on them apportioned accordingly.

What has happened in 2014?

- In 2014 The Technical Assistance funded project Convergence Support Team commissioned an evaluation of Convergence Programme activity. The consultants were asked to look at a number of themes including Environmental and are due to report to partners in May 2015 on their findings.

- Projects have continued to work towards their contracted environmental targets. Progress towards BREEAM ratings has been good, but in common with many of the OP targets, it is not expected that all of the targets for the environmental measures will be achieved.
- An example of good practise is the sustainability award for St Agnes Island Hall. Projects on the Isles of Scilly can find it difficult to deliver on some of the BREEAM credits, but this project has demonstrated how sustainability measures are successful when incorporated into a scheme at an early stage of design.

Are there any challenges to delivery, if so how will they be handled?

- Other than for the specific contracted outputs as set out in the table below, data acquisition, monitoring and reporting against these requirements remains a difficult and resource intensive task. The GDT are looking at the extent to which activity at project closure could incorporate an exercise to capture further information on environmental performance, but will primarily focus on contracted outputs.

Forward look at 2015, what key activity will there be?

- The GDT will review further data acquisition with the aim that each project's contribution to the environment & sustainability cross-cutting theme can be captured at least through contribution to OP targets.

Convergence Operational Programme - Environmental Outputs

Table 9

	OP Target	Contracted Dec 2013	Achieved Dec 2013	Contracted Dec 2014	Achieved Dec 2014
No. of environmental goods and services enterprises assisted	630	572	438	582	421
No. of businesses advised on improved environmental performance	1400	390	273	391	408
Proportion of premises constructed/ upgraded to at BREEAM Excellent standard or equivalent	80%	% to be calculated at close of Programme*			
No. of jobs created in environmental sectors	1260	612	458	613	109

*All construction in Priority 1 is on track to achieve BREEAM Excellent rating, with one achieving BREEAM outstanding. A large number of construction projects in other priorities are also on course to achieve BREEAM Excellent.

Case Studies of Convergence Programme Low Carbon Investments

Watergate Bay Hotel

The Watergate Bay hotel is a family-owned business employing 190 full time staff and 50 seasonal staff. The hotel – originally built in 1904 as a railway terminus hotel – over the last 10 years re-positioned itself as a high-end offering targeting affluent visitors to the beautiful Cornish coast.

As part of a low carbon grant fund for Cornwall businesses, the Watergate Bay Hotel was awarded £107k toward the cost of installing combined heat and power (CHP) units and a large thermal solar panel array which it is intended will reduce the hotel's electricity demand by 45%.

The CHP units will provide far more efficient heat and power to the main hotel buildings, whilst the solar units contribute heat to the swimming pool boilers thus reducing pool heating costs.

Photos:

CHP engines during commissioning

Solar Array installed

Wooden building – CHP units in place





Hendra Touring Caravan and Camping Ltd

Another recipient of the Convergence Low Carbon Grant Programme, this large holiday park received £133k ERDF funding for the installation of a range of energy efficiency improvements to their pool complex- including

- upgrading works to air handling system including installation of intelligent dehumidification systems
- installing energy efficient water filters, re-piping filtration and heating loops to reduce energy lost through water turbulence/ resistance and installation of energy efficient motors/ pumps
- effective control of filtration rates and temperatures.
- creation of a district heating main to displace oil use in adjacent toilet/ shower blocks and outdoor pool
- replacement of conventional lighting system for LEDs

Calculation of CO2 savings versus ERDF contractual targets:

ERDF Target 828,600 KgCO₂e

Actual
achievement
912,220
KgCO₂e

2.1.11 Cross Cutting Theme - Equality and Diversity Issues

In terms of process, the equality impact assessment process is not an absolute requirement of the 2010 Equality Act. However, where other UK areas rely on fairly high level generic questions within the application process, the South West GDT had been allowed to continue to use its good practice process of requiring the equality impact assessment at business planning in addition to the existing standardised approach until the end of the contracting period. This has meant that this good practice had been retained, and a level of consistency provided to the end of the Programme's contracting process.

During 2014 the role of the Equality Adviser (assessing the adequacy of both capital and revenue planned investments, and providing mitigatory advice to increase accountability within projects and deliver better quality projects) was most valuable in the developmental and contracting parts of the Programme. The role was to positively influence the accessibility, and mitigate against the risks, of different investments. As pro-

active developmental activity ceased in 2014 and the ERDF allocation was contracted, no specific resource was allocated to the equality and diversity theme from the last quarter of 2013 onwards. The end of the contracting period was a logical point for the Equality Adviser role to cease, however, the expertise from this role has not been lost, as the postholder still works as part of the team and can be called upon if necessary to provide further equality guidance. The emphasis has now moved away from project development towards maintaining contractual commitments and delivering against these - the responsibility at project level of dealing with cross cutting theme conditions still lies with the case officer.

With regards the challenge of 50% of Programme committee and sub-committee members being women, the LMC is 30% women, and at CMG approximately 36% women. Overall, while not at the aspirational 50%, these figures are not too disappointing. Further areas of challenge for the equality cross cutting theme are around data collection, as data acquisition, monitoring and reporting remains a difficult and resource intensive task. While 2012 saw a specific data collection exercise relating to the equality breakdown of outputs, impacts and results, this resource intensive process has not been repeated since. Such attempts to capture quantified figures around the equality breakdown of jobs created, business assists etc have had a mixed success. Adding to closure processes were considered as a way of capturing project level equality information, however, this would entail stepping outside the standardised business process agreed by the Managing Authority. It is concluded that at a Programme level, the best way to capture equality information is to look at case studies of individual projects. Therefore, looking forward to 2015, good practice case studies will be identified and promoted on the Convergence website, through the Convergence Legacy booklet.

Section 2.2 Information about compliance with Community law

There were no difficulties in complying with Community law during 2014.

Section 2.3 Significant problems encountered and measures taken to overcome them

No problems in implementing the Programme were identified during 2014.

Under the terms of Article 62(1)d(i) the South West RDA (now DCLG) supplies information gathered by the Local Management Committee and DCLG to the Audit Authority to enable the Annual Control Report to be produced.

The national error rate for the Programmes for this ACR period was 2.414%.

Section 2.4 Change in the context of the operational programme implementation

National Economic Context

The UK economy is estimated to have grown by 2.6 per cent in 2014. This was the fastest growth since the global financial crisis when the UK experienced one of the deepest recessions of any major economy, contracting 6 per cent in real terms between the second quarter of 2008 and the third quarter of 2009.

The Office of Budget Responsibility had forecast the economy would grow by 2.7 per cent at the start of the year. However some forecasters had predicted earlier on that GDP growth would be as low as half a per cent. Instead the economy is estimated to have grown by 0.6 per cent in the first quarter accelerating to 0.8 per cent in the second quarter and 0.7 and 0.5 per cent in the last two quarters. Gross Domestic Product is now estimated to be 3.4% higher than the peak it reached before the recession in 2008.

Consumer spending was a key driver to the UK economy strengthening in 2014. Growth in real earnings began to recover in 2014 after a period of stagnation. Regular pay excluding bonuses grew by 1.6 per cent from December 2013 to December 2014, well above the rate of inflation which fell to 0.5 per cent by the end of 2014 mostly due to falling global oil prices.

Business investment also continued to increase. Initial estimates suggest business investment grew at 6.8 per cent in 2014: its fastest rate in any year since 2007. Housing market indicators also picked up sharply in the year cooling in the final quarter. In the year to December 2014 house prices had increased by 9.8 per cent as measured by the Office of National Statistics. Export performance weakened in 2014 causing the UK's net trade position to deteriorate slightly over the year. This was mainly due to low demand for exports from the Eurozone countries.

The labour market – remarkably resilient during the crisis – continued to strengthen. UK employment figures saw quarter on quarter growth and falling unemployment in 2014. By the final quarter of the year employment rate had risen to 73.2 per cent and the unemployment rate had fallen to 5.7 per cent from 7.2 per cent a year earlier. However, the performance of the labour market varied across the UK, with some groups at a particular disadvantage including, young people, disabled people, people from some ethnic minorities, and older people. Underemployment, a measure of net additional hours of work desired at current wages as a percentage of the total hours of labour available, also remained high with just under 1 in 10 employed people wanting more work in 2014.

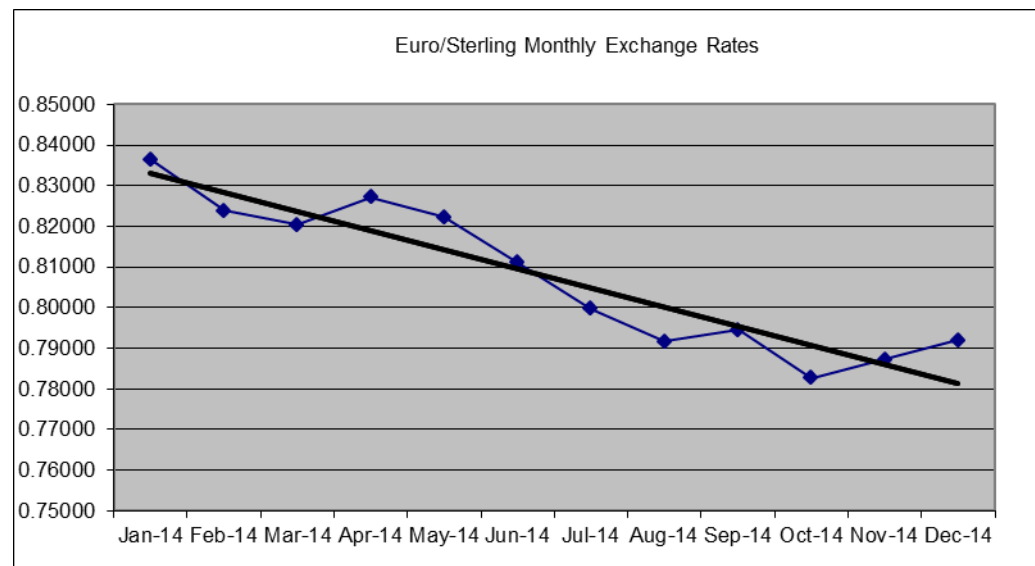
Productivity remains below its pre-recession peak. Among sectors there has been strong growth in manufacturing and real estate productivity for example, but this has been counterbalanced by weak growth in the financial services and the oil and gas industries relative to their pre-recession levels. In the third quarter of 2014 output per hour worked for the whole economy was only 0.3 per cent higher than a year before. Increases in productivity this year will be vital if the momentum the economy gained in 2014 is to continue.

Overview of SW Economy

Regional & local economic growth data from the House of Commons library is based on information relating to 2013, but shows the SW to still be falling behind the national average figure for GVA per head. The average figure is distorted by London's achievements, but even in this context the South West has one of the lowest GVA per head figures / Cornwall remains at the bottom of the table. However once robust ONS figures are available it is expected that the South West will have shown growth.

The growing strength of sterling in 2014 has meant that the sterling allocation for the Convergence Programme has reduced over the year, wiping out the higher values that were seen mid Programme. This has had more impact on Priorities that did not have large volumes of projects claiming whilst the exchange rate was favourable. Commitment levels have been carefully managed with this in mind, balancing over-commitment of resources to offset project level underspends against exchange rate fluctuations. The Managing Authority continued to use a single treasury exchange rate for financial management of all English ERDF Programmes during 2014, but will review in 2015.

Exchange rate



The overall EURGBP trend for 2014 was downward, with Sterling gaining in value against the Euro. This reduced the value of the Programme Fund during the year which was able to be drawn down.

The Programme has continued to closely monitor the financial profile of projects, especially those contracted during 2014 to ensure Programme spend profile is articulated in terms of the

changes to the value of the Euro.

Local Enterprise Partnerships

Local Enterprise Partnerships are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area. The Cornwall & Isles of Scilly Local Enterprise Partnership have played a key role on the Local Management Committee and Convergence Management Group in the current programme and has been working to develop and strengthen its EU Structural Investment Fund strategy for 2014-2020, feeding into the development of the national Operational Programme.

Regional Growth Fund

The Regional Growth Fund (RGF) is a flexible and competitive £3.2 billion fund operating across England from 2011 to 2017. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment, specifically targeted at driving employment and growth in those areas of the economy hardest hit by the loss of public sector jobs.

During 2014 Round Six of the Regional Growth Fund was launched. 14 projects were supported through funding in 2014. These included:

- Avanti Communications Group plc. Based in Goonhilly, Cornwall the Company develops and delivers satellite data communications services.
- Tulip Ltd. Based in St Austell they are a food company with this office focusing on bacon curing for gammon joints and steaks. .
- Goonhilly Earth Station is set for a transformation to a new Space Science centre by a new company Goonhilly Earth Station (GES) Ltd while continuing to operate as a satellite communications teleport. It carries business internet data, and also is used as a command and control Centre gateway for controlling various satellites.

Growing Places Fund

The Growing Places Fund was announced in 2011, and administered jointly by the Department for Communities and Local Government and the Department for Transport, was increased by a further £270m in the 2012 Budget. The Growing Places Fund is allocated between Local Enterprise Partnerships on a formula basis, and is primarily to be used for infrastructure projects to promote the delivery of jobs and housing, to deliver the Local Enterprise Partnerships' local strategies, and to establish revolving funds so that funding can be reinvested and leverage in private investment.

In Cornwall, the Growing Places Fund has been used to create a loan fund for businesses to apply to for infrastructure and workspace projects. Cornwall LEP and Cornwall Council have commissioned Cornwall Development Company to lead on a £6m fund to unlock infrastructure aimed at delivering commercial and mixed used development. This fund has been well supported during 2014 and is now fully committed

Enterprise Zones

The Enterprise Zones are designed to encourage the creation of new businesses and jobs,

where a combination of financial incentives and reduced planning restrictions will apply, thereby promoting local and national growth. They are managed by Local Enterprise Partnerships. There is one enterprise zone in the Convergence area: the Aerohub based at Newquay Airport.

There has already been significant ERDF Convergence funding into Newquay Airport and surrounding area during this programme period, the Aerohub project at Newquay Airport was awarded just under £4m ERDF funding in 2014

Coastal Communities Fund

The Coastal Communities Fund is designed to support the economic development of coastal communities by promoting sustainable economic growth and jobs, so that people are better able to respond to the changing economic needs and opportunities of their area.

Round 2 of the fund was launched in April 2013 and the announcement of successful bids was made in the spring of 2014. During 2014 £525k was awarded in the Carbis Bay Regeneration project to create a multi use centre in Cornwall.

Section 2.5 Substantial modification pursuant to Article 57 of Regulation (EC) No 1083/2006

There has been no requirement to substantially modify a project during the year.

Section 2.6 Complementarity with other instruments

The Cornwall and Isles of Scilly Convergence ERDF Local Management Committee is the only LMC in England to now operate in conjunction with a European Social Fund Regional Committee. Members of the LMC are expected to work on behalf of both Programmes and one of the Deputy Chairs has responsibility for overseeing alignment between the two Programmes.

The LMC was also updated on the Cornwall & Isles of Scilly element of the Rural Development Programme for England and one of the LMC members represents the Cornwall & Isles of Scilly Rural Implementation Group.

The Operational Programme was drafted to align with the Regional Economic Strategy as pulled together by the South West RDA. The Regional Economic Strategy no longer exists, but the Cornwall & Isles of Scilly Local Enterprise Partnership (LEP) has produced a strategy for local growth, which helps to shape the input of the LEP member of the Convergence Management Group and Local Management Committee.

Section 2.7 Monitoring arrangements

Audits of Operations are undertaken by the Audit Authority in accordance with its audit strategy and sampling method. The Audit Authority informs the Managing Authority, the delivery network, and the intermediary body of the sample selected and liaises with grant recipients directly to arrange the visit and ask for preliminary information. A draft report is issued to the ERDF delivery team, who in turn share with the grant recipient. The ERDF delivery team has 20 working days to work with the grant recipient to respond formally to each of the findings. Once the responses have been accepted by the auditors, the final report is issued and an action plan is drafted with allotted responsibilities and timescales for completion.

Nationally, the main irregularities arising from Article 16 audits were:

- Procurement irregularities (52.4%)
- Failure to demonstrate an audit trail (18.3%)
- Ineligible activities (17.5%)
- Ineligible expenditure (3.7%)
- Non-compliance with publicity rules (0.3%)
- Other issues (7.8%)

In response to procurement issues raised in findings from Article 16 audits of operations, the ERDF delivery team has increased communication and engagement with projects on compliance with this regulatory control. This is also the case in respect of Article 13 management verifications.

The key principles of the programme monitoring strategy continued to be adhered to without dilution, as the ERDF delivery team focused on achieving the n+2 target for n+2 2014.

Formation of the National ESIF A13 Compliance Team

ARTICLE 13 – Progress and Verification Visits (PAV) audits

During 2014 a major revision was made to the Article 13 process which took into account the concerns that DG Regio had raised through their programme audits.

The delivery of Article 13 (2) on the spot verifications (PAVs) was separated from the delivery teams and a new National ESIF Compliance team was formed. This team operates independently from the GDTs and is managed by an independent Head of Team. A major revision was also made to the method for selecting projects chosen for testing. Following agreement with DG Regio, a new process was put into place which chooses undeclared claims to test using a random statistical sampling process. The randomized nature of this approach provides greater levels of assurance for the total population of the projects.

The new processes and team became operational in February 2014 but there were early indications that the demand for visits would peak in the second half of the year and so the team was strengthened with temporary contractors for the final quarter of the year to ensure that the new programme of visits was completed before the final declaration was made at the year end.

It was recognised that, whilst in general the programmes did not display systemic errors, procurement issues had been identified in all programmes. To address this, the MA recruited several teams of Legal Procurement Experts to test all procurements above the OJEU threshold, or over £1,000,000 in value. This specialist testing work commenced in the autumn and was largely completed by the end of April 15 with the residual checks to be finished in June 2016. This programme of verifications has been designed to ensure that any significant procurement errors will have been removed from the programme prior to programme closure.

In the Cornwall & Isles of Scilly Convergence Programme, the National ESIF Compliance Team undertook 34 visits. Expenditure totalling £12,076,144 was tested covering claims to the value of £31,199,777, representing 32.2% of expenditure claimed, and an at risk error value of £28,648 was identified. Subsequent investigation by the GDT may have reduced this rate. In addition a visit took place to each live FEI within the region.

During 2014, approximately 277 claims were processed and authorised, with ERDF totalling £60,693,162.67. All claims were subject to administrative checks following the national standardised model.

Every new project continued to receive a Project Engagement Visit from the GDT, designed to ensure that the applicant understands the requirements of the Funding Agreement, and that their systems and processes are compliant with Regulatory requirements. 14 PEVs were carried out in 2014.

Systems Reviews

The Audit Authority communicated their outline plan for systems audits for July 2014 -July 2015 to DCLG in July 2014. The SW Growth Delivery Team within DCLG has been subject to 1 systems audits during calendar year 2014:

- AA Audit Authority end to end Audit September - October 2014.

At the point of writing the final report has not yet been released to the GDT.

Audits of Operations (Article 16)

Audits of Operations are undertaken by the Audit Authority in accordance with its audit strategy and sampling method. They currently draw their audit sample over two periods (every six months), grouping all operational programmes together. The Audit Authority informs the Managing Authority, the delivery network, and the intermediary body of the sample selected and liaises with grant recipients directly to arrange the visit and ask for preliminary information. A draft report is issued to the ERDF delivery team, who in turn share with the grant recipient. The ERDF delivery team has 20 working days to work with the grant recipient to respond formally to each of the findings. Once the responses have been accepted by the auditors, the final report is issued and an action plan is drafted with allotted responsibilities and timescales for completion.

Issues arising from Article 16 continue to include:

- The lack of an audit trail to account for expenditure incurred;
- Procurement issues: inadequate advertising; incorrect uses of framework agreements; lack of documentary evidence of selection process;
- Ineligible expenditure, such as the duplication of expenditure claims;
- Failure to comply with Publicity requirements

In response to procurement issues raised in findings from Article 16 audits of operations, and from other audit work, to provide further assurance to the Commission the GDT commenced a programme of independent audits of OJEU procurement actions which have not previously been tested by the A16 team. This work commenced in August 2014 and has been undertaken by procurement legal specialists. Their work was on-going at the end of 2014 and will be completed by the end of June 2015. The full specification for this work has previously been reported to DG Regio. The Final AIR will include a report on the outcome of the specialist procurement lawyers' work.

26 A16 visits were carried out in 2014 for the Convergence Programme as set out in table 11. A number of these were repeat audit visits, with some projects being visited twice in one audit year.

Table 11

AA Ref	MCIS ref	Project Applicant	Project
AA/SW CONV 01/13	202385	British Telecommunications PLC	ICT Digital Infrastructure (repeat)
AA/SW CONV 02/13	202495	University of Exeter	ESI - Environmental and Sustainability Institute (repeat)
AA/SW CONV 03/13 AA/SW CONV 13/13	202792 500007	Council of the Isles of Scilly	Porthcressa Regeneration PRE Porthcressa Regeneration WS
AA/SW CONV 04/13	202956	Tremough Development Vehicle Ltd	CUC SIF - Tremough Shared Spaces (repeat)
AA/SW CONV 06/13	203247	Hallengbeagle Estates Limited	Cornwall Business Park (repeat)
AA/SW CONV 07/13	203256	Cornwall Council	Newquay Airport Treloy Waterfront
AA/SW CONV 08/13	203610	Pendennis Shipyard Ltd	GBI Pendennis Shipyard
AA/SW CONV 09/13	203890	Cornwall Council	WIC - Wellbeing Innovation Centre
AA/SW CONV 10/13	202819	St Austell Printing Company Ltd	St Austell Printing Co (repeat)
AA/SW CONV 11/13	500030	WPD Property Investments Limited	WPD Pool Redevelopment
AA/SW CONV 12/13	202905	South West Investment Group Ltd	SWIG C - South West Loans Fund
AA/SW CONV 14/13	500036	Robot Mother Ltd	Robotmother Ltd - Jubilee Warehouse
AA/SW CONV 16/13	202385	British Telecommunications PLC	BT - ICT Digital Infrastr (repeat)
AA/SW CONV 17/13	202495	University of Exeter	ESI - Environmental and Sustainability Institute (repeat)

AA/SW 18/13	CONV	202502	Tremough Development Vehicle Ltd	TDV - Infrastructure Delivery & Sustainability - iDS2
AA/SW 19/13	CONV	202670	Cornwall Development Company	CDC - SIF Delivery Team (repeat)
AA/SW 20/13	CONV	203890	Cornwall Council	WIC - Wellbeing Innovation Centre (repeat)
AA/SW 21/13	CONV	203904	Oxford Innovation Ltd	OI - Combined High Growth Programme
AA/SW 22/13	CONV	500001	Cornwall Development Company	CDC - Cornwall Marketing - 2012-015
AA/SW 23/13	CONV	500009	David Paul Engineering Ltd	David Paull (CNC) Engineering
AA/SW CONV 15/13 AA/SW CONV 24/13		500014	Indiana Developments LLP	Indiana Dev - Extn to Victoria Bus Park
AA/SW/CONV 25/13		500032	Pendennis Shipyard Ltd	Pendennis - Pendennis Buildings Redevelopment
AA/SW CONV 26/13		500034	Polymermedics Ltd	GBI Polymermedics Ltd
AA/SW CONV 27/13		202819	St Austell Printing Company Ltd	St Austell Printing Co (repeat)
AA/SW CONV 28/13		203906	Cornwall Development Company	CDC - Business Investment for Growth (Vouchers)
AA/SW CONV 29/13		500012	Cornwall Council	CC - Echo Apron Runway

Certifying Authority

The Certifying Authority did not visit the SW GDT in 2014 but will be carrying out their re-performance checks on a sample of project claims in March 2015.

Data Collection

MCIS continues to be the prime programme management tool; all claims are now submitted through MCIS

Interruption to payments

In May 2013 the European Commission's Interruptions Committee decided to interrupt payments to the 10 English 2007-13 ERDF programmes.

The reason for the interruption was that in the EC's view there were "serious deficiencies identified by the English Audit Authority concerning the management verifications and concerning the audit trail."

This was based on two Audit Authority systems audits, the first on Article 13 monitoring arrangements and the second on audit trail of ERDF records transferred to BIS when RDAs were closed. Both audits had a "qualified major" opinion, meaning that there were material weaknesses that needed to be addressed but the AA had to follow very explicit guidance from the EC on systems audit reports. The EC relies on the opinion of the Member State's Audit Authority.

Following several exchanges of correspondence during 2013 and the early part of 2014, where the Managing Authority complied with requests from the Commission for more information and some assurances around Article 13 verifications, the handling of irregularities and the recording of data on the Management Control Information System, the interruption was lifted in March 2014.

Section 2.8 National performance reserve

The UK Government has decided not to operate a national performance reserve for the UK Operational Programmes.

Section 3: IMPLEMENTATION BY PRIORITY

3.1 Priority Axis 1: Innovation and Research & Development

Table 12 Priority 1 Financial Summary

Priority 1: Innovation and Research & Development				2007 -13	
€m					
				EU	National
					Total
Innovation	and	Research	&	105.13	35.004
Development					140.017

3.1.1 Achievement of targets and analysis of progress

Information on the physical and financial progress of the priority

Table 13

Priority 1 Performance 2014

ERDF value of contracts	Total value of contracts	Average Priority Intervention Rate (OP - 75%)
£91.65m	£133.5m	68.6%

Table 14 Priority 1 Indicators

Priority 1 Indicators	Achievement 2007-2013	Achievement 31 Dec 2014	Forecast achievement based on contracted projects	Target Number
Outputs				
Number of businesses assisted to improve their performance	674	963	1241	1,540
Number of new business assisted (Subset of businesses assisted)	56	120	64	210
Number of environmental goods and services enterprises assisted (subset of businesses assisted)	208	248	236	280
No of firms involved in collaborative research & development projects (subset of businesses assisted)	148	263	329	280
Number of business within the region engaged in new collaboration with UK knowledge base (subset of businesses assisted)	375	584	310	280
Number of research and innovation centres supported	6	8	8	6
Proportion of premises constructed/upgraded to at least the BREEAM standard of excellent or equivalent (incubators etc)	tbc	tbc	(% to be calculated at Programme close)	90%
Results				
Gross new jobs created	200	310	1290	2,187
Gross jobs safeguarded	53	53	104	837
No of patents granted and other IPRs and other IPR devices	9	10	23	140
Number of additional firms involved in business/cluster networks	392	403	348	700

No of SMEs launching new or improved products	58	60	157	1,956
Gross increase in GVA	£10.85m	£17m	£84.53m	£76.5m
Gross jobs created in environmental sectors (subset of job created)	37*	69.5	508	560
Impacts				
Net additional safeguarded GVA	0	0	0	£29.3m
Net additional GVA	£2.22m	£4m	£42.29m	£57.8m
Net additional employment	107.6	124	878	1,653

*Please note there was a typing error for this figure in the 2013 report

Qualitative analysis

Aims & Objectives of Priority Axis 1:

The aim of this Priority is to enable Cornwall and the Isles of Scilly to compete as a centre for creativity, innovation and research and development. It has a key role to play in identifying and supporting those areas where Cornwall and the Isles of Scilly can establish specialist areas of expertise and knowledge, capable of attracting investment and talented people, building upon the already established business and sectoral strengths.

Progress

As explained in the Annual Implementation Report for 2013 it had been concluded that it would be possible to make a further investment under Priority Axis 1 as the commitment level for this part of the Programme, which had been at 100% by the end of 2012, had dipped during the course of 2013 due to fluctuations in the exchange rate and approved projects not drawing down the full allocation of ERDF. During the latter half of 2013 consideration was given to how a further investment in Priority Axis 1 should be made, which concluded in the first quarter of 2014 when the final investment decision for Priority Axis 1 was made. This final investment brought the total commitment level under Priority Axis 1 to just under £92m.

The targets that are forecast to be achieved through Priority Axis 1 fall short of the targets set out in the Operational Programme. In relation to the Outputs, whilst some will fall short of the target number in the Operational Programme, some will exceed what was expected. Targets that have been or will be exceeded are mainly because of the interaction and engagement between businesses and the local knowledge base. As a university presence in Cornwall and the Isles of Scilly is relatively new (an ERDF investment under Objective One 2000-2007 led to the creation of the university campus in Cornwall), which was built on during the first half of the delivery of the Convergence Programme with investments in research centres. This level of engagement is a very positive step forward in terms of moving towards a high value economy and provides a very good foundation on which to build during the delivery of the 2014-2020 Programme in Cornwall and the Isles of Scilly.

Although the proportion of premises constructed/upgrade to at least the BREEAM standard of excellent or equivalent will be calculated at the programme close the indications are that the achieved figure will be 100% with one of the premises supported achieving a rating of BREEAM Outstanding.

The Output target that is falling particularly short of the number set out in the Operational Programme is number of new business assisted. Although the number that has been achieved is exceeding the amount that was forecast to be achieved, the final achieved number is still expected to fall very short of the target number. This is partly a reflection of the limited investment in the Supporting Ideas, Innovation and Knowledge strand. However as mentioned above the investments made through Convergence is good groundwork that can be built on during the next European Programme to support business led innovations and product & processes improvements.

By the end of 2014 the achieved figures assist jobs and GVA are low compared to the targets set out in the Operational Programme. This is expected to improve during the first half of 2015 as projects undertake evaluations and surveys prior to the completion of their project, which will capture the full benefits of the business engagement. However even though the achieved figure is expected to increase in 2015 the achieved targets will still fall short of what was set out in the Operational Programme.

Progress by Strand¹

Stimulating Research & Development - Euros	
Allocation	Contracted ERDF Value
21m - 42m euro	43.3

A further investment was made against this strand during 2014 bringing to a close investments under Priority Axis 1.

Supporting Ideas, Innovation & Knowledge - Euros	
Euro Allocation	Contracted ERDF Value
15.7m – 31.5m euro	2.1

No investments were made under this strand during 2014.

Innovation & Incubation – Euros	
Allocation	Contracted ERDF Value
21m – 36.7m	42.1m euro

No further investments were made under this strand during 2014.

Environmental Goods & Services – Euros	
Allocation	Contracted ERDF Value
10.5m – 26.2m	21m euro

No investments have been made in the delivery of this strand during 2014.

3.1.2 Significant problems encountered and measures taken to overcome them

There were no significant problems encountered during this reporting period.

¹ N.B. Contracted euro figures are based on HMT projections, actual cumulative euro commitment is dependent on exchange rate of declarations

3.2 Priority Axis 2: Enterprise and Investment

Table 15 Priority 2 Financial Summary

Priority 2: Enterprise and Investment				2007 -13 €m
	EU	National	Total	
Enterprise and Investment	130.11	54.504	184.515	

3.2.1 Achievement of targets and analysis of progress

Information on the physical and financial progress of the priority

Table 16

Priority 2 Performance 2014		
ERDF value of contracts	Total value of contracts	Average Sterling Priority Intervention Rate (OP- 70%)
£103m	£167.46m	61.5%

Table 17 Priority 2 Indicators

Priority 2 Indicators	Achievement 2007-2013	Achievement 31 Dec 2014	Forecast achievement based on contracted projects	Target Number
Outputs				
Number of businesses assisted to improve their performance	3,129	3,798	4,193	4,900
Number of new business assisted (subset of businesses assisted)	963	1,133	889	700
Environmental goods and services enterprises assisted (subset of businesses assisted)	230	175	336	350
Businesses advised on improved environmental	273	408	391	1,400

performance (subset of businesses assisted)				
Businesses engaged in new knowledge base collaborations (subset of businesses assisted)	52	53	81	210
Premises built achieving BREEAM "excellent " rating			To be calculated at Programme close	80%
Square metres of new or up-graded premises/facilities	14,723	19,774	34,849	93,000
Results				
Private sector investment arising from support	£8.05m	£9.49m	£31.93m	£360m
Number of companies using ICT (new and upgraded)	0	0	25	4,410
Number of jobs created	2,311	3,754	5,370	5,474
Number of jobs safeguarded	230.5	610	1,542	3,413
Gross increase in GVA	£57.23m	£90.7m	£154.2m	£191.6m
Gross jobs created in environmental sectors (subset of jobs created)	21	40	106	700
Number of additional firms involved in business/cluster networks (subset of businesses assisted)	458	479	509	1,050
Impacts				
Net additional GVA	£0.47m	£3.55m	£37.61m	£126.7m
Net additional employment	0	72.25	1046	3,621

Qualitative analysis

Aim and Objectives of Priority 2:

The overarching aim of Priority 2 is to re-structure the economy to one with a higher proportion of high value added businesses. This should be under pinned by more productive businesses across the business base. The principle focus remains on high growth, high value businesses and investments (whether capital infrastructure or revenue support) that will result in the creation of higher skilled, higher paid employment opportunities in Cornwall and the Isles of Scilly. There is an additional commitment to environmental sustainability and the objective to increase awareness and investment in this area across the business base.

Progress

Following the final contracting year for the 2007 – 2013 Programme the focus for 2014 was on delivery of projects and achievement of contracted targets. As there were no new investments, the Managing Authority and Programme Partners analysed

the existing contracts and looked to see where projects were under performing against targets and what action could be taken to address this. In addition the MA also looked at where projects were achieving targets which they had not been contracted to deliver and how the Programme could go about capturing and evidencing these additional target contributions. As a result 2014 has seen significant increase in both achievements and forecast achievements against Priority Axis 2 targets.

The existing portfolio of business support continues to cover support for business start-up, high value coaching, internationalisation activities, social enterprise and manufacturing support. The second half of 2013 saw investments in two pilot projects; one an innovative start up project and the other a finance readiness project. 2014 was an important year for both of these pilots as they had limited time to establish momentum and deliver achievements. Both projects made significant progress in 2014 and have started to contribute towards the overall Priority Axis 2 targets and have embedded themselves into the business support landscape. The SME community within Cornwall and the Isles of Scilly have continued to experience high quality support which has helped to sustain and accelerate their growth, creating high value and skilled employment opportunities within Cornwall and the Isles Scilly.

Throughout 2014 projects have continued to report achievements in results and impacts as well as Programme outputs. The wider UK economy continued to show small signs of recovery which has helped with an increasing mood of optimism amongst the SME community in Cornwall and the Isles of Scilly. However, it was a cautious optimism for most businesses which continues to have an effect on the gestation period for businesses to start realising GVA growth and committing to new job creation. As a consequence, the ERDF projects have to work even harder to secure these targets and we continue to see growth of job safeguarded alongside incremental increases in new jobs created. Nonetheless the projects remain selective in terms of focusing their efforts on high value, high growth companies, supporting them to grow in a confident and sustainable manner in order to maximise their growth potential through this economic recovery period.

Established projects showed real achievements in 2014 and this coupled with their reporting on slower burning targets from their first four years activity has helped to drive up the achievement of the Priority's targets. It is recognised that some targets remain incredibly challenging particularly within the Environmental Goods and Services sector. However, it is anticipated that 2015 will bring continued contribution towards all outputs and result targets from within the Priority.

Investments in Priority 2 have collectively led to an over achievement of targets in the number of businesses assisted, and as a subset of this, the number of new businesses assisted target. This has been a very positive measure of activity throughout the Programme period. This volume of activity translates into either an over achievement or, a forecast over achievement, in the following results, number of companies using new and existing ICT, number of jobs created & safeguarded and gross increase in GVA. More importantly from the point of view of wider economic impact, Priority 2 has now achieved 89% of the new jobs target (forecast to rise to 171%), and a forecast to achieve 153% of the GVA target.

The commercial property market showed signs of improvement in 2014, after a particularly challenging few years. Whilst occupier demand strengthened, rental levels remained subdued. As a consequence, market failure in respect of high quality

commercial accommodation continued to be a significant issue, resulting in the development of employment space in Cornwall remaining almost entirely dependent upon public sector grant support.

Nonetheless, approximately 30,000 sq m of new or upgraded premises/facilities and approximately 16 hectares of serviced industrial land in total have been contracted under the Business Infrastructure strand under Priority 2, which is considered significant given the economic barriers to development over the programme period.

Progress by Strand

New Enterprise – Euros	
Indicative Allocation	Contracted ERDF Value
13 – 19.5m	5.4m

New enterprise activities remain embedded in other business support activities and have started to feed a pipeline of high growth newly established businesses accessing the range of business support.

High Growth Companies – Euros	
Indicative Allocation	Contracted ERDF Value
19.5 – 26m	15.3m

Under the Grant for Business Investment framework (GBI) only one project was contracted during 2014. This followed the closure of the framework to new applications in 2013. The project represented the final contracting of a marine renewable project which was subsequently de-committed later in the year through mutual agreement due to increased risk to deliverability of the project in the programme period.

Most activity in the GBI framework focused on the management of existing projects. On the whole projects have been progressing well with several projects completing during the year and achieving their targets. The range of investments has been maintained across the renewable technologies and advanced manufacturing sectors as well as investments in ICT, aerospace and creative industries. Specific examples include Mi-Generation Limited engaged in wood pellet manufacture and boiler supply achieving its employment target during the year and Apple Aviation Limited having occupied their purpose built aircraft hangar at Newquay Airport achieving a substantial proportion of their project job target and exceeding GVA forecasts.

Despite the framework progressing well on the whole, some projects have had some difficulty in progressing sufficiently towards the job and GVA targets in their funding agreements. In such cases, a revision has been progressed to the funding agreement that adjusts the targets to reflect the circumstances and in some cases when the value for money has no longer been acceptable this has included a reduction in the ERDF funding of the project. In such cases the opportunity has been taken to re-invest the ERDF in other activities in the programme.

2014 also saw the continued success of the high growth coaching activity which had been re-contracted for phase two follow on activity. The pilot to introduce a new way

of taking a smaller group of high growth high value companies and trialling methodologies to significantly accelerate their growth path has resulted in significant increased target achievements.

Lastly, the investment in support for a small number of high growth high value businesses to trail and exploit superfast broadband has been very successful, unearthing significant demand for this type of support and bringing national and global industry experts into SME's in Cornwall and the Isles of Scilly.

Targeted Business Support – Euros	
Indicative Allocation	Contracted ERDF Value
26-39m	47.1m

Existing investments will continue to work with businesses across the broader business base as long as they have growth potential. These activities are predominantly in the field of globalisation and manufacturing support and social enterprise as evidence suggests that these areas have the potential to make a significant economic impact, particularly in the current economic climate.

Business Infrastructure – Euros	
Indicative Allocation	Contracted ERDF Value
39-58m	47.1m

Projects in the private sector which commenced on site in 2014 include the Krowji Phase 1 project at Redruth. Krowji is a successful creative industries workspace cluster based at a former grammar school, which has operated since 2005. Its overall purpose is to raise the profile, capacity and profitability of the creative industries in Cornwall, and to give them a business advantage in regional, national and international markets. It currently owns and manages approximately 60 units on the site, providing workspace accommodation for 110 people.

The project comprises the construction of two new buildings totalling 2,238 sq m, which will provide workshop units with the potential to create 145 new jobs.

The new buildings have been designed to a high standard and will achieve a BREEAM 'Excellent' accreditation, incorporating photovoltaic cells, air source heat pumps and other environmentally sustainable features.

The project's objective is to provide the high-quality business infrastructure needed to support the growth of the creative sector in Cornwall and to add significant extra floor area to the existing workspace cluster at Krowji which is operating at full capacity.

Projects which achieved practical completion of their build phase in 2013 include Plot 1 at Treleigh Industrial Estate, Redruth. This speculative development provides a total of 2,790 sq m of high quality workspace, and has achieved a BREEAM standard of Excellent. The project has been shortlisted for an RICS award (Commercial Property of the Year) and the judging panel attended site to view and discuss the project. The final selection will take place at a ceremony in May 2015.

The Quintdown Business Park Development at Newquay also achieved practical completion of its build phase in 2014. The project has provided 2.5 hectares of serviced industrial land, together with 1,520 sq. m. of high quality workspace

accommodation built to a BREEAM Excellent standard. The project has proved to be very successful, with the majority of units let or sold.

At Wheal Jane, a former mining site between Redruth and Truro, a building originally constructed in the 1970s has been refurbished and extended to form a feature gateway office building to the Wheal Jane Earth Science Park. The building was in poor condition and not suited to modern business purposes, and has been refurbished and upgraded to provide 496sqm of high quality office accommodation to a BREEAM Very Good standard. The scheme has also created an additional 368sqm of BREEAM Excellent office space, and has made the whole building fully accessible. The building is occupied by Wardell Armstrong International (WAI), a National Mining, Mineral and Renewable Energy Consultancy Business with high value high skilled jobs, which was constrained by the existing building. The additional facilities will enable WAI to expand leading to the creation of new highly skilled jobs at the site. The Baldhu Office investment is the first phase of new investment into the Earth Science Park at Wheal Jane, with a range of other projects being progressed on the site either by Brownfield Investments Ltd and/or joint venture partners.

Also completing in 2014, the Porthmeor Studios project comprised the refurbishment of a historically important English Heritage grade II* listed building, which was in extremely poor condition and in danger of falling into disuse. ERDF effectively saved the building, and has enabled more efficient use of existing employment space as well as the provision of an extra five studios. The investment also facilitates CUC (Combined Universities in Cornwall) undergraduate activities and graduate residencies to take place. In addition the provision of improved access has enabled tourists and arts enthusiasts to appreciate and tour the building to see it in operation. Following completion the project received the South West Building Conservation Award, was shortlisted in two other categories - Community Benefit and Regeneration, and was awarded SW Project of the Year. The judges really seemed to appreciate all the efforts made to sustain the existing pattern of use, and the sustainability aspects of the scheme.

Access to Finance – Euros	
Indicative Allocation	Contracted Total Value
13-19m	4.2m

The Convergence Finance for Business Fund (loans from £50,000 - £250,000) is now almost fully invested, and at 31 December 2014 only had one loan still be drawn down of £50,000. At the year end, quarter end 37 separate companies have been supported with a total of £5,050,001, of lending (average £136,487 per company), 1 of these companies had previously received a SWLF loan from SWIG Services and therefore have not been included as volume targets. 168% of original capital has now been advanced to businesses in the Convergence area. Over £2,394,877 of the capital lent (47%) has already been repaid along with interest payments and monitoring fees. Bad and doubtful debt provisioning at quarter end stood at £127,844 a rate of 2.73% on total portfolio of £2,655,124. The Fund Managers are now focused on monitoring the remaining investments and ensuring that loans are re-paid promptly.

In terms of outputs, Finance for Business has assisted 36 (out of a target of 49) businesses to improve their performance. Results to date include 85 new jobs (target 98) and 22 jobs safeguarded (target 147). Outputs and results continue to be collected by the Fund Managers as there is normally a time lag between the loan being advanced and impact on the recipient business performance. A final set of outputs, results and impacts will be reported in the final AIR.

The Small Loans for Business component of the SW Convergence FEI (loans up to £50,000) is not yet fully invested by the end of Q4 2014, having made 99 loans to 84 SMEs with a value of £2,261,565. The contracted Fund value and target for remaining loans to the end of 2015 is £3,400,000. The Fund has assisted 84 SMEs (target 164); created 26 new enterprises (target 33), created 161 new jobs (target 327) and safeguarded 53.5 out of a target of 491 jobs. Bad and doubtful debts stand at 15.5%.

Change of match funding provider

Within BIS, a limited company, Capital for Enterprise Ltd (CFEL), wholly owned by BIS, took on the management of the Funds. In October 2013, the government created the British Business Bank which merged CFEL together with a number of SME policy experts within BIS into one organisation.

Environmental Goods and Services – Euros	
Indicative Allocation	Contracted ERDF Value
13-19m	2.5m

Work undertaken during 2014 to identify opportunities for capturing achievements in the Environmental Goods and Services sector has resulted in a forecast to significantly increase the number of business assist sub set with a further 57% of the target to advise businesses on improving their environmental performance also achieved or now forecast to be achieved. Further proactive work will be undertaken during 2015 to increase this.

3.2.2 Significant problems encountered and measures taken to overcome them

There were no significant problems encountered during this reporting period.

3.3 Priority Axis 3: Transformational Infrastructure

Table 18 Priority 3 Financial Summary

Priority 3: Transformational Infrastructure			2007 -13 €m
	EU	National	Total
Transformational Infrastructure	105.13	52.507	157.520

3.3.1 Achievement of targets & analysis of progress

Information on the physical and financial progress of the priority

Table 19

Priority 3 Performance 2014

ERDF value of contracts	Total eligible value of Contracts	Average Priority Intervention Rate (OP – 66%)
£91.7m	£172.5m	53.2%

Table 20 Priority 3 Indicators

Priority 3 Indicators	Achievement 2007-2013	Achievement 31 Dec 2014	Forecast achievement based on contracted projects	Target Number
Outputs				
Major investment projects	1*	1	1	2
Premises built achieving BREEAM “excellent “ rating or equivalent	0		To be calculated at Programme close	90%
Results				
Number of businesses using new infrastructure	0	0	2500	10,000
Number of businesses benefiting from up-graded ICT infrastructure	3,728	8,030	10,000	10,000
Number of businesses with improved performance (GVA)	949	2696	6,000	6,000
Number of jobs created	663	2,126	4,712	4,000
Number of jobs safeguarded	685	1,208	2,410	2,000
Gross increase in GVA	£28.99	£83.55m	£201.37	£140.0m
Impacts				
Net additional safeguarded GVA	0		£70m	£70.0m
Net additional GVA	£31.24m	£48.68m	£159.84m	£99.2m
Net additional employment	90	703	3,514	2,835

* This output now captures only those projects that were required to progress through the Major Project process

3.3.2 Qualitative analysis

Aims and Objectives of Priority Axis 3

Developing a limited number of large investments for the transformational infrastructure is critical in developing a platform which will allow a step change in

economic performance. These developments are focussed on improving connectivity between businesses in Cornwall and the Isles of Scilly and national and international knowledge and trading networks and new markets.

Progress

There has been no change in this part of the Programme from that reported in the 2013 Annual Implementation Report. The Priority had reached full commitment during 2010 and since then no further investments have been made under this part of the Programme. No under spends were returned to the Programme to enable any further investments in new activity to be made. The focus has therefore been on monitoring approved projects including progress in achieving the contracted targets.

Progress by Strand

Newquay International Airport - Euros	
Allocation	Contracted ERDF Value
21m – 42m euro	12.2m euro

No further investments were made under this strand during 2014.

Cornwall Council continues to deliver the Newquay Infrastructure and Business Development project, which contains a revenue element for an Airport Development team. The role of the team is to consider how the Airport should be maintained and developed in order for it to become commercially self-sustaining, environmentally sustainable and to optimise the use of the associated ex-military brownfield land, available for development, thereby exploiting the facility to maximise the benefits as a catalyst for economic growth.

During the course of 2014 a discussion took place with Cornwall Council as to whether it was appropriate to include a target within the Newquay Infrastructure and Business Development project of businesses using new infrastructure. Following this discussion an amendment was made to the funding agreement so that the project had a target of 2,500 businesses using the new infrastructure. The Council will report on the achievement on this target during 2015.

Digital Infrastructure - Euros	
Allocation	Contracted ERDF Value
31.5m – 52.5m	66.5m

This strand of Priority Axis 3 is delivered through a major project 'Next Generation Broadband'. This project has the aim of transforming the economic position of Cornwall and the Isles of Scilly by providing a next generation broadband network, including the infrastructure, wholesale platform and end-user applications. The primary purpose of the project is to ensure that high growth, high value businesses, including start-ups, those with potential to develop, and inward investors, have access to Next Generation Broadband services.

During 2014 progress continued in the rolling out of Next Generation Broadband project and by the end of the year the coverage extended to 245,555 premises (97%

of estimated 253,0 baseline premises). This includes 167,457 properties that have access to Fibre to the Cabinet (FTTC) technologies and 78,098 premises that are in areas where Fibre to the Premises (FTTP) is available. Service is provided by a total of 53 different communication providers (CPs), which is a higher number than had been expected.

During the course of the year the roll out of the Next generation Broadband project on the Isles of Scilly was implemented. This involved the re-routing of an existing submarine fibre optic cable to provide a connection between the islands and the mainland, and provide the back-up service over the existing microwave link. As a result of this work superfast was launched on the islands on the 21st November 214. Take up on the Islands was particularly strong with 18% take up within 6 weeks.

Assessing the impact of the roll out of the Next Generation Broadband infrastructure continued in 2014 with an interim update of the economic impacts undertaken in March 2014. The final full evaluation will be undertaken in March 2015.

Knowledge Infrastructure - Euros	
Allocation	Contracted ERDF Value
31.5m – 52.5m	31.5m

No investments were made against this strand in 2014. As noted in the Annual Implementation report for 2013 the investments made in the Combined Universities in Cornwall have been critical for building up the critical mass of undergraduate students in Cornwall, which will ensure the long term sustainability of higher education in the region.

3.3.2 Significant problems encountered and measures taken to overcome them

There were no significant problems encountered during this reporting period.

3.4 Priority Axis 4: Unlocking the Economic Potential of Place

Table 21 Priority 4 Financial Summary

Priority 4: Unlocking the Economic Potential of Place			2007 -13
€m			
	EU	National	Total
Unlocking the Economic Potential of Place	107.590	65.868	173.458

3.4.1 Achievement of targets and analysis of progress

Information on the physical and financial progress of the priority

Table 22

Priority 4 Performance 2014		
ERDF value of contracts	Total eligible	Average Priority

	value of Contracts	Intervention Rate (OP – 62%)
£97m	£192.2m	50.45%

Table 23 Priority 4 Indicators

Priority 4 Indicators	Achievement 2007-2013	Achievement 31 Dec 2014	Forecast achievement based on contracted projects	Target Number
Outputs				
Square metres of floorspace (m ²)	16,152	29,659	50,063	60,000
Hectares of land for development	7.42	7.42	52	58
Previously developed land prepared / developed (subset of land for development)	0.62	0.62	3.74	10ha
Redundant buildings developed for new economic use	2	6	7	40
Historic buildings / sites developed for new economic use	3	5	7	20
Sustainable Integrated Development Strategies Prepared	7	7	7	7
Projects achieving BREEAM “excellent” rating or equivalent	1	3	23 % to be calculated at Programme close	80%
Results				
Number of jobs created	132	175	573	3,751
Number of jobs safeguarded	45	54	106	2,517
Private sector investment £m	£19.65m	£43.94m	£32.21m	£157m
Gross increase in GVA	£1.74m	£3.29m	£29.89m	£131.3m
Impacts				
Increase in GVA (net)	£1.48m	£3.34m	£38.03m	£86.8m
Additional employment (net)	58	88	320	2481

3.4.1 Qualitative analysis

Aims and objectives of Priority Axis 4

The strategic objective is to:

- Accelerate the regeneration of Camborne Pool Redruth and St Austell and the Clay Country through the provision of infrastructure and other support which assist the development of a sustainable knowledge based economy;
- Develop in a sustainable manner the capacity of key towns to accommodate new investment critical to the development of a knowledge based and higher value-added economy; and
- Support economic development in key towns which increase the use of public transport and reduce car use and congestion.

Progress

The Cornish economy (as with other regions in the UK) has continued to suffer as a result of the recession. Programme activity is therefore taking place in a much tougher economic environment than envisaged when the Programme was developed and agreed, thus making project delivery an even greater challenge.

The period from January – April 2014 was a continued busy period for the submission of the last projects to the DCLG Local Growth Team. The final submissions during this period enabled the programme to be fully committed with the final project (St Marys Harbour) contracting in September 2014.

The Cornwall Development Company development pot of £2.4 million funding is a key feature the delivery of Priority 4. It has facilitated substantial project development (and delivery) which would not have taken place if the development pot funding was not available. The pot has been used in a more pro-active strategic fashion, anticipating project requirements and in facilitating more complex procurements for a wider range of professional services.

Integrated Place Regeneration – Camborne Pool Redruth, St Austell & Clay Country - Euros	
Allocation	Contracted ERDF Value
40m – 60m	59.7m

Private sector projects achieving completion during 2014 include the Redruth Gateway project. The scheme provides a mix of industrial and hybrid accommodation comprising a total of 7,439 sq m (80,073 sq ft) gross internal area. The development has attained a BREEAM 'Excellent' rating, providing modern high quality office and industrial accommodation to a specification to suit grow on accommodation for businesses from the innovation centres.

Public Sector schemes starting on site include the Redruth Brewery Quarter redevelopment. This significant project at the primary entrance to Redruth is designed to unlock the largest regeneration site in the town and enable the long term creation of a planned high quality urban destination and employment location designed to secure from new and existing businesses.

The Redruth Brewery Quarter Enabling and Public Realm project will deliver 0.63 ha of CEEQUAL Excellent public realm works to unlock 2.28 hectares of derelict land whilst conserving and improving the historic Leat than runs through the site.

The project will transform the primary entrance into Redruth from the A30 and change perceptions of the area as a place to live, work and invest. Located within the UNESCO Cornish Mining World Heritage Site and a designated Conservation Area the project will adhere to good practices advocated by English Heritage and meet the highest environmental, access and social sustainability standards practicable given the physical constraints of the site.

Realising Place Potential– Truro, Falmouth/Penryn, Newquay, Bodmin, Penzance/Isles of Scilly - Euros	
Allocation	Contracted ERDF Value
30m – 50m	54.5m

In terms of public sector activity under Priority 4, St Marys and Penzance Runway hardening improvements completed in 2014. St Mary's Airport and Land's End Airport Runway Hardening project has redeveloped and refurbished the islands only year round transport gateway and to harden the grass runway at Land's End, Cornwall.

The Project has supported the long term sustainability of air links between the Isles of Scilly and the mainland, thereby securing the direct employment of 852 people as well as 118 indirect and 39 induced jobs. Furthermore, as the preferred mode of transport, it provides the 2,203 population of the Isles of Scilly with accessibility to healthcare, further and higher education, social and community services for inclusion/cohesion, and opportunities for economic improvement.

In the private sector, the Pendennis Buildings Redevelopment and Yacht Project that contracted and commenced in 2013 has seen the Phase 1 of the scheme to provide approximately 14,581 sq m of new BREEAM Excellent workspace that completing development in 2014. The scheme has already enabled Pendennis to expand its business to deliver market leading facilities at Falmouth that create a sustainable long-term foundation for the growth of Pendennis Super Yachts and to facilitate economic growth in the local area.

3.4.2 Significant problems encountered and measures taken to overcome them

There were no significant problems encountered during this reporting period.

SECTION 4: MAJOR PROJECTS

The Next Generation Broadband (NGB) proposal successfully passed through Major Project procedure in 2010 and a contract was agreed in September 2010 with the successful bidder British Telecom (BT). At £53.5m ERDF investment in the £103m Next Generation Broadband (NGB) project this is the single largest and most transformational investment that the Convergence Programme has made. It contributes towards the Programme's operational objective by providing the platform for economic transformation to a more knowledge based, high value added, lower carbon economy. The project links together and adds value to virtually all other investments in the Programme, including place based regeneration activity, innovation centres and the Combined Universities in Cornwall

developments.

During 2014 the roll out of continued. By the end of the year total coverage had reached 245,555 premises (97% of estimated 253,000 baseline premises) across 8 exchanges. This includes 167,457 properties that have access to Fibre to the Cabinet (FTTC) technologies and 78,098 premises that are in areas where Fibre to the Premises (FTTP) is available. A total of 57,648 premises had connected by the end of the year, which includes an estimated 8,532 business connections.

At the end of 2014, the project had defrayed £91,460,320.79 of eligible expenditure and claimed £47,181,978.38 of Convergence funding.

Roll out of the infrastructure on the Isles of Scilly was completed in 2014. The delivery plan for the Isles of Scilly was to re-route an existing submarine fibre optic cable to provide a connection between the islands and the mainland, and provide the back-up service over the existing microwave link. Discussions took place with Natural England and the Maritime Management Organisation to ensure the plans for delivering on the islands were acceptable in what is an environmentally sensitive area. The most significant infrastructure challenge was completed when superfast was launched on the islands on the 21st November 2014. Due to weather, the plane carrying the VIPs (DCLG Minister Lord Ahmad and BT CEO Gavin Patterson) was unable to land, so a video link was used between PIC and the Mermaid Inn, St Mary's. The Superfast team were already on St Mary's and held a drop in session which many people from the islands attended. Take-up on the Islands was extraordinarily strong, with 18% take-up within 6 weeks.

During 2014 work continued in planning and building networks in the more challenging areas of Cornwall. Many new products and capabilities are being developed to enable delivery of Fibre to the Premises and Fibre to the Cabinets in these areas. Satellite connections continue to be promoted to those areas with slow speeds beyond the fibre footprint, with 140 codes issued to eligible premises resulting in 18 confirmed installs.

The results of the Mid Term Evaluation were published in May 2014 and this information was used to estimate the programme's overall output and results figures for the period ending December 2014. This included 2,412 businesses with improved performance and 2,160 jobs created and 1,417 jobs safeguarded.

In April a major campaign to encourage take up across Cornwall was launched. During the build-up to this launch two focus groups were established – one based around consumers and the other around businesses. One of the conclusions reached was that the messages for billboards should be simple: Superfast your business; Superfast your homes; Superfast your gadgets. Included in this campaign was a direct mail campaign that targeted a number of exchange areas with about 20,000 leaflets sent to businesses. Instead of sending a standard letter a leaflet was created showing the benefits to businesses that have connected with quotes from case studies and examples of what businesses can do with their connection.

The project won, beating completion from the Prime Minister's office and the Met Office, the public sector category at the Chartered Institute of Marketing's Marketing Excellence Awards

in February 2014. This was the project's sixth major award.

The Get IT Together project, a key part of the Superfast programme, came to an end on 31 January having exceeded all targets. Stage 3 learners received a minimum of 4 hours basic IT training; typically these learners would have attended a course of 5 weekly 2 hour sessions, so on average would have received 10 hours of support. Project led sessions have been organised largely in community venues such as libraries, village and church halls, and in conjunction with members of the local community. Support for this activity included providing the train the train support, lending laptops and other equipment or signposting learners to suitable provision. Although the Get IT project was completed during 2014 it did develop some very successful partnerships, which have provided a firm legacy for continued digital inclusion activity. For example partnership working with Job Centre Plus has enabled the project to secure some funding from DWP's Flexible Support Fund to carry out a short piece of work that is focusing on helping job seekers to get online for the first time and increase their IT skills. The funding is also being used to support a mapping process to identify providers of basic IT training, as well as venues that offer public access computers and/or WiFi. This information has been made available as a new platform on the 'Inspiring Work' website, allowing members of the public to search for support in their local area.

The NGB project will be completed in June 2015.

5 TECHNICAL ASSISTANCE

Table 24 Priority 5 Financial Summary

Priority 5: Technical Assistance		2007 -13 €m	
	EU	National	Total
Technical Assistance	10.429	3.476	13.905

Table 25

Priority 5 Performance 2014		
ERDF value of contracts	Total value of contracts	Average Priority Intervention Rate
£8.23m	£11.1m	73.65%

The Technical Assistance allocation is used to undertake the regulatory administrative requirements of delivering the ERDF Programme and provide officer time to support the development of proposals that meet Programme objectives and will be compliant with Regulations.

The business case supported by the Local Management Committee in 2013 proposing the re-allocation of Technical Assistance funds to Priority 4 was agreed by DG Regio and the Operational Programme was formally modified on 14 March 2014. The modification reduced the Technical Assistance pot to €10.429m.

There are three live Technical Assistance projects, the MA's Secretariat Delivery Costs project; Cornwall Council's ERDF Partnership Office that enhances the Programme's ability

to communicate with partners and more widely (see section 6) and the Convergence Support Team, helping partners to engage with the Programme. All three projects will continue to run into 2015.

In 2014 the Convergence Support Team commissioned an independent thematic evaluation of the Convergence Programme, canvassing the views of a wide range of Programme stakeholders. The consultants were asked to produce reports on the following themes: Business Support, Transport, Environment, Regeneration, Workspace, Innovation & Research and are due to report in Spring 2015.

The list of TA projects is as follows:

Project	Completion	Total expenditure
ERDF Partnership Office Costs	31 Oct, 15	£1,243,534.00
Final Beneficiary - EU Convergence Technical Assistance	31 Dec, 15	£4,700,526.47
Set Up Costs - EU Convergence	Closed	£562,053.95
TA Convergence Support Team	30 Nov, 15	£1,013,822.83
Final Beneficiary - Conv Scoping and Development fund	Closed	£672,964.50

6 INFORMATION AND PUBLICITY

6a. The Cornwall & Isles of Scilly Convergence Programme is unique among the English ERDF Programmes in continuing to have access to an external team of experts to undertake communication activity on behalf of the Programme, due to match funding being made available by partners. The Technical Assistance funded ERDF Partnership Office project enables Cornwall Council to employ the Convergence Communication Team who are a resource of publicity support for all Convergence ERDF beneficiaries. The Team have provided a full report on their activity during 2014, please see section 6b below.

National ERDF Communication Network

The Communication Network comprises representatives from each of the English ERDF Growth Delivery Teams and DCLG Communication Directorate. The purpose of the Network is to ensure delivery of English ERDF Communication Strategies and also aims to provide a forum for sharing best practice, discussing communication related issues and agreeing shared approaches and methods for delivering activities. Telekits were held regularly during 2014 and there was also a face to face meeting.

Publication of beneficiary lists and key Programme documents

The ERDF pages of the .gov.uk website house the Cornwall & Isles of Scilly Operational Programme, Annual Implementation Reports, the latest set of approved minutes of Local Management Committee and beneficiary list. Publicity guidance is available from the Forms and Guidance pages of the website, whilst a national ERDF publicity toolkit is available from SW Growth Delivery Team.

<https://www.gov.uk/erdf-programmes-progress-and-achievements>

ERDF Convergence Beneficiary List

The list of Convergence beneficiaries is updated quarterly and can be found at:

<https://www.gov.uk/erdf-programmes-progress-and-achievements>

Publicising individual investments

Projects are responsible for issuing their own press releases and organising their own publicity. SW PDT has provided advice on draft press releases, billboards, leaflets, positioning of logos and will organise a quotation from either the Minister with responsibility for ERDF or the Deputy Chair of the Local Management Committee at a project's request. The Convergence Support Team provides practical advice on opportunities for investments to meet their contractual obligations around publicity.

Annual Information Activity

In 2013 the annual publicity activity had taken the form of a celebratory event looking back over the range of investments that had been made. For 2014 partners were looking for a different approach that kept them informed rather than an event. The Convergence Communications Team undertook this challenge with a more campaign style of publicity that included 3 bespoke articles in local media and the development of a legacy booklet capturing the essence of Convergence investments. The legacy booklet will be further developed in 2015 and accompanied by a legacy film.

Links to articles:

<http://www.erdfconvergence.org.uk/userfiles/files/ERDF.pdf>
http://www.erdfconvergence.org.uk/userfiles/files/CornwallERDF_Insider.pdf
<http://www.erdfconvergence.org.uk/events/>

6b. Convergence Communication Team Report 2014

In accordance with Article 69 Regulation (EC) 1083/2006 the Convergence Partnership Office (CPO) has undertaken a significant range of information and publicity activities in order to promote the successes of the ERDF Programme in Cornwall and the Isles of Scilly.

During 2014 the primary media channels used to communicate messages about the Programme were:

- Press releases
- Case studies
- Website
- Electronic newsletter

- Social Media

Further details about how these media channels have been used is provided later in this chapter.

The Cornwall & Isles of Scilly Convergence Programme has been the exception amongst English ERDF Programmes in continuing to have its publicity strategy delivered externally to DCLG.

Summary of key communications activities:

Press and media

Throughout 2014 the CPO produced and contributed to 48 media releases about Convergence investments. Three bespoke magazine articles were published in 2014, a business focused piece in **Business Cornwall**, a double page spread showcasing how ERDF has supported regeneration projects in **Cornwall Today** and a double page spread showcasing how ERDF has supported workspace developments in **Insider South West**



ERDF IN CORNWALL & THE ISLES OF SCILLY FILLING THE £83MILLION GAP

During the €458 million European Regional Development Fund Convergence Programme improvements to workspace across the Cornwall & the Isles of Scilly have enabled job creation and business expansion.



Quintdown Business Park (Pewee), Bude Station Business Park (Bude), Teelagh Park at Teelagh Industrial Estate (Redruth) and 3 Truro (Truro). These developments all demonstrate workspace projects are taking place across the region. The drive for Cloud to be a leader in renewables has given two developments particular focus; the Cornwall Business Park (CBP) near Scornier has been split into two sites, CBP West is centred on an Enterprise Park with consent for offices, manufacturing, distribution and storage facilities, CBP East has consent for Waste to Energy and waste processing facilities. In Hayle, the ERDF investment into the Wave Hub test facility has now been joined with investment into the Marine Renewables Business Park (MRBP) which aims to



Website

The ERDF Convergence website is an important source of information for partners wanting to see key data at project level and providing a range of case studies that tell the story of ERDF investment.

<http://www.erdffconvergence.org.uk/>

10,665 unique users

30,978 page views

32 new investment pages added

113 media releases added

The team also developed a suite of icons to provide more instantly recognisable ERDF investment themes



The Objective 1 website and the pre-2013 Convergence website are registered with the British Library Digital Archive to ensure their long term survival as a record of European investments in Cornwall and the Isles of Scilly.

Electronic Newsletter

The electronic newsletter still remains one of the key tools for keeping partners updated with ERDF Convergence news, case studies etc. 8 newsletters were published in 2014. The newsletter has a distribution list of 983.

Digital and Social Media

Convergence has continued in its use of digital and social media.

Twitter has continued to be used to make it easier for followers to keep up to date with ERDF news and information. By the end of 2014 Convergence twitter had 2394 twitter followers and produced 503 tweets and retweets

The Convergence flickr added a further 173 images to the gallery, bringing the total to 1334. Flickr remains hugely popular, with over 223,800 hits in 2014. As in 2013 the majority of the imagery created in 2014 was generated by the CPO to save costs.

Working with Partners

The C&IoS ERDF Convergence Communications team were nominated for the pan-European Public Communications Award in October and invited to speak at the prestigious event in Brussels on 15th October to specifically address the importance of local communications in a world of complex and high level European messaging. Approximately 700 delegates attended and it was an excellent opportunity to showcase the communication work achieved through the Technical Assistance project.

The Team have also worked with the Local Enterprise Partnership to ensure consistency of messaging and to demonstrate how ERDF is working with other national funding packages to drive economic growth

Due to the low numbers of callers to the helpline as the Programme became fully committed, the specific helpline number has been stopped. People seeking information are still able to get in touch with the Team using contact information on the ERDF Convergence website.

Communication Highlights

- Contracted with a creative agency to design a Convergence legacy book. The team have written all of the copy, sourced the images and developed the layout
- Contracted with a film agency to make the legacy film. Film concept, locations and infographics agreed with the film company.
- Presentation to Finance Cornwall on ERDF Convergence
- Presentation to Royal Institute of British Architects on ERDF Convergence (with a

particular emphasis on capital build projects)

- Event to raise awareness of ERDF Convergence amongst Cornwall Councillors.

Proposed Communication Activities for 2015

- Further development of the ERDF Convergence legacy book
- Development of an ERDF Convergence legacy film
- Publicising Programme successes in terms of jobs, workspace, new start-ups etc.
- Continued efforts to identify and promote ERDF/ESF linkages
- Working closely with the LEP and their PR company to ensure clear messaging for the new programmes
- Ongoing review of the ERDF website to ensure all content is current and up to date


Performance against the Convergence Communication Plan²

Indicators	2014 performance <i>(with cumulative totals where appropriate)</i>
Report to the Local Management Committee	
Reports to Joint LMC on progress with communication	May and October
Input into 2013 Annual Implementation Report	
Communication products	
Media updates	4 (120)
Communication updates	4 (171)
Convergence Newsletters	8 (84)
Publications	Progress reports (x5) available at: http://www.erdconvergence.org.uk/media-hub/progress-reports/
Website	


² Convergence communication Plan was approved by the EC in July 2008

Re-launched April 2013		<p>The ERDF Convergence website has continued to provide media updates, case studies, details of new investments.</p> <p>http://www.erdconvergence.org.uk/</p> <p>The richness of case study material that is available and the use of different media channels mean that the outcomes of the programmes are increasingly evident to a range of audiences accessing information in a number of ways.</p>	
Presentations - please note the revised business plan (approved 2012) changed the focus of ERDF communications with presentations playing a much less significant role		2	(159)
Communication Networks			
EU	Attendance at EuroPCom event 15 Oct 2014	1	

Investment case studies 2014

Project Title: Environment Management Centre (Clear-flow Ltd), Cornwall	
Technical Information: Total Cost: €1,038,175 EU contribution: €510,382 Contact: http://www.clearflowltd.com/	
Context	
<p>The Environment Management Centre helps to deliver the Convergence Priority 2 aim of improving business productivity. The project received direct ERDF investment as it fell within the scope of the activity strand 'Business infrastructure for a modern economy'. The company had been unable to find suitable premises that would support its growth objectives and could not invest in bespoke premises without support to address the gap in funding due to low premise values compared to the cost of construction.</p>	
Project Description	
	<p>Cornish environmental company Clear-flow Ltd treats and disposes of wet waste products such as sewage and chemicals. Until 2011, the company had operated from split sites but it had outgrown its premises and wanted to consolidate the management and operation of the business on a dedicated site at United Downs. An ERDF gap funding investment of £431,380 enabled the company to construct a purpose built, new 580m² building to BREEAM Excellent environmental standards.</p>
	<p>Subsequently, the company benefited from a second ERDF investment in the form of a "Business Investment for Growth" voucher. This competitive ERDF scheme offers vouchers between £1,000 and £50,000 targeted at innovative, high growth businesses. Clear-flow Ltd used this ERDF funding to purchase equipment to rehabilitate collapsed drains, a problem often encountered due to the age of drains in Cornwall. The new equipment allows the company to pump up the drain by inserting a lining into it and make it usable again.</p>
Results	
<p>Since Clear-flow Ltd moved into its new building in 2011, the company has seen improved environmental and operational efficiency and has created a total of 25 jobs, exceeding the project's targets, as the business has expanded. It now employs over 90 staff, including skilled engineers, IT specialists and skilled equipment operators. At the same time, it has extended its services to include the latest technological advances to win new contracts</p>	
<p>The company's investment in new facilities and technology was rewarded when it won a national tender to become South West Water's main contractor in Cornwall to deal with blockages in small diameter domestic sewers and it has secured a number of other contracts against national competitors. Another contract with South West Water was renewed for an unprecedented 7 years until 2020.</p>	
<p>Clear-flow's reputation has also grown. The company beat national competitors to pick up a top award as an environmental supplier at the South West Water Pure Vision Awards 2014, and was named 'most Dynamic Growth Company' at the Cornish Business Awards 2013.</p>	

Project Title: Accommodation on Plots 7 & 8 Treleigh Industrial Estate	
Technical Information: Total Cost: €3,025,701 EU contribution: €1,014,177 Contact: http://www.erdfconvergence.org.uk/investments/treleigh-plots-7-and-8/	
Context	
<p>Treleigh Industrial Estate is in the Camborne, Pool and Redruth Strategic Investment Framework area. This is one of the priority areas identified by the Cornwall & Isles of Scilly Convergence Programme for investment to unlock economic opportunities. The Programme's Priority Axis 4 aims to accelerate the regeneration of priority places by providing infrastructure and increasing their capacity to accommodate new investment.</p>	
<p>This project is an example of one of the many 'gap-funded' projects that are unique to the</p>	

<p>Cornwall and Isles of Scilly Convergence Programme. Gap funding is available through Convergence ERDF to support the construction and redevelopment of workspace in Cornwall and the Isles of Scilly to plug the gap between build costs and the end market value of developments that would otherwise make development ventures unviable.</p>
<p>Project Description</p> <p>2,745m² of new office and industrial space built to BREEAM Excellent standard has been created at Treleigh Industrial Estate in Cornwall with ERDF Convergence funding. The investment has enabled two local companies, Calidus Engineering Ltd and Seasalt Ltd, to develop their business by moving to new premises and expanding their operations.</p> <p>The site at Treleigh Industrial Estate, spanning two acres, was purchased by Priority Sites Ltd. As a former tin mining site, the land needed remedial works so that it was fit for use and could be developed into a fully serviced and landscaped site for the units to be based. The £900k ERDF investment funded the purchase of the site, the remedial works and the construction of four high quality and sustainable factory units arranged as two semi-detached units to allow flexibility of occupancy. These high quality industrial units with varying sizes of internal office accommodation were designed to meet the needs and demands of business from around Cornwall and beyond. The internal space of the units, being built to a BREEAM Excellent standard, has meant that the premises are adaptable for a multitude of uses.</p>
<p>Results</p> <p>Priority Sites Ltd took steps to ensure that potential tenants were aware of other Convergence funded initiatives (ESF and ERDF) designed to increase business productivity, adding further value to this investment. In fact, the two current occupiers Calidus Ltd and Seasalt Ltd have both received ERDF funding from the Grants for Business Investment Scheme.</p> <p>In addition to creating 55 new jobs, this project has contributed to the physical regeneration of the Camborne, Pool and Redruth area, helping to establish a new benchmark for workspace developments and in the process raising the profile of the area as a location for a dynamic forward looking business community.</p> <p>It is estimated that the project will contribute £3.37m GVA to the Cornish economy, and the benefits are expected to continue due to the long-term nature of this outcome.</p> 

<p>Project Title: Clickety Books</p> <p>Technical Information:</p> <p>Total Cost: €248,799 EU contribution: €124,399 (Priority 2 ERDF grant) Coaching for High Growth Programme €4,933,182</p> <p>Contact: http://www.clicketybooks.co.uk/</p>
<p>Context</p> <p>Clickety Books has been supported by the Convergence funded Oxford Innovation Coaching for High Growth programme, which managers say has proved “invaluable” in helping them to move the young business forward. Oxford Innovation coaches worked with Clickety Books when they were just getting started, helping them to put together a credible business plan and revenue model along with exploring the outside routes to market. Oxford Innovation also worked with them on raising investment, match funding a Grant for Business Investment (GBI) from Convergence ERDF Priority 2 with investment from a number of Business Angels</p>
<p>Project Description</p> <p>Clickety Books is a Cornish company producing bright, engaging books packed with enticing illustrations that embed educational benefits beneath the cartoons and fun characters. The books, produced by a team of writers, illustrators and speech and language therapists and accompanied by an audio version narrated by famous TV stars,</p>

The light-hearted books are themed around specific letter sounds, and each feature fun characters like Corky the Squawky Hawk, Jake the Achy Snake, and Hoot the Tooting Newt. There is also a range of supporting materials available to help pre-school and primary school teachers use the books in the classroom.

Clickety Books began when Falmouth-based author Craig Green became frustrated at the lack of resources available to help his son succeed at school and overcome speech difficulties. After he came up with the initial concept for the books, the business was bought by Richard and Anne Ayre. Richard, who has a background in corporate business, and Anne – a specialist speech and language therapist – are joint managing directors



Results

The books have proved hugely successful, not only winning industry awards but garnering positive feedback from teachers, educators, therapists and parents alike.

The company's 'S' series of books, narrated by Ronni Ancona, won the Primary Teacher Update Gold Award in September, whilst the 'T' series, narrated by Catherine Tate, scooped the Practical Pre-School Silver Award. The books also won gold and silver awards in the same events in 2012. -

The business is now based at the Convergence funded Tremough Innovation Centre (Priority 1 ERDF investment €11,505,976) and has already created 5 new jobs.

Project Title: Health & Well-being Centre – focus on tenant Spiezia

Technical Information:

Total Cost: €16,181,231
EU contribution: €12,096,156
Contact: <http://www.cornwallinnovation.co.uk/health-wellbeing-centre>

Context

The Health & Well-being Centre (HWIC) is one of a network of three innovation centres commissioned by the local partners steering the Cornwall & Isles of Scilly Convergence Programme to create an environment in which high value businesses can grow. The centres provide flexible office space, access to tailored business support services, meeting & conference facilities, excellent connectivity and the connection to a vibrant and collaborative business community. Based in Truro the BREEAM Excellent HWIC differs from its sister centres by working to create a community of health & well-being businesses and providing the laboratory space needed by the companies.

All the Cornish Innovation Centres have been funded through Priority 1 to provide specialist support to companies to stimulate, develop and deliver new ideas.

Project Description

Spiezia is an example of one of the businesses who have settled into the Health & Well-being Centre
Amanda is managing director and owner of 100% organic skincare company, Spiezia Organics and founder of Made for Life, a registered charity providing integrative support to people diagnosed and recovering from cancer within Cornwall. The company has an 8 strong team and is ready to employ one more person. They have taken two spaces at HWIC: an office and laboratory space, where they can develop and produce product packaging that is 100% recycled, printed with vegetable dyes and accredited with the Soil Association Organic Standard.

The move to HWIC has enabled them to expand from a cottage industry to a place with the latest facilities, but surrounded by like-minded people. The proximity to the Royal Cornwall Hospital also means cancer patients are able to visit the company's headquarters, something that wasn't as practical at their previous location.

The move also put them in touch with the ERDF funded coaching services offered by Oxford Innovation, which has provided an invaluable perspective on the business' growth.

Results

Since moving Spiezia have had a contract confirmed for a new Eco retreat including Health Spa and Leisure complex and their products have gone into a further four spas across the country and a well-known hotel in London. The professional workspace at HWIC has given the company the confidence to diversify and they have had no hesitation in offering training days - the location and facilities have opened up a whole world of possibilities.



The Centre is 40% occupied and has hosted 490 events since it has opened, seeing 9195 delegates visit the Centre. 2015 will see the Centre start to achieve its targets for job creation, but this facility will continue to contribute to economy for many years after the Convergence Programme has closed.