

Final Report

Penzance Heliport Summative Assessment



Ash Futures

August 2020

Executive Summary	3
1. Project context and purpose	6
2. Progress against contractual targets	16
3. Delivery and management	20
4. Outcomes and impact	27
5. Value for money	36
6. Conclusions and impact	38
Annex one - methodology	42

Final 25/08/20	Principal authors	Jo Talbot and Shane Vallance
	Contributors	Simon Hooton





ASH FUTURES | strategy development, research and evaluation, foresight, sustainability, facilitation
www.ashfutures.co.uk simon@ashfutures.co.uk 07500 664466

This Summative Assessment of the creation of the Penzance Heliport was undertaken by Ash Futures on behalf of Penzance Heliport Ltd during the Spring/Summer of 2020. The development of the Heliport provided the key infrastructure to allow the re-establishment of a scheduled helicopter service between the UK mainland and the Isles of Scilly.


The previous helicopter service stopped in 2012, and since that date connectivity to the islands has been provided by the Scillonian ferry and fixed wing air service (and a helicopter service, briefly, in 2018). However, both modes of transport are subject to poor weather conditions, sometimes leading to an inability to travel to and from the islands. Partly as a consequence, passenger numbers to the islands have fallen over a number of years, presenting issues with all-important tourism demand on the Scillies, its key industry. The justification of the reestablishment of a helicopter service is to provide a more reliable connection to the islands, providing stimulus to the tourism industry as well as providing a crucial service to the islanders themselves.




The total project cost for the development of the Heliport was c£4.3mn, with ERDF supporting this with a grant of c£1.9mn and the remainder provided by private sector matched funding. In terms of this Summative Assessment, there are two important points to highlight:

-  The ERDF funding was provided for the creation of Penzance Heliport, not the reestablishment of the helicopter service per se. However, the justification for the Heliport is obviously for a reintroduced helicopter service. Therefore, although the ERDF funded project itself was a capital development, we have felt it important to look beyond that capital phase to understand the initial indications of success for that overall objective. Given the Summative Assessment was always going to cover the first 4-5 months of operation, it was never expected to provide a definitive view of whether the overall objective of increasing passengers was being achieved. This was certainly further complicated by the second important point.
-  The Summative Assessment commenced almost exactly when the impact of the Covid-19 outbreak occurred – late March. The helicopter service had to cease almost as soon as it began – completing 6 days of flights and subsequently non-operational until the 4th July. Therefore, the evaluation has taken place in a volatile, dynamic and highly uncertain environment. That uncertainty, in terms of the short-to-long term tourism market, is still largely unknown. The full implications for demand for travel to the Scillies will only be known over the next few years. Consequently, we have not been in the position of being able to comment on the extent that the helicopter service will meet that overall objective. Monitoring the *net* impact of the service will be important.







The key findings of the Summative Assessment are:

In terms of the capital phase:

-  The development of Penzance Heliport was completed to the expected timetable – completing in March 2020 just prior to the Covid-19 outbreak. As a capital project it was a well-managed and delivered project, with all the main partners involved in the construction project working effectively. Good leadership by the project manager and the Employers Agent was a key element, including the early engagement of the latter. This meant that the project was able to produce a detailed specification which the appointed construction company was able to respond to through the tendering process.

-  The main issue encountered through the construction phase was the inclement weather during the Winter 2019/20, which led to some groundwork problems. However, this was manageable within the programme timetable.
-  The project did run slightly over budget when set against the original ERDF application. This was principally due to some unforeseen circumstances that included additional costs associated with planning conditions and CAA requirements. These additional costs have been met through additional private investment outside the ERDF budget and with no additional ERDF investment sought.
-  The Heliport is considered a multi-modal hub that incorporates an electric bus link to Penzance railway station, supported use of electric cars through charging points and minimised carbon footprint with solar panels on the terminal building. It has also achieved BREEAM 'excellent' status.

In terms of the operational phase:

-  The commencement of the service has been significantly affected by the Covid-19 outbreak and the associated social restrictions ('lockdown') that occurred in March 2020. The service was only operational for 6 days before it had to cease until the 4th July. Since that date, the service has recommenced and experienced strong bookings – although lower than original expectations. The important factor here is the general tourism-market context – with many still nervous to travel and use shared transport modes.
-  Sloane Helicopters were chosen as the operator of the service, trading as Penzance Helicopters with regards to the local service. Penzance Heliport Ltd and Penzance Helicopters have an Operators Agreement in place to cover their joint operations at Penzance which will share profit and risk. Initially one leased helicopter will run on the route but the development has been future proofed to accommodate two helicopters in terms of hangars and servicing.
-  The reintroduction of the service has already resulted in the direct creation of c24 jobs – principally located in Penzance, but with other roles at St Mary's airport and on Tresco. Penzance Heliport Ltd is signed up to Fair Pay Penzance – paying all employees above the living wage.
-  In terms of the indications of whether the reintroduced helicopter is beginning to meet the overall objective of increasing reliability of service and passenger numbers to the Isles of Scilly, it is simply too early to say. The Summer of 2020 cannot certainly be viewed as a 'normal' peak summer season. This will need to be monitored over time to understand the impact.
-  In our view, it is crucial that the monitoring of passenger volumes needs to encapsulate all modes of transport to the islands, including the Scillonian ferry and fixed wing service. This will enable the net impact of the reintroduced service to be understood. We feel it remains realistic and important to acknowledge the prospect of some market displacement with the other modes of transport. Again, the extent of this is unknown at this stage. How the transport operators can work together will be important in trying to minimise the extent of displacement.
-  Perhaps more importantly will be how tourism and other service providers on the islands react to the potential of more visitors in terms of their decision to increase capacity, lengthen seasonal opening times and improve the quality of offer. This is particularly important with regards to the objective of extending the shoulder season i.e. remaining







open through the Autumn and Spring period. If this appetite does not change, then that may both present a constraint to the success of the helicopter service, but also the objective of increasing overall passenger numbers (and minimising displacement).

- The relatively small consultations that we undertook with tourism businesses on the islands does suggest that the investment intentions held by many have understandably been affected by the Covid-19 outbreak. The indications are that some have put back the investment plans they had in place. Again, it will be important to understand how this may change over time as confidence hopefully returns.







1.1 Introduction

This Summative Assessment has been undertaken by Ash Futures for Penzance Heliport Ltd, in line with Ministry of Housing Communities and Local Government (MHCLG) guidance. It follows the main headings for Summative Assessments, these being:

-  Relevance and consistency
-  Progress against contractual targets
-  Delivery and management
-  Outcomes and Impacts
-  Value for Money
-  Conclusions and lessons learnt

The method for undertaking the Summative Assessment is set out in Appendix 1. The Summative Assessment was commissioned just before the restrictions relating to the Covid-19 outbreak were put in place. The inception meeting was held in early March, at which point the new helicopter service to the Isles of Scilly from Penzance Heliport was scheduled to commence on 17th March. It commenced as planned on that date but quickly suspended operations following lockdown on 23rd March. The construction of the new Heliport at Penzance was completed immediately prior to lockdown, therefore just avoiding the impact experienced by other construction projects.

-  As well as having a significant initial impact on the intended short-term impact of the new service, the Covid-19 lockdown has also presented practical implications on how we have been able to undertake this Summative Assessment:
-  We had planned to hold focus groups and meet with stakeholders on Scilly. However, we had to move all interviews online.
-  Given the significant disruption caused to businesses on Scilly and the difficulties of effectively losing the early Summer season and/or planning for reopening on the 4th July it was not possible to speak to all the interviewees we had hoped
-  We had initially intended to complete the SA for the end of July. However, the initial lockdown and then subsequent planning for reopening meant that the Summative Assessment completion date was revised from the end of July to the end of August.

More widely Covid-19 has had impacts on the re-introduction of the helicopter service itself and on the wider economy of Scilly which is heavily dependent on tourism. Tourism was effectively brought to a standstill between the 23rd March to the 4th July – a period of 3.5 months. It has not returned to normal – given the ongoing restrictions required to ensure social distancing and the general nervousness of many to travel. However, the helicopter service was able to resume service on the 4th July, coinciding with the re-opening of tourism businesses.

This Summative Assessment has therefore been set against these highly challenging and unusual circumstances, significantly affecting the resumption of the helicopter service itself and the tourism economy on Scilly. The timetable for the Summative Assessment has coincided with the lockdown period. As well as affecting our ability to speak to businesses and stakeholders, it is also important to understand that the impact of Covid-19 may well have affected sentiment i.e. the disruption has been so significant to a lot of businesses that confidence has been undermined for the foreseeable future. The threat of a second wave of virus outbreak now presents a risk.






It is important to note that the ERDF application related to provision of the Heliport itself, with all its associated facilities, and not to the actual operation of the helicopter services. It provides the enabling infrastructure for the helicopter service. The helicopter service itself will be operated by Sloane Helicopters trading as Penzance Helicopters. The intention pre-Covid-19 was that up to 17 helicopter trips will operate daily between Penzance, St Marys and Tresco. The helicopters proposed for use are the Leonardo AW139 helicopter, an intermediate helicopter which can accommodate up to 14 people at once.

1.2 Background to the project

The key driver for this project has been the lack of a helicopter connection to the Isles of Scilly following the loss of the previous service operated by British International Helicopters (BIH) in 2012.

Since 2012 two-way travel between Scilly and the UK mainland has been largely limited to either ferry or fixed wing air services (from St Just, Newquay and Exeter airports), both operated by the Isles of Scilly Steamship Company (ISSCo). Island Helicopters¹ also briefly operated a helicopter service from ISSCo's aerodrome at St Just from May to November 2018, in partnership with ISSCo. The ERDF application set out a whole range of limitations that this presented for Scilly. One factor highlighted in the ERDF application was the medium-term decline in visitor numbers. The ERDF application highlighted limitations of capacity of the available transport options and the times when they were able to operate as an explanatory factor in the declining visitor numbers. This has had an economic impact in both West Cornwall and Scilly.

Issues raised in the ERDF application included:

-  Loss of resilience of the transport system to and from Scilly, particularly in poor weather as the helicopter would be able to fly at times when the fixed wing service could not – the helicopter service has lower visibility thresholds and a higher wind tolerance
-  More reliance on the emergency services for medical transfers from Scilly to the mainland
-  Loss of a weather resilient refuelling facility for emergency helicopters at Penzance
-  A 38% drop in visitor numbers to Scilly between 2011 and 2015, and from which it has not recovered, despite improvements to the aerodrome at Land's End to aid fixed wing services
-  Loss of business confidence as evidenced by some significant private sector investment plans being put on hold (the ERDF application estimated this at £30m of capital investment with potential for creating a further 70 full time jobs on Scilly).

The ERDF application made the point that ultimately, the resumption of the helicopter service was about growing the overall visitor numbers to the Scillies. It stated '*Without tourism the islands are not viable, the transport links which have no revenue subsidy are only viable if tourism is successful*'.

In many respects, the ability of the reintroduced helicopter service to increase overall visitor numbers to Scilly will be the measure of success for the project. However, this will need to be considered over the long-term – certainly beyond the Summer of 2020 which cannot be viewed as a normal peak tourism season.

¹ A service provided by Specialist Aviation Services

1.3 The Penzance Heliport Development

The Penzance Heliport multi modal development is on land at Jelbert Way, Penzance (very close to the previous site). This is a near sea level site, chosen for the weather benefits this offers in terms of a reduced impact of low cloud and wind, and therefore predicted greater reliability of service. The land is owned by the Bolitho Estate and leased to Penzance Heliport Ltd, inclusive of a clause in the lease to only allow use of the land as a Heliport. Thus its potential loss to other uses should be protected. This was the fate of the former BIH site, with greater commercial returns eventually leading to its alternative, supermarket, development.

The development comprises:

- a replacement Heliport comprising a terminal building (to BREEAM excellent standard), hangar, helicopter landing pads, emergency vehicle garage,
- 274 staff and customer parking spaces,
- access from Jelbert Way, internal access roads and servicing,
- operational equipment and apparatus,
- fuel storage facility,
- landscaping, foul and surface water drainage, boundary fencing, lighting,
- acoustic mitigation,
- other associated works and infrastructure.
- a second pad – the 'reject landing pad' (in case anything happens and a flight needs to be aborted, so there is an alternative pad to land on)
- a fully automated weather station

The following two pictures provide an overview of location and facilities.



Site Location on Jelbert Way; ERDF application/Google Maps



Mock-up of the proposed development. ERDF application/planning application

The heliport also has 10 EV charging points from five EV charging bollards, each fitted with a pair of Type 2 output sockets. A low carbon bus has been purchased as part of the project. It provides a link between the heliport, railway station and West Cornwall hospital in Penzance, thus facilitating Scillonians coming over for treatment to easily access the hospital as well as provide public transport links to facilitate linked rail and helicopter use. The Tresco Estate has also purchased four electric buses, each carrying ten passengers, at its own expense (not part of the project) to link the helipad on Tresco with visitor accommodation.

In practical terms, Penzance Heliport Ltd and Penzance Helicopters have an Operators Agreement in place to cover their joint operations at Penzance which will share profit and risk. Initially one helicopter will run on the route (which will be leased) but the development has been future proofed to accommodate two helicopters in terms of hangars and servicing.

Although this Summative Assessment is primarily focused on the ERDF capital investment to create the Heliport multi modal facility, there are obviously other important potential direct and indirect economic benefits that will arise from the development over the longer-term. Fundamentally, the ability of the helicopter service to facilitate a growth in visitor numbers over the medium-to-longer term could lead to wider economic benefits – contributing to the ERDF outcome target of increased Gross Value Added (GVA). Before the Covid-19 outbreak, it was the intention of this Summative Assessment to capture any early indications of those impacts i.e. visitor levels over the Summer months. However, given the effective shutdown and now an 'abnormal' peak summer and shoulder season period that now awaits, this initial assessment has been constrained. The economic impact of the project could be delivered through:

- Directly, the Heliport has now created 16 new jobs at Penzance, a further 1.5 jobs at St Mary's airport, with 6.5 jobs located on Tresco and associated with the new helicopter service – 24 jobs in total. These jobs encapsulated a range of roles including pilots, firecrew, engineers, luggage handling, reception/reservations staff, and cleaning staff. Currently, all employees at Penzance are employed by Penzance Helicopters. The jobs at St Mary's and on Tresco are employed through the Tresco Estate. It also directly and indirectly supported construction and related jobs on a temporary basis. The main construction contractor was locally based and also used local suppliers so that the temporary employment and income supported remained largely local

- Indirectly and over the longer term, the intention of the project is that it will build visitor numbers to Scilly, particularly in the shoulder and off season. The long-term aim is to restore the 240,000 visitor trips annually that was previously experienced. If successful, this would have a significant impact on the Scilly economy. It would support existing jobs and create new jobs. It would also help to underpin many of the services and facilities on Scilly – some of which are directly dependent on the visitor economy and some which are indirectly dependent.

Indirectly and again in the longer term, it aims to help unlock investment plans by businesses on Scilly - as visitor numbers grow then businesses would have more confidence to improve facilities and potentially increase capacity

- Other smaller impacts include the surplus energy that the Heliport building is producing through its solar roof panels²

However, as already stated, the disruption caused by the Covid-19 lockdown means that it has not been possible to understand whether these intended indirect impacts are beginning to materialise. It is simply too early to say, particularly in such a disrupted environment. We comment on this more throughout the report.

In terms of short-term passenger numbers, one example of the disruption provided by the Covid-19 outbreak has been the difficulty in accessing the original intended helicopter. The helicopter was located in China at the time of its own lockdown (which occurred earlier than in the UK given the pandemic originated in Wuhan), and therefore Penzance Helicopters was unable to transport it back to the UK. The intention was that it would complete final servicing before use. Therefore, the business had to access an alternative smaller helicopter type for the start of the service in March. Even before the UK lockdown, the Covid-19 outbreak was having an impact on the project.

1.4 The ERDF Call

The project responded to a Priority 7 Sustainable Transport Call for projects issued in December 2016 (Call reference OC05R16P0404). The Call was specifically focused on Investment Priority 7c, covering *'Developing and improving environmentally-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility'*.

The ERDF Call set out local priorities for sustainable transport in relation to investments such as developing an alternative fuelling network, decarbonising public transport or alternative transport schemes, and improved access to rail stations on the main line. It sought alignment with local needs and priorities such as improvements for multi-modal travel and integrated mobility services, projects which encouraged the adoption of low carbon transport solutions and alternative fuels infrastructure. The Penzance Heliport project sought to deliver a multi modal hub that incorporated an electric bus link to the mainline railway network at Penzance railway station, supported use of electric cars through charging points and sought to minimise its carbon footprint as a terminal building through solar panels - generating more than it consumed. It also aimed to support multi modal connection points both on St Mary's, where the airport links with ferry services to the off islands, and on Tresco, where four electric buses link the helipad with visitor accommodation on the island.

² Also useful to note the electric bus is using 100% renewable energy purchased through Bright Energy

1.5 The policy and economic context for the Penzance Heliport

As noted earlier, the development of Penzance Heliport was principally aimed at re-introducing a helicopter service to the Isles of Scilly. The previous service had ceased in 2012. The aim was to introduce greater reliability of transport services to and from the Isles of Scilly.

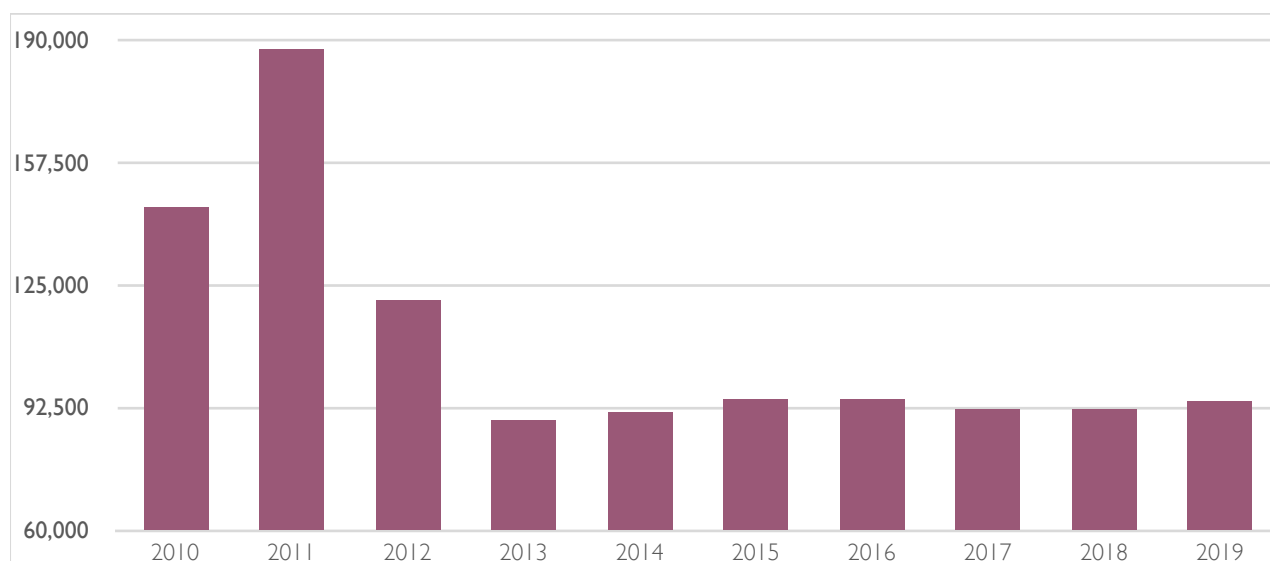
The ERDF application provided extensive details on issues affecting the fixed wing air services which were often cancelled due to adverse weather conditions at Land's End Airport (St Just). Therefore, since 2012 there had been less reliability in connectivity to the islands. These weather-related reliability issues had been experienced despite the ISSCO having sought to extend its fixed wing services from the mainland and having made improvements on the ground at St Just to support an improved service.

Nevertheless, the ERDF application indicated it remained the case that adverse weather conditions (notably poor visibility and high winds) could interrupt services. This could be particularly disruptive outside the season when the passenger ferry runs (March – October) as the transport services are not only important for taking visitors to and from Scilly, but also in providing Scillonians with access to essential facilities on the mainland like hospital services not available on St Mary's (e.g. at West Cornwall Hospital in Penzance).

In terms of air connectivity we have accessed the latest data from the Civil Aviation Authority – this does not include passenger numbers on the Scillonian ferry. This is shown in the Chart below. The numbers only reflect incoming passengers to Scilly – total passenger volume (pax) would need to reflect incoming and outgoing passenger numbers i.e. the 250,000 cited in the ERDF application. However, we have illustrated the incoming passenger numbers here because it is our view that it is more illustrative of the size of the tourism market (although it will also reflect an element of Scilly residents also using the service as well).

Since 2012 the data relates solely to St Mary's airport (fixed wing). Prior to 2012 it also reflects passengers travelling to Tresco (helicopter service). The chart clearly illustrates that the withdrawal of the previous helicopter service coincided (or caused) a significant fall in passenger numbers. Since 2013, incoming air passenger numbers have stabilised at around 90,000-95,000 per year. This is less than half the level experienced in 2011 (187,000).

Chart 1: Incoming air passengers to Isles of Scilly airports



Source: Civil Aviation Authority

Our discussions as part of this Summative Assessment continue to highlight reliability as an issue. These discussions also highlighted that planning for a re-introduction of helicopter services began as soon as BIH withdrew its service in 2012. We note in discussions that alternative sites for a new heliport were considered (including further north, at Perranporth and Newquay). However, the Penzance site was seen as most appropriate because of its easy links with the A30, mainline rail service and Scillonian ferry, as well as with facilities such as the West Cornwall hospital, which some Scillonian residents need to visit. Its sea level location also offered better prospects for reliability of service.

As previously stated, the re-introduction of a helicopter service was seeking to redress this loss of passenger numbers - the ERDF application stating *'the primary aim of reinstating the service is to grow the overall visitor numbers to the islands by enhancing travel options for visitors, businesses and residents'*.

From an economic and policy context, the ERDF application noted that the Isles of Scilly Council policy context supported the need to diversity transport services to and from Scilly, quoting from IoS Council's Strategic Economic Plan 'Island Futures' on this. *'Given the location of the Isles of Scilly, an efficient, reliable, year-round transport service is paramount. This provides the lifeline for businesses, visitors and residents alike'*.³ This context has not changed as such, given that there is no more recent economic plan.

The Island Partnership, set up in 2012 and responsible for marketing the Isles of Scilly as a destination and for managing the Visit Isles of Scilly brand, set out a destination management plan (DMP) in 2018⁴. In that, it highlights the tourism dependency of the Isles of Scilly and the need to move the tourism sector forward. It acknowledges that tourism-related travel effectively sustains the transport links to the mainland. These links are also essential for island residents given the connectivity to services, but those connections would be unviable without the tourism-related use given they receive no subsidy. The DMP acknowledged that transport links at that time were not always reliable or sufficient, especially outside the main season, and this had an adverse impact e.g. on Scilly being seen as a short break destination. It noted that a new helicopter service could help to exploit/create a rise in visitor demand, as Scilly had seen a fall in visitor numbers – as shown above.

The DMP stated *'A recent Islands' Partnership survey (January 2018) found 30% of businesses (largely accommodation) who responded would open earlier in the year; 22% would stay open later in the year; and 12% would stay open year round – depending particularly on more reliable transport accessibility and facilities for visitors being open. It is hoped that the return of a helicopter service will provide new capacity and mitigate some of these weaknesses'*. Transport and accessibility is therefore one of its 14 strategic objectives and supporting the launch of a new helicopter service is one aspect of this.

The findings of the Islands' Partnership survey could be viewed from another perspective. Less than one-third of those businesses who responded to the survey would choose to open either earlier or later in the season – presumably with the remainder less interested. This was also highlighted in our consultations, that another key factor in terms of increasing overall visitor numbers is the appetite for businesses on the islands to remain open beyond the peak summer months. If accommodation providers do not choose to extend their season, then capacity will remain constrained i.e. there may not be scope to dramatically increase numbers if there are

³ Island Futures; A Strategic Economic Plan for the Isles of Scilly, 2014. Ash Futures with Three Dragons, for Isles of Scilly Council

⁴ Destination Management Plan, March 2018. Islands Partnership; and its accompanying Action Plan 2018 – 2021, published October 2018.

limited options to stay. Equally, if other service providers such as shops, restaurants etc. choose not to extend their season then there may be little incentive for people to visit.

This is a key issue and highlights that simply improving connectivity may not be sufficient in its own to achieve the overall aim of increasing visitor numbers. Improved connectivity will need to be accompanied by an appetite for Scilly businesses to extend beyond the peak summer months.

We recognise that there is an element of 'cause and consequence' in this argument. It may be that some businesses choose not to extend their season simply because demand is not strong enough – it is marginal/unviable for them to do so. If stronger demand did materialise – partly supported by a more reliable service even in poor weather – then they may positively respond. Conversely, demand for travel to the islands may be weaker in off-season because there are limited accommodation options for people and/or there is little to do.

Our small number of consultations with some tourism-related businesses on the island do indicate that they would respond positively to increased demand beyond the peak season. However, our consultations also highlight that many other tourism businesses may choose not to extend their season, or improve their facilities through investment, because of lifestyle choices or to stay within VAT thresholds. Some business owners make alternative plans during the winter months.

Overall, we recognise that this is a risk to the overall objective of increasing visitor numbers. The reinstated helicopter service needs to be accompanied by changed behaviour by the businesses (direct tourism and indirect services) on the islands to fully achieve that aim.

One further policy development has related to low carbon. The major low carbon policy development has been the Smart Islands project, a *'programme of interconnected projects that aims to support the community on Scilly in moving towards a low-carbon future with sustainable energy, water, sewage and waste management'*. Partners behind this initiative include Tresco Estate - also behind the Penzance Heliport project. The alternative energy and low carbon elements of the Penzance Heliport project align with the Smart Islands programme intentions and supportive of its intentions.

Overall, our discussions indicate that the policy and economic context has not significantly changed (pre Covid-19) – there remains a need to secure a resilient and reliable transport service to the mainland year round, with the potential to bring in more visitors over a longer season who will support the viability of the transport links and associated infrastructure. One example of this is that the costs of running St Mary's airport are borne by the Isles of Scilly Council – essentially they are fixed costs. CAA requirements remain constant regardless of numbers passing through the airport. In effect, the 'cost per passenger' of running the airport has increased since 2012 given the overall decline in passenger numbers. Increasing throughput will have a very real impact on the economics of maintaining the airport, for the Council. Similarly, it is our understanding that the passenger numbers sustained by the ISSCo during the peak summer months effectively sustains its operations during the off-peak season.

There are two further important economic considerations here, both discussed in the ERDF application but a fundamental context for considering whether the project will achieve its overall aim.

The first of these relates to market displacement. This is discussed in more detail in Section Five Prior to the re-establishment of the helicopter service, the ISSCo has been the only provider of transport links to and from the mainland since 2012. It is our view that there is potential for market displacement - particularly in the short-to-medium term.

We are aware that there have been difficult discussions and positions taken during the development of this project, between ISSCo and Penzance Heliport Ltd, not least of which was that of a Judicial Review brought by the ISSCo against the planning approval given by Cornwall Council for the heliport. Whilst the Judicial Review directly concerned the Habitats Regulations and was brought against Cornwall Council as the planning decision maker, it was perhaps redolent of wider economic issues and concerns. However we are aware through our discussions that emergency transport planning throughout the Covid-19 pandemic and wider transport planning through the Isles of Scilly Local Transport Board have engendered more positive working relationships. Whilst displacement will remain an issue for consideration and is probably difficult to avoid in the short-to-medium term, there is a shared aspiration to grow overall visitor numbers over the longer-term so that both businesses will benefit.

However, if overall visitor numbers do not increase sufficiently – which in turn also depends on Scilly businesses to respond positively to the enhanced opportunity – then the risk of market displacement remains. This Summative Assessment is not in the position to understand whether this will occur given its timescale – we simply flag it as a fundamental risk.

The second is that of the project's relevance in the context of West Cornwall's economy. The prime purpose of the Heliport is to facilitate a helicopter service to Scilly, in support of the Scillonian economy and community. However, it is being built in West Cornwall and its direct operational jobs benefits will also be felt in West Cornwall. The prime construction company for the capital phase is based in West Cornwall so temporary construction employment has been a further local benefit. Our consultation with the constructor highlighted that it mainly used local suppliers. Penzance has particular pockets of deprivation, issues of low skills and low pay, and economic inactivity that it is seeking to address⁵. There may be ancillary benefits felt in the Penzance area. However, this will depend on whether travellers to Scilly will stay in the area or simply travel through en route. It is realistic to expect that many will do the latter, although there is the possibility that some may choose to combine it with a longer stay in West Cornwall. This is currently unknown.

In addition, Penzance Heliport is providing jobs at or above living wage. Overall, the average wage for those jobs associated with the helicopter service is above the average wage within Cornwall. Penzance has traditionally suffered from low wages and/or seasonal/temporary employment. Several positions are relatively highly paid for the area. Therefore, the project has directly led to the creation of some high-value, high-skill roles. This represents the direct *gross* job creation to date. The indirect employment impact will not be known for some time. Similarly, the direct net job creation will be dependent on the level of market displacement that may occur. This is commented on later in the report.

1.6 Conclusion

This section draws a conclusion in relation to the overall SA question of the continued relevance of the project in the light of changes in policy or economic circumstances. We have set out our conclusions for each section on the basis of RAG ratings. For this section, the key should be read as:

- red = no longer relevant
- amber = adequate relevance
- green = strong relevance

⁵ See Penzance Coastal Community Team Economic Plan, undated.

SA evaluation question	Comment	
Continued relevance of the project	The ongoing context for the project appears to remain very relevant in the light of changes and developments in the policy and economic background. The decline (or at least broadly static) in passenger numbers that was highlighted in the ERDF application in 2017 has been since maintained. More reliant connectivity to the islands continues to be cited in local policy documents.	

It is important to qualify this conclusion. Our conclusion draws on experience to date. We cannot say at this point what impact Covid-19 might have. Our work for the Summative Assessment started just at the beginning of the Covid-19 lockdown period. It will have implications for the economy generally, including the tourism sector, a key sector for use of the helicopter service. We cannot say what the implications might be for developing visitor numbers to Scilly, looking forward. However our discussions have continued to emphasise the need for the helicopter service, and therefore the heliport, if transport services to Scilly are to develop in resilience and reliability and be economically viable.



2. PROGRESS AGAINST CONTRACTUAL TARGETS

This section sets out progress against the output and financial targets for Penzance Heliport.

2.1. Contractual Targets at project start

The project's original approved total budget was £4,559,308, of which ERDF was £1,974,182 (an overall blended intervention rate of 43.3%⁶) and matched funding was privately provided through the Directors of Penzance Heliport Ltd. PCRs have adjusted this budget and its balance between capital and revenue costs, discussed in Section 2.3.

Three output targets were identified, all relevant to ERDF Priority 7 and discussed in Section 2.2. below.

2.2 Output Targets

The logic model for Penzance Heliport set out three output targets, all relevant to transport projects. It is important to note that all ERDF output targets relate to the capital phase of the project i.e. the creation of the Heliport and associated services. There are no output targets relating to its ongoing operation. All three outputs defined in the Grant Funding Agreement have been delivered.




ERDF Output Target	Definition	Delivery by Penzance Heliport project at time of evaluation and therefore project closure	
P8	Alternative fuel charging/ re-fuelling points. ERDF Output guidance indicates these could be a mix of alternative fuel recharging/ refuelling points, including electric charging points	100% achieved. 10 electricity charging points for cars included within the Heliport car park. These are in situ and have therefore been delivered.	
P9	Improved multimodal connection points. These are indicated in the guidance as being 'facilities (in particular stations and public transport stops) at which it becomes notably easier to combine the use of different modes of transport in a single trip'.	100% achieved. 2 improved multimodal connections which we understand to be <ul style="list-style-type: none"> the bus stop and the electric bus connection from the heliport with the mainline railway station in Penzance, enabling wider use of public and alternative transport. This has been purchased and is in operation alongside the helicopter service. The electric bus runs between Penzance railway station, heliport and West Cornwall Hospital in Penzance St Mary's airport on Isles of Scilly which now incorporates the helicopter service with the fixed wing service and is the connecting point for then going on to the off islands and for link helicopter flights to Tresco. Some improvement had to be made at St Mary's airport (outwith the project costs) in order to accommodate the helicopter service 	
P10	Multi-modal transport hub (no specific definitions given)	100% achieved. This is the heliport itself, which accommodates trips by car (including EVs) and public transport (train, ferry and bus) and facilitates these through the multi modal connections. The heliport construction is complete and now operational so this output has been delivered	

⁶ The State Aid picture is quite complex and follows from legal advice sought by Penzance Heliport Ltd. Different elements of the overall scheme carry different State Aid exemptions and initial legal advice was for a 44.4% overall intervention rate. Our understanding is that this advice, given its complex nature, was discussed and confirmed with MHCLG legal staff. In practice, and following budget adjustments, claims are operating on a blended intervention rate of 43.3%.

We note that Claim 8 indicates these outputs will be claimed in Q4 2020.

2.3. Project Change Requests

There have been three Project Change Requests (PCRs) for Penzance Heliport, all of which have been approved.

-  The first of these, in January 2019, dealt with the need for the Heliport to increase the number of fire engines from one to two. This arose as a result of planning conditions stating training to deal with hot fires could not take place onsite at the Heliport. As a result Penzance Heliport Ltd had to buy an additional fire engine to accommodate off-site training, whilst still leaving fire cover on site. This increased costs by c£12,000. The PCR therefore requested a shift of budget allocation to accommodate the additional fire engine. No change was made to overall costs
-  The second PCR submitted in October 2019 and approved in November 2019 dealt with cost overruns because of the extremely wet ground conditions experienced during construction through a very wet winter. It also amalgamated some capital budget headings.
-  The third and final PCR dealt with a switch of funding from revenue to capital to cover cost overruns as a result of CAA requirements and additional planning condition costs not previously known about. These costs were higher than originally budgeted (see next subsection for further details). We understand the PCR was initially submitted online in December 2019 but had to be resubmitted in paper form in February 2020. As a result of MHCLG staff changes in response to Covid-19, the February PCR had to be resubmitted again in April 2020, and was approved in May 2020.

2.4 Financial Spend and Budget

The total project costs following the PCRs are £4,309,508, with ERDF supporting this with a grant of £1,866,018 and the remainder (£2,443,490) being private sector matched funding from Penzance Heliport Ltd. The company was formed by the Dorian Smith family who own and run Tresco Estate specifically to deliver this project. The Tresco Estate is a separate business to Penzance Heliport Ltd.

As Section 2.3 on PCRs has indicated, the balance of budget between capital and revenue spend has changed over the course of the project and is summarised in the following table. In essence, capital costs have been higher than anticipated so the balance of funding has shifted between the revenue and capital activity.

Overall costs have increased. In February 2020, the increases were itemised by the Employers Agent and included additional groundworks, upgrading of car parking surfaces and equipment, enhanced M&E specifications to meet BREEAM excellent and CAA requirements, costs of S278 Highways works, and electricity connection costs. In total this added c£639,000 to the build and construction costs. However, through value engineering, the Employers Agent reported the net increase was reduced to c£349,000. PCR3 costs in the table below reflect this increase in capital costs. Other budget heads have reduced to accommodate this change and keep the costs within the overall approved budget. This has meant that where costs, in reality, have exceeded the ERDF project financial envelope, additional costs have been met through additional funding from the private sector partner, outside of the ERDF project.

Total	Application Form	Approval	PCR2 Nov 2019	PCR3 May 2020
Capital	£4,294,500	£4,044,500	£4,008,500	£4,100,682
Revenue	£264,808	£265,008	£301,008	£208,825
Total	£4,559,308	£ 4,309,508	£4,309,508	£4,309,507
ERDF				
Capital	£1,859,519	£1,751,268	£1,735,681	£1,775,595
Revenue	£114,663	£114,748	£130,337	£90,421
Total	£1,974,182	£ 1,866,016	£1,866,018	£1,866,016
Capital (Total Costs)				
Construction	£3,283,500	£3,374,220	£3,374,220	£3,755,345
Equipment	£550,000	£500,000	£464,000	£201,749
Fees	£211,000	£170,280	£170,280	£143,588
Total	£4,294,500*	£4,044,500	£4,008,500	£4,100,682
Revenue (Total Costs)				
Salaries	£96,354	£96,354	£109,756	£62,628
Flat rate indirect costs	£14,454	£14,454	£16,463	£9,394
Other costs	£154,000	£154,200	£174,789	£136,803
Total	£264,808	£265,008	£301,008	£208,825

*At application point, the costs included £250,000 for land value. These were subsequently withdrawn from the budget as valuations were not considered by Penzance Heliport Ltd to be sufficiently robust for ERDF purposes.

We have taken spend to date from Claim 8 for Quarter 2 2020. The following table sets out total spend inclusive of Q2 2020. It indicates that the total costs defrayed now equate to budget meaning 100% of the budget has been spent.

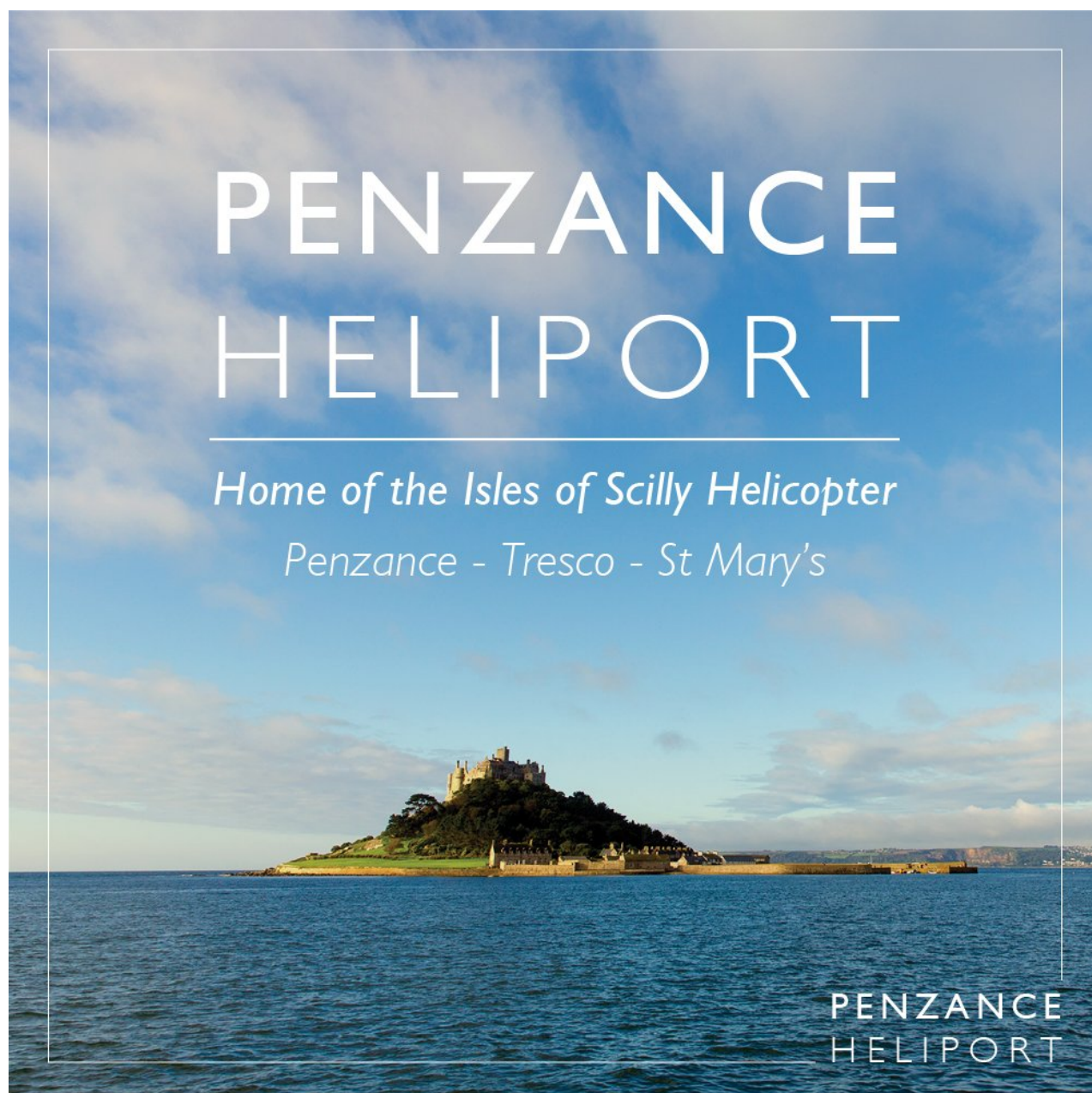
	Final contracted figure £	Actual to date £ (Q2 2020 Claim)	% of budget	
Total Capital	4,100,682	4,100,682	100	
Total Revenue	208,825	208,825	100	
Total Cost	4,309,507	4,309,507	100	

2.5 Conclusion

This section draws a conclusion in relation to the overall SA question of progress against contractual targets, reasons for differences and expected lifetime results. For this section, the key should be read as:

- red = output target will not be met
- amber = output target will be partially met
- green = output target will be met / has been let.

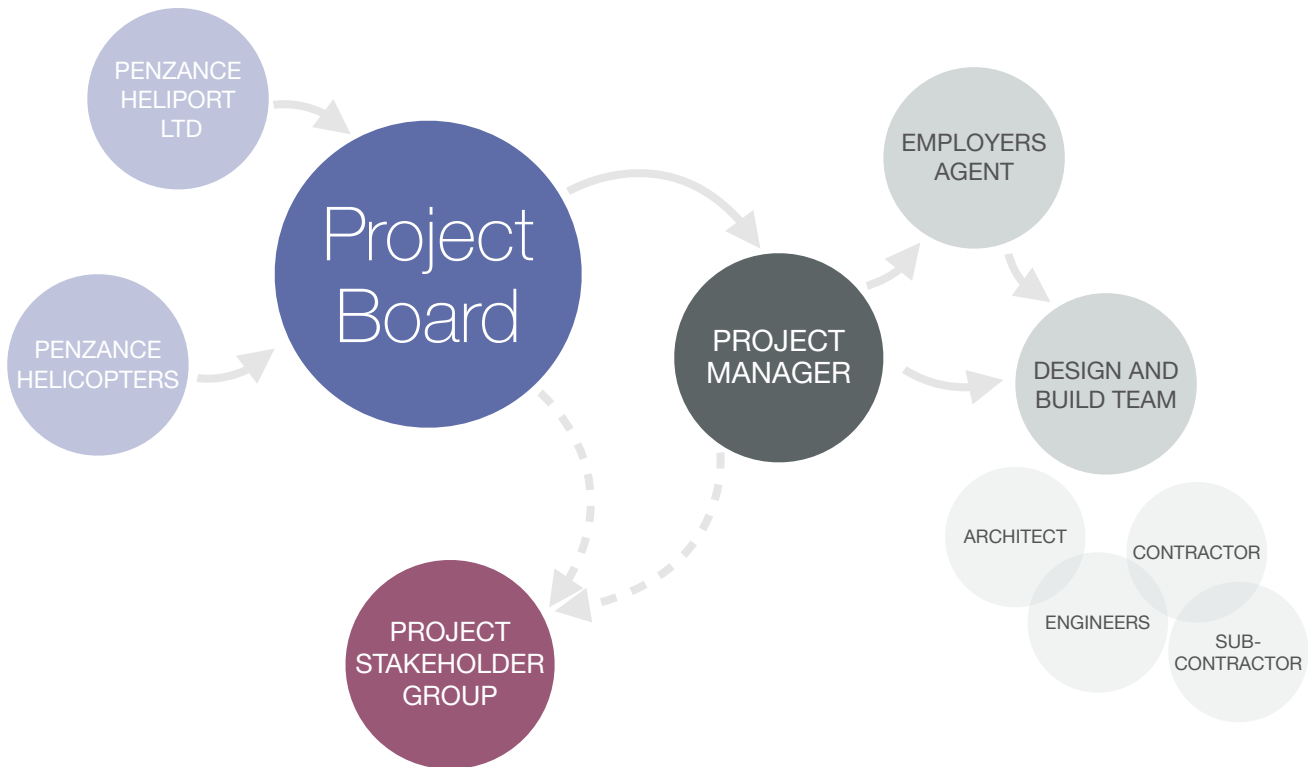
SA evaluation question	Comment	
Outputs	The outputs as from the logic model have been delivered.	
Financial Spend	The budget has been fully defrayed and claims now equate to total budget.	



This section looks at the experience of delivery and management of the Penzance Heliport development.

3.1. Overview of Management and Delivery arrangements for construction phase

Management of the development of Penzance Heliport is summarised in the following diagram.



In terms of roles and responsibilities:

- The Project Board which comprises representatives from Penzance Heliport Ltd (Director) and Sloane Helicopters (trading as Penzance Helicopters)
- Project Manager – who is seconded from Tresco Estate to work 50% of her time on the Penzance Heliport project. The Project Manager has long standing expertise in ERDF funding and project development and has a particular role to manage ERDF compliance and ERDF claims processes within the project
- Employer's Agent – who is a Quantity Surveyor and has a specific role, working alongside the Project Manager, to manage the technical team and the construction contracts. He reports directly to the Project Manager with written reports and attends the regular construction team meetings
- The Design and Build construction team. This has been a design and build project so the team brings together design, engineers, QS and construction, all managed through Symons Construction as the lead contractor. Monthly meetings are documented with action points. Symons Construction has also provided a short weekly report itemising progress and issues under a number of headings
- Penzance Heliport Stakeholder Forum – established in order to meet a planning condition of the planning approval, in order to give Penzance Town Council and two adjacent parish councils, along with Cornwall Council, a forum to discuss the development and ongoing

operation of the Heliport with Penzance Heliport Ltd. It is meant to meet every six months, and is supported administratively by Penzance Heliport Ltd

Our observation of the management structure is that it has been relatively 'light' and 'informal' when compared to other ERDF projects. This may be principally due to it being a private sector led project. Our discussions have indicated a general satisfaction with the effectiveness of the structure put in place. Given that the capital phase of the project was implemented on time and largely on budget then it could be argued that the measure of success should be based on that. There was not necessarily the need for an overly complicated structure to be in place.

Finally, we also need to distinguish between management and delivery of the construction project which is the subject of this ERDF SA as described above, and the management and delivery of the operation of the heliport now it is complete. In terms of ongoing operation (beyond the scope of this SA), this is being jointly undertaken by Sloane Helicopters and Penzance Heliport Ltd who have an agreement in place to manage this. In essence Sloane Helicopters trading as Penzance Helicopters is to be responsible for the overall operation of Penzance Heliport, including ground staff, safety and maintenance staff. Penzance Heliport Ltd and Sloane Helicopters have developed an Operating Brief and an Operators Agreement (with Key Performance Indicators) between both parties to manage this arrangement. Sloane Helicopters will also provide the actual helicopter service (helicopters and pilots). We understand there is a profit share agreement written into the Operators Agreement to reflect this joint approach. It will also set out any periods of notice for either side to give notice of withdrawing from the Agreement.

Penzance Heliport Ltd will retain the lease for the Heliport site with Bolitho Estate and ownership of the Heliport itself. We understand that Penzance Heliport Ltd is currently seeking Non-Executive Directors to join the company Board to provide support on governance and transparency for its ongoing strategic direction and activities.

We note that the Stakeholder Forum on the mainland has Terms of Reference indicating it will continue into the operational phase. We think this is very valuable. We are also aware that Penzance Heliport Ltd and Penzance Helicopters have been party to a Joint Use Project Board/ Technical Working Group arrangement for St Mary's Airport, alongside ISSCo and the IoS Council, to manage and integrate operations and scheduling between Penzance Helicopters and ISSCo. We understand that Penzance Helicopters has also joined the Island Partnership. We do not know whether there will be other partnerships put in place to help guide the ongoing service in a more tourism developmental sense e.g. involving other members of the Scilly business community. Given the overall objective of increasing visitor numbers to the islands – and the dependency on the quality and quantity of capacity discussed previously – then we could see some benefits of wider engagement beyond the transport infrastructure/providers.

3.2 Experience of Management and Delivery

This subsection looks at experience of the management of Penzance Heliport by those involved, whether this has delivered to a high standard and whether delivery could have been improved.

Construction

Our discussion with those involved in the Heliport's construction is that its management has been a straightforward and well managed process. The construction team was appointed after planning and ERDF approval and was provided with a detailed set of drawings from which to work. Once construction started, there were at least monthly (and sometimes more frequent) meetings on site between the construction team, designer, Employer's Agent and Project Manager. The lead

construction company provided weekly and monthly reports to the Employers Agent and the team meetings were also documented.

It also appointed a site manager specific to this project and with the appropriate skills, who was appointed three months prior to start of construction to develop the site traffic management plan etc. and was in place until completion of construction. From a construction perspective, our discussions indicate it as being straightforward. No specific issues were identified from a management and delivery perspective through these arrangements (although other aspects of the project e.g. meeting CAA requirements were acknowledged as more problematic).

One further aspect to management and delivery that has emerged in discussions is that of change as the project developed - prior to engagement with ERDF funding. As noted earlier, ways to reintroduce the helicopter service were being discussed (by Tresco Estate alongside others) well before the ERDF application was developed. However it required an operator - Sloane Helicopters was identified following ongoing discussions.

It also required a site – found with Bolitho Estates in Penzance. Initially it was conceived as a very basic provision but through a combination of planning conditions in 2016, the Judicial Review in 2017, and the ERDF funding opportunity identified in 2016, we understand the project developed significantly in its level of detail. Whilst all involved additional work and cost, the benefit of this combination of factors – all with their own requirements – was that the project was well developed by the time the construction team was appointed. These additional processes and requirements did benefit the project in terms of subsequent delivery and management.

The ERDF funding was identified as an opportunity to bring in some innovative elements to the project – such as the EV charging points and the electric bus links – given its need to align with the ERDF priorities. Although dealing with project development through the Judicial Review process and the ERDF application process was noted as complex, some of those we consulted felt that it did provide some valuable structure and rigour to the project which has subsequently been beneficial. Conversely, another consultee felt that some of the additional requirements (notably - some aspects of BREEAM) were not necessary.

Procurement

This Summative Assessment is not an audit of procurement processes to check compliance. Compliance is the responsibility of the project deliverer and checked through the claim process by MHCLG acting as the accountable body. However, we briefly consider it here to understand whether there have been any management and delivery related issues arising from procurement.

Procurement processes have been managed through the Project Manager and documented, with a procurement review submitted with quarterly claims. The ERDF application set out a procurement policy to be in line with ERDF requirements. We understand that the Project Manager has engaged a former colleague from the Isles of Scilly Council to use their expertise on second person checks on procurement compliance.

The procurement process for the construction contractors (which was the main contract tendered through the project) was developed by the Employers Agent and checked for ERDF compliance by the Project Manager. No specific issues with the bidding for this contract were identified in discussions – the main contractor felt that the requirements were clearly defined and put them in a position to be able to respond effectively. The contractors felt the tender specification was well defined and transparent, including the need for BREEAM requirements.




Project Design

We have already touched on the process of the design of the Heliport, with a considerable element of this done prior to ERDF application. Our discussions identified that further minor amendments were made – for example, it initially had a two-hub hangar in the design but was subsequently changed to one larger hangar. This created less issues in the building design. On reflection, discussions have not identified that any significant changes to design would have been preferable – some minor points such as increasing number of toilets might have been beneficial.

The main 'design' issue identified in discussions has been that of complying with all planning conditions and notably those of the Highway Authority, through 'Section 278' agreements that had to be negotiated and which are only done post planning application (and post ERDF application budget submission). Although budgets were allocated for this and set out in the ERDF application, they have proved insufficient for what was required and led to an overrun on project costs, which has since been picked up in the third PCR. This has been a post project approval issue which has been difficult to accommodate in budgetary terms given ERDF is not flexible to this type of issue through contingency costs/planning.

BREEAM

As with all ERDF funded buildings, the departure/arrivals building at Penzance Heliport had to be built to BREEAM excellent standards. This is a condition of ERDF funding, certainly at a local Cornwall level. The BREEAM pre-assessment report⁷ gave the development a 71% predicted score – a BREEAM excellent rating - predicated on a number of credits being achieved including:

-  Building design in relation to lighting and heating control measures, indoor air quality, thermal comfort and acoustics (and contributing to health and wellbeing credits)
-  Energy efficiency such as energy metering and external lighting design
-  Sustainable construction techniques and materials. The pre-assessment noted that the building will mainly be constructed out of masonry walls, concrete floors, and lightweight steel frame roof construction with steel framed curtain walling and glazing as well as durable floors and walls. The assessment considered these should achieve high green ratings and could be sustainably procured.

These have been delivered through the construction process and the final BREEAM rating is 74% meaning that BREEAM excellent has been achieved. Our discussions indicate that it has been relatively straightforward to accommodate BREEAM requirements in this build at Penzance, given that the terminal is a single storey building and the construction team had prior experience of delivering BREEAM compliant buildings. Discussion also indicates it adds to costs⁸ although finding ways to meet the BREEAM requirements for the Heliport as innovatively and cost efficiently also came out of discussions. One suggestion made in discussion is that it could be more effective to leave projects to identify their own ways to meet BREEAM requirements as an outcome, rather than stipulate a number of criteria to be met and where some are inappropriate for the type of development⁹.

⁷ Undertaken by Darren Evans Assessments Ltd, September 2017, for Penzance Heliport Ltd

⁸ An Employments Agent letter in February 2020 indicated that enhanced M&E costs to meeting BREEAM and CAA requirements were £129,400. But note these additional costs are attributed to both BREEAM and CAA




⁹ Consultations also brought out a wider issue of the difficulty of meeting BREEAM criteria on the Isles of Scilly generally. Given that one part of the criteria also relates to sustainable transport connections, then this is difficult/impossible to achieve on the islands given its transport infrastructure. However, in this project, the funded development is on the mainland.

Unexpected events

The main external event impacting on the delivery/construction of the Heliport was the adverse weather conditions during the building phase. The project had a one-year construction programme, which started well but was then beset by very poor and wet weather conditions during the winter of 2019/20. The site was subject to wet ground conditions and has required substantial groundworks to address those issues, particularly to achieve the land profiles on site that meet CAA requirements. The adverse weather conditions made this more difficult required a re-scheduling of the construction programme. However, this did not impact on the overall completion date which remained unchanged throughout the build and was met.

One further factor mentioned in discussions was meeting BREEAM requirements - in the sense of the amount of time needed to manage its delivery through the construction process was more than anticipated. However, the main contractors felt this was manageable.

Clearly Covid-19 is also having a significant impact on ongoing operations. Fortunately, the construction work was complete before the Covid-19 lockdown was introduced. As stated, the impact has been on initial operation. Flights were cancelled as from 23rd March until 4th July. Additionally the service had to commence with a different helicopter than intended. Sloane Helicopters had lined up a helicopter to lease in China that it planned to disassemble, ship over and reassemble for use. However, this became the victim of Covid-19 movement restrictions, initially in China and then in Europe. The service therefore:

-  Initially began with a HALO seven seater helicopter for the initial period before lockdown
-  It then re-started in July, initially still with the seven seater but then moved to a 16 seater Sikorsky helicopter which is being leased from its private owner and expected to be used until later in August
-  Sloane Helicopters is obtaining a replacement long term helicopter which is due to come into service from about the third week in August. This is a 15 seater AW139 (the same model that was originally intended to come from China)

3.3. Integration of Horizontal Principles in the Penzance Heliport Development

Sustainable Development

The ERDF application set out a sustainability policy for Penzance Heliport Ltd which covered the sustainability of the Heliport (e.g. to be ground operation carbon neutral by 2020, green travel plans etc.). It also included support for the local community and employment e.g. supporting young people on Scilly to access post 16 training and apprenticeships options on the mainland, and the Heliport acting as an employer through direct and indirect jobs.

In practice the concept of a sustainable construction development has been carried forward into the project. Clearly its BREEAM excellent status covers a considerable amount of sustainability points, particularly as the development incorporates EV charging points and an electric bus link as a multi-modal connection. The roof mounted solar panels have been generating more electricity than the terminal needs, meaning its energy performance is high. Discussion has identified the importance of seeking good sustainability credentials – not least because of the wider fit this has with the Isles of Scilly Smart Islands initiative (see Section 1.4) – but also because intrinsically a helicopter is not an environmentally sustainable form of transport. This is a factor recognised by the project so there was a need and a desire to make the Heliport development as ‘green’ as possible. From our discussions this seems to have been broadly achieved.

On the wider point of community sustainability, aspects of employment are discussed further in relation to the second horizontal principle, whilst potential for its use in supporting islanders to access mainland opportunities is not yet evidenced as the service has only effectively been running for less than one month at the time of writing. However, the expectation is that the service will provide a crucial lifeline to islanders, particularly during the winter months in time of poor weather. Discussion also identified that there is a helicopter membership scheme for islanders, to provide a 15% reduction in flight price, aimed at helping support essential islander use of the service. We feel it would be very valuable for Penzance Heliport to monitor its use by islanders in terms of who is travelling and what services/facilities they are accessing. This information – including the use of the price discount scheme - would help build the evidence of need and value for the Isles of Scilly community.

Our discussions have indicated that Penzance Heliport Ltd is signed up to Fair Pay Penzance (the Penzance pilot living wage accredited town initiative) following a wider move by Cornwall Council to pay all its employees at/above the living wage rather than minimum wage. Assuming this is the case then this is a solid indication of commitment to community sustainability.

Equal opportunities and non-discrimination

The ERDF application also set out an Equal Opportunities policy. This is focused on equal opportunities in relation to employment with Penzance Heliport Ltd. Our discussions have indicated there have been a number of jobs opportunities opened up locally through the Heliport development (discussed further in Section 4). This is both in terms of jobs available in the operation of the Heliport on an ongoing basis, and (temporarily) through the construction work - where the lead construction company was locally based (in St Ives) and identified that 100% of the workforce were local, either as employees of that company or as locally-based subcontractors.

Discussion identifies that securing gender equality can be hard in construction projects. There are examples where some gender diversity has been achieved in the scheme e.g. there is a female member of the fire crew and training of fire crew is part of the role. Of 16 full time staff at Penzance Heliport (all employed by Penzance Helicopters), 13 are male and three are female (including a member of the fire crew).

From the perspective of passengers, the terminal is DDA compliant including features such as automatic doors and disabled toilets. Equally discussion highlighted that, by definition, use of a helicopter service requires some mobility by passengers meaning that full physical equality of use is difficult to achieve.

Our discussions indicate that where possible, equality of opportunity and non-discrimination have been integrated into the project but, by virtue of the type of project, this can be quite hard. Ongoing employment potential of Penzance Heliport Ltd (and indirectly Penzance Helicopters Ltd) may be the most promising element of equal opportunities looking forward. It would therefore be valuable for Penzance Heliport Ltd to monitor and report on how it is contributing to local employment opportunities at the living wage or above, again as further evidence of local relevance.

Conclusions

For this section, the key should be read as:

- red = poor
- amber = adequate
- green = good

SA evaluation question	Comment	
Management and delivery	Management and delivery of the construction of the Heliport appears to have worked well given the Heliport was delivered on time and broadly on budget. The project also had to meet some unforeseen circumstances such as planning and transport authority conditions, and a Judicial Review. The project management structure has deliberately been kept 'light' – largely reflecting that it is a private-sector led project. The main question which now arises is how the ongoing helicopter service can link with wider stakeholders who also hold the same broad objective of increasing visitor numbers to the islands. We feel it could be beneficial to engage/integrate with these wider stakeholders – not least to reduce the potential risk of market displacement and to improve the quality/quantity of the tourism offer on the islands.	
Integrating horizontal principles	The departure building is to BREEAM excellent standard and its PV panels are generating more electricity than the building uses. As far as is possible, E&D considerations have been integrated into the project – although this can be difficult in a construction project with an appointed main contractor, and for a service that intrinsically requires some mobility.	



4.1 Introduction

This section reports on progress towards outcomes and impact as set out in the project logic model for Penzance Heliport. The Logic Model sets out one outcome and no impacts explicitly. However, as stated, the ERDF application did set out an overall and longer term objective of the project supporting developing tourism visitor numbers to the Isles of Scilly. We have therefore looked at the potential wider impacts arising from reintroduction of the helicopter service.

We discuss the outcome targets and wider aim in the following paragraphs drawing on our discussions with stakeholders within and beyond the project. One fundamental point to note is that the intended outcome and the wider aim extend beyond the immediate project construction timescale and its end date, into the medium-to-longer term. We can only draw out potential not actual impacts. This is further affected by the impact of Covid-19 and its longer term business implications which cannot be predicted at the current time. Certainly, our consultations have indicated that business confidence has been affected, with some investment plans either being shelved, or certainly pushed back until the full implications of the impact of Covid-19 is fully felt.

4.2 Contribution to the Project Outcome

As stated, one outcome is set out in the project's logic model. This is 'Increased GVA' (with no target amount given).

GVA will be generated in the longer term both directly and indirectly by the project.

Directly, the Heliport will be creating new jobs in the Penzance area through the ongoing operation of the Heliport. It is estimated that there are currently 24 jobs now supported across Penzance, St Mary's and Tresco (note – these are not necessarily FTE). These jobs encapsulate roles such as pilots, firecrew, engineers, luggage handling, reception/reservations staff, cleaning staff). Currently, the 16 jobs at Penzance are employed by Penzance Heliport Ltd, with the jobs at St Mary's and on Tresco employed through the Tresco Estate. There is an expectation that the number of jobs could increase as passengers numbers build.

Using an employment-based approach, we have estimated that the jobs created to date have *directly* supported c£585,000 in Gross Value Added to the local economy, with the potential to contribute c£1.1mn per annum on an ongoing basis at current employment levels. The impact to date reflects that most posts have been in place for a maximum of 6 months to date (in actual fact some have been in place for a shorter period) and that they are typically higher paid¹⁰.

There is also the potential for an *indirect* impact, based on a local multiplier of 1.2 this equates to a further indirect impact to date of c£120,000, with the potential for an annual indirect impact of c£235,000 based on current employment levels (and at current prices).

It has also generated construction and other related jobs on a *temporary* basis. The main construction contractor is locally based so that jobs and income remain local as far as possible. Given the building and construction costs of the new Heliport was c£3.75mn, it is possible to estimate a high-level temporary employment of the capital phase. According to published data at

¹⁰ We have taken the average (mean) salary across the 24 roles employed and compared this to the average gross salary in CloS (£28,946 in 2019 – ONS). We have then used this ratio (1.17) and set it against the average Gross Value Added per filled job in CloS (£40,725). Therefore, we have used salaries as a proxy for high value roles. We then combine this with an assumption of 6-month engagement to date to derive the direct impact. We adopt a composite multiplier of 1.2 to estimate the indirect impact. Given we have not included an estimate of the indirect impact of tourism-spend on the islands, there is no double counting in this approach.

a regional (South West) level the turnover: GVA ratio within the 'construction of building' sector is c34%¹¹. Therefore, the direct GVA impact of the construction activity was c£1.3mn. Using ONS data, the average GVA per filled job in Cornwall in 2017 was c£37,600¹². Based on an employment-based approach this would be equivalent to *direct temporary* employment impact of c34 *employment years* of construction activity. It is important to understand that this would just reflect a direct temporary impact whilst the construction phase was in progress.

If we assumed a relatively conservative indirect multiplier of 1.2, then the *indirect impact* of the construction phase could have been equivalent to a further c£0.3mn GVA impact and c7 temporary employment years within the wider supply chain.

The estimated impacts above should be regarded as the gross impact of the project to date. Within Summative Assessments there is also a requirement to understand the net (additional) impact of the project. This is always inherently difficult to address, particularly so in this case where the operational aspect of the project has only just commenced.

The factors that are considered in the estimate of net impact can therefore only be estimated in a qualitative sense and through an informed judgement. Our commentary relates to the gross job creation - given those jobs have then led onto our estimate of Gross Value Added.

In terms of deadweight (what would have occurred in the absence of the investment) we consider there is a strong argument that none of the jobs at Penzance Heliport, St Mary's or Tresco would have been created without the reintroduction of the helicopter service. We also feel that leakage will be negligible given the location of the project. In our consultations it's been indicated to us that all employees live locally. We have assumed leakage at 5%.

In terms of displacement, this has been discussed at length throughout the report. It is simply too early to estimate the market displacement impact, and this will need to be monitored beyond this evaluation. There is no current evidence. Therefore, we feel it practical to use available benchmarks. Previous guidance issued by the Government¹³ estimated that average displacement for infrastructure (including transport) projects was 29% at a regional level. We feel this is a useful benchmark to use in the context of the project - and broadly consistent with the estimate of potential short-term displacement of c30% made by other providers.

4.3. Contribution to Wider Socio-Economic Impacts

Building Up Visitor Numbers to the Isles of Scilly

As stated on several occasions, the ERDF application sets out the objective for this project to help build up the visitor numbers to Scilly. Our discussions have particularly identified aspirations to do this in the shoulder and off season. This is seen as important for the Isles of Scilly economy, given tourism is a major component of its economy¹⁴ supporting jobs, and crucially underpinning services and facilities on the islands.

The ERDF application provided figures on the impact to individual journeys¹⁵ to and from the Isles of Scilly as a result of loss of the previous helicopter service in 2012. This showed the reduction in

¹¹ Annual Business Survey – Regional Results (2008-2018) – ONS – 3-year annual average

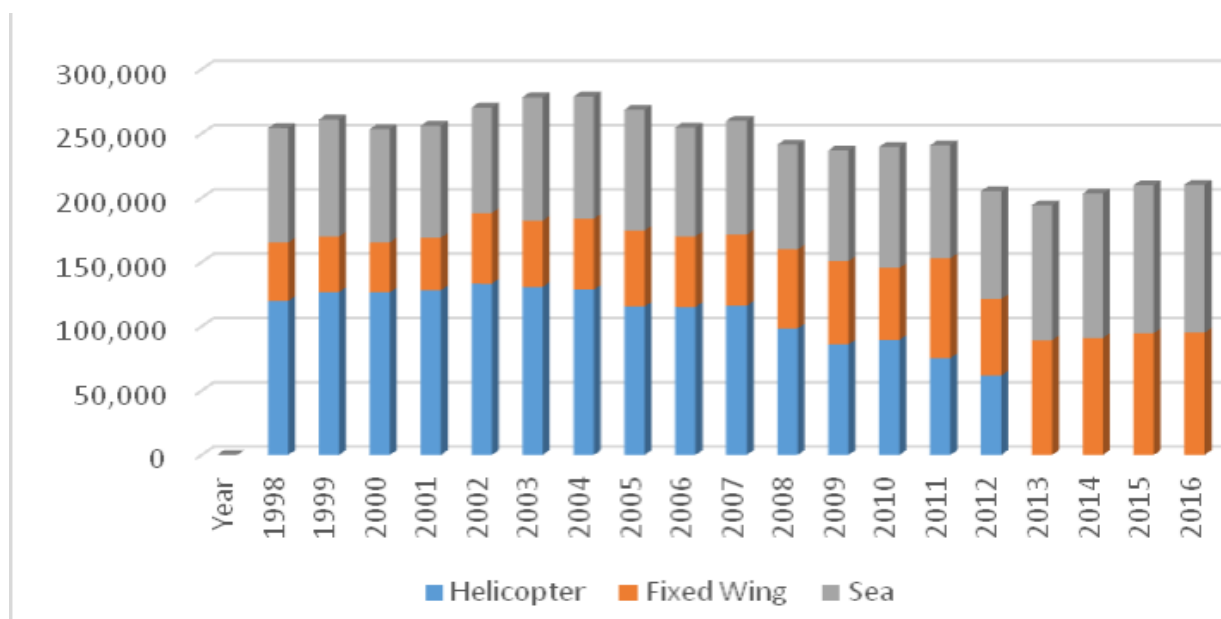
¹² Sub-regional productivity (LEP) -

¹³ Research to Improve the assessment of additionality - BIS Occasional Paper No 1 - 2009

¹⁴ The Isles of Scilly Destination Management Plan 2018 indicated that tourism accounted for 80% of employment (over 800 jobs) and 85% of the economy (c£35m).

¹⁵ Note these are individual journeys NOT visitor numbers

numbers in 2013 and the slight increases in subsequent years to 2016 as numbers begin to rebuild. We have not updated this breakdown of the figures in terms of form of transport.



Source of figures in ERDF application: CAA passenger data and St Mary's Harbour data.

More recent information from the ISSCo's 2019 Annual Report on passenger numbers indicates some marginal growth over the most recent years – driven principally by use of the ferry/steamship. The number of passengers using the fixed wing service have declined marginally.¹⁶

Passenger numbers to March year end	Fixed Wing Service	Steamship	Total
2017	96,340	113,513	209,853
2018	93,243	122,381	215,624
2019	95,015	120,077	215,091

The Destination Management Plan indicates that it is seeking incremental growth for the Islands' tourism sector which it hopes would be in the order of 5% p.a (in line with national tourism policy at the time). By 2022, it states that growth at this rate would increase the value of Scilly's visitor economy by 34% and equate to additional local expenditure of £12m.

Bookings for the helicopter service opened in July 2019, with a first date for flights of March 17th 2020. The Covid-19 lockdown then had a massive impact, as flights had to be halted from 23rd March 2020. All booked passengers were contacted and either flights re-scheduled or refunds made.

Following resumption of flights as from 4th July, Penzance Heliport Ltd report bookings currently equate to c12,200 journeys through to March 2021. However, it is important to understand that this number will increase as later booking are made. In the peak period of July-September 2020, c6,100 journeys were booked – an average of c2,000 per month. This encapsulates journeys to/

¹⁶ The 2019 ISSCO Annual Report also identified that it had run an Island Helicopter Service from Land's End Airport to St Mary's from May to October 2018. The Annual Report stated 'The service operated between 15 May 2018 and 26 October 2018 carrying 3,087 passengers during the period. Passenger numbers were significantly below expectation which resulted in a loss during the period of £1,297,000'.

from both St Mary's and Tresco. Based on the experience of the previous helicopter service, these three months represent around 37% of annual passenger volume. The impact of Covid-19 disruption on demand for the service can be illustrated by comparison with the passenger number forecasts contained in the original ERDF application, which expected that passenger numbers in the July-September period would equate to c10,000-11,000. Therefore, current passenger numbers are approximately 60% of those forecast expectations. Discussion indicates this is partly because only around 50% of accommodation on Scilly is currently open, whilst people are also booking later due to concerns over local Covid-19 lockdowns.

It is also likely that Covid-19 may have ongoing impacts in relation to growing visitor numbers to Scilly, if there is a need to rebuild confidence around travelling to holiday destinations as a wider principle. Continued 'spikes' in the infection rate in tourist destinations across Europe illustrate the precarious situation the tourism sector finds itself in. The counter trend that has been experienced has been more domestic holidays have been taken, with Scillies potentially benefiting from that trend.

Our discussions with businesses on Scilly have noted the potential value of the helicopter service in providing an increased confidence for visitors, in terms of being able to travel to and from Scilly on planned holiday dates. Even so, it is realistic to expect that there will also be a wider confidence issue around travelling in general. Conversely, the Scillies may benefit from a greater orientation towards domestic UK holidays. At this point we cannot say what this wider impact might be.

In our view some of the initial bookings made through the helicopter will represent some market displacement in relation to ISSCo's ferry and fixed wing services (discussed in 4.5 below). Conversely, some of the bookings will represent new travellers to the islands.

Unlocking Business Investment Plans

The ERDF application set out that a number of tourism businesses on Scilly had deferred business investment plans pending knowing if the helicopter service would be reinstated and assuming that visitor numbers would be supported to grow. The following table was set out in Annex 10 of the application.

Business Name	New Jobs created by future investment	Value of future planned investment
Karma Group, St Martin's Hotel St Martin's, Isles of Scilly	20 FTEs	£5,000,000
Sibleys Fuels St Mary's, Isles of Scilly	1 FTE	£400,000
Tresco Estates Tresco, Isles of Scilly	28 FTE	£17,302,500
Frobisher International, Tregarthens Hotel St Mary's, Isles of Scilly	12 FTE and 10 seasonal	£5,000,000
Robert Francis, Star Castle St Mary's, Isles of Scilly.	4 FTE and 5 seasonal staff	£2,000,000
Duchy of Cornwall	11 part time	£800,000
Garrison Campsite	1 FTE	£350,000
Clifford Freeman, Scilly Self Catering, Scilly Linen, St Mary's Hotel and Speros Restaurant	5 FTE	£400,000

Due to Covid-19 lockdown we have not been able to hold a workshop we had planned, inviting attendees from these businesses in order to discuss their investment plans and given the helicopter service had expected to be fully operational by then. We have been in contact with three of the businesses on the list individually¹⁷. Based on this small sample of businesses, the indication is that Covid-19 is now having a significant impact on investment considerations, with more of a 'wait and see' attitude being adopted. We are aware from discussions that some significant investment plans that may have helped to expand the visitor season have been put on hold, possibly for 2-3 years. Even so and as noted above, discussion also indicated that the re-introduction of the helicopter service could be seen as an important confidence boost for tourism businesses on Scilly.

This is an important point, particularly given our earlier commentary on the need for the capacity/quality of the tourism offer needing to complement the reintroduction of the helicopter service. If the investment plans – which were integral to expanding/extending the offer on the islands – are being put on hold, then the risks previously indicated remain. Those risks relate to the ability to grow overall visitor numbers to the levels envisaged and/or the level of market displacement that may occur.

However, the situation is very dynamic and we do not feel we are able to comment fully on the extent to which the helicopter service will indirectly lead to further investment in tourism businesses. The Covid-19 situation has clearly had an unforeseen and significant impact – the full implications of which are only just developing.

It is not realistic to expect that the investment plans detailed in the original ERDF application will develop as expected, certainly on the envisaged timescales and possibly even at scale.

Wider Community Benefits

The ERDF application highlighted the support of Scillonians for the re-introduction of the helicopter service. Our discussions have also noted its potential value in providing direct links into Penzance to link to medical facilities on the mainland (making both a day trip to West Cornwall Hospital or Treliske Hospital in Truro a more reliable/realistic possibility; and equally enabling medical staff to make day trips to Scilly); as well as shopping and education facilities. There is no provision for post-16 education on the islands so young people have to travel to the mainland.

During the Covid-19 lockdown period, the fixed wing service has been providing emergency medical journeys if needed. The helicopter service has set up a Residents Helicopter Flying Club which islanders can join and which provides a 15% discounts on tickets. At this point we have no evidence from our Summative Assessment work to indicate the extent to which the helicopter service will supporting wider community benefits. However we feel this is something that Penzance Heliport Ltd could usefully monitor through its Flying Club, in order to build up evidence in the longer term.

There is also a wider community and economic benefit in relation to Penzance that is also important here. Visitor accommodation in Penzance is quite significantly linked with visitors staying in Penzance on their way to or from the Scillies (and also Scillonians staying on trips to the mainland). Data provided to us from the local tourism association shows that c40% of all stays in the Penzance area (principally one-night stays) are connected to travel to or from the Scillies. The latest data from Visit Cornwall estimates that there were 269,400 staying nights in the Penzance

¹⁷ We were provided with three contacts. As our interviews were held during lockdown, the client did not feel it appropriate to contact others, given the other business pressures they would be under at the time.

and Newlyn area in 2018. Applying the assumption of 40% of these relating to travel to the Scillies then this would equate to c£6.6mn of direct spend in the local economy – principally with accommodation and food providers. We estimate that this level of spend – using the Visit Cornwall assumptions – could support c99 FTE jobs in the local economy. Based on the same assumptions, there could be a further 49 jobs supported through indirect and induced impacts – although we would suggest that this represents a relatively high local ‘multiplier’ (and higher than the assumption we have used elsewhere in this report). These estimates are based on domestic (UK) staying visitors only. There is the potential of a greater impact from transit travel to Scillies from overseas visitors – but we have not included this in our estimates.

If the Heliport helps to grow the visitor numbers to Scilly, it will also benefit growth in Penzance’s tourism economy. Based on the same broad approach and assumptions above – for every additional 10,000 visitors that were visiting the Scillies and stayed overnight in the Penzance or Newlyn area, this could generate a direct expenditure effect of c£617,000 per annum, directly supporting c9 FTE jobs.

Likewise, jobs created at the Penzance Heliport will benefit the local area. Overall, the Penzance Heliport development will have a beneficial socio-economic impact on Penzance. Our discussions have also indicated a view that the development of the Heliport should contribute positively to the wider regeneration activities taking place. It is one of a number of initiatives that are creating a sense of a town that is ‘going places’.

Achieving longer term resilience in the strategic transport links for the Isles of Scilly

The ERDF application made clear that the project’s role in supporting growth of visitor numbers to Scilly is through enhancing travel options for visitors and residents including improving the resilience and reliability of transport with the mainland in poor weather. Much was made of this in the application, including considerable data on flight disruptions from Land’s End airport (because of its higher location and greater susceptibility to wind and cloud conditions).

Although the helicopter service has been running for a very short period so far, due to Covid-19 lockdown, even so it has already experienced some weather issues - with flight cancellations on 4th and 8th July. At this point it was operating with a small helicopter that had less flexibility on how low a cloud ceiling it could operate under (we understand that when the helicopter that should be flying on this route is brought onstream, it will be able to fly at a lower ceiling level). This illustrates that fully eliminating weather issues is impossible, although the expectation is the extent of disruption will be reduced/minimised.

The other important factor is to return to market displacement. The ISSCo’s Financial Statement for 2019 highlighted the challenges of running a small airline – with a reported annual loss of c£0.5mn during 2018/19 relating to the operation of the fixed-wing service. The financial statement recognises that this isn’t a sustainable position. The reintroduction of the helicopter service will introduce increased competition, with the expectation of a short-term decline in passenger numbers using the fixed wing.

The aim of the helicopter service is to be part of a sustainable transport infrastructure that also includes fixed wing and ferry connections. Given that fixed wing operates on a marginal commercial basis, then it would be remiss not to identify that the sustainability of the fixed wing service is a risk that needs to be acknowledged.

4.4. Extent to which the changes are attributable to the project activities

At present the main direct benefit are the jobs created at Penzance Heliport (through Penzance Helicopters) and at St Mary's Airport and Tresco. These can all be directly attributed to the Penzance Heliport project.

Beyond that any wider economic and community benefits can only be viewed as potential changes attributable to the project, given Covid-19 has had major impacts on the commissioning of the new helicopter service. As discussed in detail, these impacts could continue for some time in terms of longer-term tourism development and investment plans on Scilly are concerned. At this point we cannot attribute any effects directly to the project.

4.5 Contribution to achievement of ERDF programme result indicators

GVA has already been covered in the GVA section. We have estimated the temporary GVA impact of the construction activity that took place, and the direct GVA impact associated with the direct jobs created to date.

In terms of jobs and GVA attributable to the project so far, and in order to complete the gross and net additional impact tab on the Summative Assessment Report template, we have used the information from Section 4.2. in relation to jobs created and their associated GVA to date. We understand all jobs figures are FTEs and have worked on this basis. The following table sets this out, with the approach to calculations based on accepted practice.

		Measure	Adjustment
Impact Indicator: Employment Unit = FTEs	Gross Impact	24	
	Deadweight / reference case	24	0%
	Displacement / substitution	17.04	29%
	Leakage	16.2	5%
	Net Additional	16.2	
	Indirect impact	3.2	
	Plus Multiplier	19.4	1.2
Impact Indicator: GVA Unit = £ms	Gross Impact	£585,000.00	
	Deadweight / reference case	£585,000.00	0
	Displacement / substitution	£415,350.00	29%
	Leakage	£394,583.00	5%
	Net Additional	£394,583.00	
	Indirect impact	£78,917	
	Plus Multiplier	£473,499.00	1.2

We have not included any wider estimate of impact associated with tourism spend given the dynamic initial period of operation and issues over uncertainty of displacement.

Displacement

The ERDF application commented extensively on the potential unreliability of the remaining travel modes to the Isles of Scilly post demise of the BIH helicopter service. Others services are run by the Isles of Scilly Steamship Company (ISSCO). In response to the loss of the BIH service, ISSCO did invest in improvements at Land's End Aerodrome to enhance its fixed wing services. Both this, and a parallel complementary project to upgrade St Mary's Airport, received financial support from ERDF funding through the Convergence Programme.

The question of displacement is therefore a highly relevant one in respect of the wider economic impacts that the Penzance Heliport could have as well as directly on the possible impacts for ISSCO.





This has clearly been a concern to ISSCO who objected to the planning application in November 2016 and subsequently took the approval decision by Cornwall Council as the planning authority, to judicial review in 2017. In objecting to the planning application in 2016, ISSCO set out a possible loss of 30-40% of its fixed wing air service market as a result of the proposal, as well as potential viability impacts on St Mary's airport (as the helicopter would fly some passengers directly to Tresco with no need for an intermediate change at St Mary's). It also expressed concerns about the scale of predictions on potential passenger numbers by Penzance Heliport Ltd.

We have highlighted potential market displacement as a risk throughout this report – the scale of which is unknown at this time. By working together there is the potential for the transport operators to reduce this risk and achieve the objective of increasing the overall visitor numbers.

To that effect, we are aware that all transport providers on Scilly (ISSCO, Penzance Heliport Ltd and off islands ferry operators) are working together as part of the Isles of Scilly Transport Board. The Project Manager of Penzance Heliport Ltd has, as part of her other role with Tresco Estate, been working on behalf of the Transport Board members to address the short-term emergency caused by the Covid-19 restrictions. Initially an emergency funding bid was compiled and successful in securing £10.5m funding from Dept of Transport for three months to support transport services through the pandemic. This included ferry services between islands, the freight service operated by ISSCO with the mainland and fixed wing services for key workers and medical emergencies (and with the helicopter service on standby if needed). Our understanding is that the Transport Board is now going on to compile a longer term strategic investment plan for the next 20 years, in support of transport funding for all Isles of Scilly transport links. This is a welcome development and partially addresses our earlier comments on the need for integration/co-working between the transport providers to help achieve the overall objective of growing visitor numbers.

4.6 Strategic Added Value that the project has created

There are five areas of Strategic Added Value (SAV) that we cover, these being:

-  Leadership/catalyst: Articulating and communicating development needs, opportunities and solutions to partners and stakeholders
-  Influencing: Generating commitment and activity towards shared objectives
-  Leverage: Financial and other incentives to mobilise resources (equipment, people and funding)
-  Synergy and Engagement: Improving information exchange and co-ordination between partners

Leadership and Catalyst

Penzance Heliport Ltd, although a newly established separate company is closely related to a long standing Scillonian tourism business (Tresco Estate) which has been active and influential in the Scillonian business community for many years. The development of the Heliport has been private sector led but is supported by the Island Partnership (identified in its Development Plan, as discussed in Section 1). Our discussions indicate there have been discussions over several years regarding the reintroduction of the Heliport with wider stakeholders in the tourism sector on the Isles of Scilly and they have been broadly supportive. It is hoped that the new helicopter service can support the development of tourism numbers to Scilly – in some ways it is hoped it will act as a catalyst for this. As discussed, it is simply too early to understand whether this will develop, particularly with regards to the disruption caused by Covid-19.

Influencing, Synergy and Engagement

Clearly there are some shared objectives in the project's development as indicated earlier. Equally there have been some divided views, particularly through the planning application stage as also discussed. However, we understand that all transport operators on the Isles of Scilly are now working together through the Isles of Scilly Transport Board. Hopefully this will mean some collective working (achieving synergy) with potential influence – we understand there is a joint bid for funding for ongoing support to transport operators to/from and within Scilly, given the vital necessity of the transport links.

This has been prepared by the Project Manager at Penzance Heliport Ltd – for reasons of her expertise in preparing funding bids as well as involvement with the Heliport development. Penzance Heliport Ltd should work as part of that synergistic and influencing mix. Again, we see this more as future potential.

However, it is also realistic to expect that – although working together through the Transport Board – there remains a competitive element between the transport providers. This competitive aspect has not disappeared with the threat presented by the Covid-19 lockdown. The level of synergy will depend on how the different transport operators continue to work together in the future.

Leverage

The project has been successful in leveraging in ERDF funding to work with funding from the private sector lead partner. It has also secured strong levels of expertise in its delivery and management. As discussed previously, the ability of the project to leverage other private sector investment by tourism businesses on the islands has been impacted in the short-term by Covid-19. The expectation was that significant further investment will be leveraged by the increase in visitor numbers. At this point it is not known if or when this will happen.

4.7 Conclusions

This section draws a conclusion in relation to the overall SA question of economic impacts attributable to the project, including progress towards outcomes and impact in the project logic model.

There is also a distinction between those that will be directly achieved by the project (e.g. the direct employment) and those which will be achieved indirectly (e.g. as a result of additional visitors to the Isles of Scilly). This is also indicated in the table below.

For this section, the key should be read as:



- red = poor
- amber = adequate
- green = good

SA evaluation question	Direct or Indirect	Comment	
Outcome: Increased GVA	D & I	Based on jobs created directly by the Heliport and in association with that e.g. through Penzance Helicopters Ltd. The number of jobs directly created (c24.5) is positive when set against the ERDF investment of £1.9mn.	
Wider Socio-Economic Impact:	I	Potential to achieve this but at this stage it is not possible to demonstrate and will also be impacted by the ongoing effects of Covid-19	
Contribution to ERDF Results indicators	D & I	There are contributions through the jobs created and their associated GVA.	
Strategic Added Value		We see this based more on future potential than any achievements to date, hence have rated it amber.	

However, again we do need to qualify all the conclusions given the Covid-19 outbreak and its potential longer-term impacts on the economy and the tourism sector on the Isles of Scilly particularly.



This section reviews value for money. We would normally expect to do this in both qualitative and quantitative terms. However, we have not been able to identify any suitable comparable benchmarks for a Heliport development as such. Information identified includes:

-  A proposal in Plymouth to establish a commercial Heliport, but this is at a very different scale with potentially only around 160 commercial flights per year¹⁸. At this stage it is a planning application and no costs appear to be given in publicity available online.
-  Valuation Office Rating Manual, Section 250 on civil airports¹⁹ (which includes heliports and helipads). This gives some indicative costs per m2 for airports – but not at a level akin to that at Penzance. The lowest Band it discusses is Band 5 – small regional airports – which would include Exeter as an example. These are indicated at £1,423 per m2 for valuation purposes. The Manual also gives indicative costs for other specific elements, such as runways and hangars. However, it is difficult to apply this directly to the Penzance Heliport development which is on a much smaller scale; whilst the context for its use (valuation) is perhaps different to that of construction comparables.

In qualitative terms our discussions with those involved in its construction indicate that costs were in line with their expectations for this type of project. Discussions noted that ground conditions had been particularly hard for this project and the building had to be erected on pilings because of the marshy conditions. This added to substructure costs (more than would usually be anticipated). Nevertheless, the development was perceived as value for money, taking into account ground conditions.

It is difficult to assess the value for money for transport schemes based on a narrow set of measurements such as jobs created. This does not reflect the full extent of the wider objectives often associated with transport schemes, such as improving the efficiency and effectiveness of transport movements. In the case of the reintroduced helicopter service, it is also about improving the resilience of transport links. Our view is that comparing to available benchmarks based on a narrow measure would not be a robust or accurate exercise at this stage.

One possible measure moving forward would be to capture the increased passenger numbers (taken as a whole across all transport operators) and set that against the ERDF investment – allowing a 'cost per additional visitor' to be estimated. This could be combined with a typical visitor spend figure to understand the wider impact on the tourism economy. It may be useful to consider such a wider metric, although too early to be considered here.

5.1 Conclusions

This section draws a conclusion in relation to the overall SA question of value for money and cost effectiveness and in the light of intended and unintended outcomes and impacts.

¹⁸ <https://www.plymouthherald.co.uk/news/plymouth-news/plymouth-heliport-firm-reassures-neighbours-4132931...> and <https://helihub.com/2020/05/15/uk-halo-aviation-plans-new-heliport-in-plymouth/>

¹⁹ <https://www.gov.uk/guidance/rating-manual-section-6-part-3-valuation-of-all-property-classes/section-250-civil-airports>

For this section, the key should be read as:

- red = poor
- amber = adequate
- green = good
- grey = unable to say

SA evaluation question	Comment	
Quantitative vfm	No suitable benchmarks could be identified	
Qualitative vfm	Based on feedback from discussions	



6. CONCLUSIONS AND RECOMMENDATIONS

This section reviews progress towards the Penzance Heliport intentions, as set out in the logic model. It brings together the conclusions on each of the sections of SA evaluation questions and draws out lessons learnt.

6.1 Summary of Conclusions against Summative Assessment Headings

We have drawn together our conclusions in relation to each of the main sections of the SA evaluation questions.

The continued relevance of the project given changes in policy or economic circumstances

The Penzance Heliport project was developed to re-introduce a transport service to/from the Isles of Scilly that had been lost in 2012, in order to enhance resilience of strategic transport links with the mainland and help rebuild visitor numbers to the Scillies, including in the shoulder season and out of season. The Destination Management Plan for the Isles of Scilly (2018) and the Smart Islands Project (moving towards a low carbon economy) are two key policy and project areas that continue to support/reinforce the context for this project. Our discussions also confirm the need to secure and improve the resilience of the transport links, including giving visitors confidence of being able to travel on their booked dates. The development also brings benefits to the Penzance area as this is where most of the new jobs associated with the development will principally be located. We conclude that the overall context for the project remains relevant from a policy and economic perspective.

Progress towards contractual targets and expected lifetime results

The project has gone through three PCRs, principally to reallocate funding between budget headings and between capital and revenue allocations – as well higher project costs than originally profiled. This has related to the need to meet higher than budgeted for costs of meeting planning (including highways) conditions as well as unexpectedly high substructure costs due to ground conditions and extremely wet building conditions and other additional costs. In terms of outputs the project has achieved all three of those outlined in the Grant Funding Agreement. These are one multi modal transport hub (ERDF output P10), two multi modal connection points (P9) and 10 alternative fuel charging points (P8).

Delivery and management: experience of delivery and management and lessons from this

The project has been well managed and delivered through its construction period with a clear management structure and roles for the key players within this – the Project Manager, the Employers Agent and the Lead Contractor. Each has been satisfied with the structure. In terms of the project design, complying with the highway and planning conditions, which are only confirmed post planning, has caused some issues and unexpectedly added to costs. This raises the point that ERDF is not flexible to accommodate this type of contingency planning. An operators agreement is being put in place between Penzance Heliport Ltd and Penzance Helicopters for operational management of the Heliport. Penzance Helicopters is taking on the operating role for both the helicopter and the heliport at Penzance, given its expertise.

We have raised the question about how the project will work in the future once operational and relating to working with other operators and the tourism providers on the island to meet the objective of increasing overall visitor numbers. The Isles of Scilly Transport Board may be one forum for this, albeit it doesn't tend to include the tourism businesses themselves. The Island Partnership might be another.

Although the terminal building meets BREEAM excellent criteria, it too is noted as adding to project costs when not all the criteria required for BREEAM excellent were completely relevant to the project. Whilst subscribing to the principles of BREEAM, the suggestion was made to us that there might be better ways to secure the BREEAM requirement than having to meet a number of closely prescribed criteria.

Unexpected events that have impacted on delivery including the adverse weather conditions during construction – although the building programme was still completed to timescale (the launch of the helicopter service on March 17th). The feedback we received was that this was broadly manageable. However, the additional impact of Covid-19 has been major, halting flights 8 days after they started. There could well be longer term Covid-19 related impacts too given the significant impact it is having on the social and economic fabric of the UK and globally.

The two horizontal principles have been well integrated into the project. The Heliport has sought to be as sustainable as possible (with the BREEAM rating illustrating this). Equality and diversity has been built in as far as possible (e.g. meeting DDA requirements, E&D in recruitment of new staff, payment of the living wage), although there is some inherent issue in that accessing a helicopter service does require some element of mobility. We feel the project has made good/ reasonable endeavours on this front.

Economic Impacts attributable to the project, including outcomes and impacts in the logic model

Only one outcome was set out in the logic model for Penzance Heliport, that being GVA created. This will be generated both directly and indirectly through the jobs created by the project and associated with it. We have estimated this at c£0.6m to date given the scale of current direct job creation. However, this only reflects six months of operation (noting that the service has operated for a much smaller time than that – but we have assumed the roles have been in place). The direct contribution through the jobs created could increase to c£1.1m per annum, although this should be viewed as a gross impact (does not consider any displacement effects). However, the larger potential impact will be associated with the additional tourism spend associated with increased numbers. We have not estimated the wider impacts on tourism and tourism-related businesses – both in the islands and within Penzance – supported by increased visitor expenditure because it is simply too early to estimate. Given the dynamic and volatile environment created by the Covid-19 lockdown, projecting economic impacts would be a questionable exercise at this time. Again, we would need to fully understand any displacement effects which are unknown at this time. No impacts were identified in the logic model.

We have explored wider socio-economic impacts from a qualitative aspect through our Summative Assessment consultations. Rebuilding visitor numbers is clearly a key aim for the project. At this stage it is far too early to be able to say whether this will be achieved, although our discussions have indicated optimism on the potential for this to happen. However, there are significant risks to consider, including the potential for market displacement and the longer term Covid-19 related impact.

Tracking visitor numbers over the next 5-year period on a combined basis for the Isles of Scilly will be important going forward. We would strongly advocate that this should be something which Penzance Heliport Ltd and other transport providers (possibly through the Isles of Scilly Transport Board) monitor closely.

Our discussions with some larger tourism businesses on Scilly have identified that investment plans, previously put on hold pending the new helicopter service coming on stream, may be

postponed further pending greater knowledge about the full implications of Covid-19. Discussions indicate it may be another 2-3 years before some decisions on investment to grow their tourism business will now be taken. Whilst there is potential for wider economic impact, we cannot say at this point what scale this may be and when this will occur. Ongoing monitoring of this would be beneficial in helping demonstrate wide economic benefit from the Heliport in the longer term, also capturing any displacement from the fixed wing and ferry services.

There is also potential for other community and socio economic benefits, both for islanders and for the Penzance area. The helicopter service will give islanders more direct access to medical facilities on the mainland, on a day visit basis particularly. Similarly it could improve access to FE and HE facilities on the mainland. It will support the tourism accommodation sector in Penzance, where a significant level of overnight staying visitors are connected with trips to/from the Scillies. This will occur in the longer term so again is flagged up here as potential rather than actual impact at this point. More directly though, the project has a direct impact on employment through the jobs created at the Heliport which are jobs available to people in the Penzance area. As noted earlier, these jobs (and their associated GVA) are expected to make a direct contribution to ERDF result indicators, estimated at 24 jobs (not necessarily FTEs) and £1.1m GVA per annum. This may increase as the number of roles increase – itself dependent on an increase in passenger numbers.

In terms of the added value the project is providing, there are aspects of the Heliport development that will have a wider qualitative impact (notably leverage). Our view is that the important potential looking forward is the prospect of closer joint working between the transport operators on the Scillies through the Isles of Scilly Local Transport Board. This should be important for influencing ongoing resilience of strategic transport links with the mainland, as well as aiming to meet the core objective of growing overall visitor numbers

Value for money and cost effectiveness

We cannot comment on VfM in a quantitative sense as it is difficult to source a suitable benchmark. However qualitatively, our discussions around construction of the Heliport with the professionals involved have indicated the perception is that is seen as providing good VfM. Clearly it has involved considerable elements of procurement through an open tender process, and this should have ensured that VfM was achieved. The project engaged a highly experienced quantity surveyor (who was engaged early in the project development) who worked diligently on keeping control of project costs. This was an important aspect in helping deliver VfM for the construction project.

6.2 Learning from the Penzance Heliport development experience

This final section sets out lessons learnt from development of the Penzance Heliport that we would draw out for Penzance Heliport Ltd, others considering similar projects and policy makers.

Penzance Heliport Ltd

Our comment here is more a recommendation – in that the wider impacts arising from the Heliport's development and the running of the Helicopter Service are still to come. Our view is that some ongoing monitoring on several fronts would help to build a body of evidence to support the strategic benefits of the service in terms of increasing visitor numbers, supporting tourism business investment plans in the Scillies and supporting tourism providers in Penzance. This is not something that Penzance Helicopters could do on its own, but perhaps in partnership with the Island Partnership, Isles of Scilly Local Transport Board and Penzance and District Tourism Association.

We would strongly urge that 'project success' is not simply based on the number of people using the helicopter service. This also needs to be combined with considering the impact on the other transport operators. In our view, project success would be more resilient transport connectivity to and from the islands, a rounded portfolio of methods of travelling to and from the island (which are sustainable) and, importantly, an increase in overall passenger numbers.

Others considering similar projects

Our understanding is that development of new helicopter services similar to that being provided to the Scillies is quite unusual. Globally, there are few timetabled/scheduled helicopter services. The learning for 'other similar projects' may therefore be quite limited. However, we do feel that there is useful learning from the practicalities of the way that the project has progressed as a design and build project and its management through construction.

As a recommendation to Penzance Heliport Ltd and its construction partners, we suggest consideration of a short case study which could be publicly available through its website (and those of the companies involved at the construction stage), which sets out in practical terms how it was constructed, the issues it had to overcome and the various requirements it had to meet and how this was done (such as the CAA ones).





Policy Makers

The main point we would draw out for policy makers is that of meeting BREEAM requirements, in as much as some criteria do not always appear directly relevant or necessary and may add to project costs seemingly unnecessarily. One suggestion made to us during our consultations is that BREEAM could be more outcome driven, rather than criteria driven.



ANNEX ONE - methodology

The evaluation has been undertaken by Ash Futures Ltd and associates. We have undertaken the Summative Assessment through:

-  Development of a short evaluation framework for the Summative Assessment setting out who we would talk to and the topics to be covered, mapping these onto the Summative Assessment reporting requirements
-  Research and Consultations
 - ▶ Review of the Penzance Heliport Ltd ERDF application and its supporting appendices as well as other related documents and information
 - ▶ Individual telephone discussions with Project Manager, Employers Agent and Lead Construction Contractor for the build project
 - ▶ Individual telephone discussion with the Project Manager on PCRs and spend and review of PCRs and quarterly claim 8 (Q2 2020)
 - ▶ Telephone interviews with Directors of Penzance Heliport Ltd and Penzance Helicopters
 - ▶ Five telephone interviews with a limited number of stakeholders on the Scillies and the mainland (including Councillors, tourism businesses and the Isles of Scilly Steamship Company). We had planned to hold a focus group discussion on Scilly to engage with a number of tourism businesses as well as undertake some telephone interviews. Due to Covid-19, the focus group was not possible and only individual telephone discussions were undertaken
 - ▶ Other research, on the policy background and benchmarks
-  Analysis against the evaluation framework
-  Preparation of a draft report, discussed with the client and then finalised

The Covid-19 pandemic struck shortly after the inception meeting for this work. This had major impacts for Penzance Heliport Ltd as the service had to cease 8 days after it was launched. Our main client contact has been caught up in the wider ramifications of Covid-19 on the Isles of Scilly, as have a number of businesses and organisations that we had hoped to contact as part of the evaluation work. For example, we have been wary of contacting tourism businesses which were either currently shutdown or were dealing with the significant difficulties of reopening. We have therefore focused on what we could achieve by way of consultations and obtaining information, in the context of the more urgent calls on people's time. We are very grateful for the time that consultees have given us, during what has been a very difficult period for businesses and organisations.