Cornwall and the Isles of Scilly

Convergence Programme

Consultation Draft

November 2006

Contents

1 Introduction

The South West of England will benefit from EU Structural Funds for the period 2007-2013. This will consist of three related programmes. These are:

- Convergence Programme for Cornwall and the Isles of Scilly, funded by ERDF.
- Competitiveness Programme for the South West, funded by ERDF.
- Employment Programme for the South West and a separate Convergence Priorities for Cornwall and the Isles of Scilly, both funded through the England ESF Operational Programme.

The Convergence Programme for Cornwall and the Isles of Scilly will succeed the current Objective One Programme, which has been delivered with great effect by the key stakeholders. A total of £380m of ERDF and ESF funding has been allocated for Convergence, with the ESF element made available through the England ESF Operational Programme. These funds will be complemented by agriculture/rural and fishing support, with EAFRD and EFF funding targeted at rural and fishing communities.

The Draft Operational Programme has been produced under the guidance provided by the core stakeholders and has been supported by a number of workshops attended by a variety of partners to help develop these initial proposals, and a series of task and finish groups. The Draft Operational Programme builds upon the extensive work carried out to develop Strategy and Action. The intention is to formally submit the Operational Programme to the European Commission by the beginning of March 2007.

Setting a New, Ambitious Agenda

Cornwall and the Isles of Scilly have enjoyed a period of significant economic growth, although the predominance of low paid employment has continued. The economic forecasts indicate that without intervention lower paid employment will make up a significant part of the employment growth over the next ten years. Changing the composition of employment growth is an important underlying objective of the Programme.

In order to move to a more prosperous and sustainable economy, Cornwall and the Isles of Scilly needs to:

- Develop a business base with a higher proportion of economic activity in sectors where the growth prospects are positive i.e. a more rounded, modern, knowledge based economy.
- Be characterised by a greater proportion of employment in higher paid jobs and a highly skilled workforce, at all levels, including those qualified at Levels 4 and 5.
- Have an economic infrastructure and attractive towns which support a knowledge based and more diverse economy.

This move to actively transforming the economy, as distinct from encouraging economic growth for its own sake, requires a focused approach to secure the type of investment which will support the transforming agenda – building up intellectual capital, quality locations and accommodation; a skilled workforce; connectivity and access to markets; and a competitive supply chain.

The transformation of the economy will be underpinned by a culture which is:

- Forward looking
- Outward facing

Forward Looking will be supported by an approach which invests in foresight and intelligence on future trends and developments which will impact on the economy and society; using networks and collaboration to stimulate new ideas and encourage their development. It is closely linked to the theme of outward facing.

Cornwall and the Isles of Scilly has a long history of trading globally. In recent, years, however, this aspect of the economy has diminished, as key traditional sectors have declined. The Outward Facing theme will be supported through the increased connectivity of both transport improvements and digital technology, but also through businesses trading nationally and internationally, and developing collaborative and cooperation arrangements with networks and regions throughout Europe and beyond.

These underlying themes will be supported by actions which improve the confidence and self esteem of the community, particularly young people, and is rooted in Cornwall and the Isles of Scilly's historic role as trading partners with companies and countries from across the globe. There is also a need and opportunity to share the experience of addressing the issues of a peripheral and rural economy with other regions across the world.

The Programme has a single objective, supported by four operational objectives. The Programme objective is:

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

It is on this basis that the operational objectives are:

- Transforming the economy to a more knowledge based, high value added economy with a broader range of sectors, and a reduced dependence on low paid jobs

- Supporting all sections of the community to access opportunities that meet their needs and aspirations

- Managing economic and population growth in a sustainable manner

- Take a leading role in aspiring to carbon neutrality

The Draft Operational Programme sets out four broad areas for intervention – Innovation and Research and Development; Enterprise and Investment; Learning and Skills Infrastructure; and Economic Infrastructure and Place Based Regeneration. This is a balanced set of Priorities which takes account of the Lisbon and Gothenburg agendas. The focus is on improving competitiveness of the regions of European, while taking account of the need to develop an inclusive society and protect and enhance our environment.

There are a number of distinguishing features of this Operational Programme. These are:

- This Operational Programme addresses the challenge of establishing a knowledge based, high value added economy in a peripheral and rural economy – if successful, Cornwall and the Isles of Scilly will be an exemplar for communities from all parts of Europe.
- The Programme puts knowledge, innovation and creativity at the heart of a responsible economy which values its environment as much as economic growth; it is a forward thinking Programme rooted in the talent and enterprise of its communities.
- The Programme sets out the most ambitious plans to develop environmental technologies and renewable energy sectors as a new wealth creating sector.
- This Programme will lead the way in developing responses which take account of reconciling economic growth with the need to achieve carbon neutrality.

There is an opportunity for the Convergence Operational Programme to make a real difference in a number of key areas of intervention. This is dependent upon three major challenges:

- Our ability to focus and prioritise actions and activities which will make a difference;
- The quality of proposals and the degree to which they are innovative and leading edge; and
- The sustainability of proposals and the potential of their legacy.

The consultation process is part of the process of further focussing resources to ensure the maximum impact, while taking account of the need to be inclusive. The resources available are limited in relation to the scale of our ambition and the need to put in place the critical infrastructure essential to a knowledge based economy in a peripheral economy.

The Draft Operational Programme is work in progress, and the Priority Axes and Cross Cutting Themes of the Environment and Equal Opportunity and Diversity will be further developed. The clear intention is, however, to develop a forward looking Programme, building on the strength of the environment, a heritage of trade and enterprise, new opportunities around environmental businesses and the knowledge and talent of the business community and workforce.

2 Socio-Economic Analysis

2.1 Demography

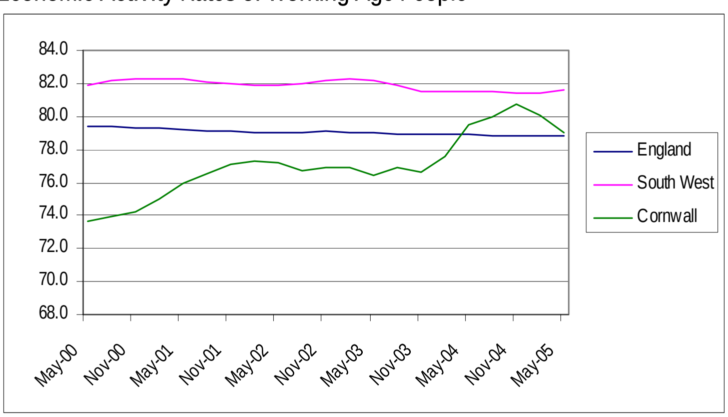
The substantial growth in Cornwall and the Isles of Scilly's population is one of the key features of the area, providing both opportunities and challenges. It is now home to more than 515,000 people, an increase of 47,000 people since 1991 alone – or equivalent to two new towns the size of Truro. Outside London, Cornwall and the Isles of Scilly has experienced one of the highest rates of inward migration in the UK, with a net influx of more than 6,000 people per annum since 1997. This has been concentrated amongst the 30-60 age group with, until very recently, a corresponding out-migration of younger people. An expansion in the educational offer, as well as better job prospects, are crucial to continuing the retention of younger people.

There is a consensus that the population will continue to grow rapidly. In 20 years time, Cornwall and the Isles of Scilly is likely to be home to more than 600,000 people. Much of this growth is likely to come from people in the workforce relocating from other parts of the UK to take advantage of Cornwall and the Isles of Scilly's attractive lifestyle offer. Its population is also getting older; over the next 20 years, the number of retirees is projected to increase by 75% to 177,000 or 3 in 10 of the population. This will generate a number of challenges, not least on the housing market, as well as demand for healthcare and other support services.

The other major change at work in Cornwall and the Isles of Scilly is the growing number of households, driven not just by more people but also by societal changes such as fewer and later marriages and the predicted growth of single person households. The ability of Cornwall and the Isles of Scilly to accommodate and harness this growth will be instrumental in addressing the weaknesses in the economy. The growth in the population has been accompanied by a booming housing market, with house prices now above the UK average at more than £200,000. Housing now plays a bigger role in influencing growth and regeneration than ever before, with household incomes growing more slowly, and affordability ratios rising.

2.2 Employment

Economic Activity Rates of Working Age People



Source: LFS

Overall economic activity rates for working age people in Cornwall and the Isles of Scilly were 79% in May 2005 (237,000 people). This was below the South West (81.6%) and slightly above England (78.8%) averages. The figures are lower than the region as a result of the economic activity rates amongst the female working age population in Cornwall and the Isles of Scilly, which are considerably lower than in the South West as a whole. In May 2005 the economic activity rates for working age females stood at 73% (106,000 people), compared to 77% across the South West. For activity rates to be commensurate with the region would require an additional 5,800 economically active females. This compares to an economic activity rate in Cornwall and the Isles of Scilly of 85% (131,000 people) and 86% in the South West for working age males[1].

[1] Annual Population Survey, 2005

Employment Structure – Current and Future

There were a total of 178,534 workers in Cornwall and the Isles of Scilly in 2004, a growth of 23,770 employees since 1998. At 15% growth over six years, this is higher than the increases at the South West (+11%) and national levels (+6%). The main growth sectors over the period 1998 to 2004 were:

Real estate/business services	+8,169	Education	+6,693
Retail	+5,464	Hotels and catering	+4,073

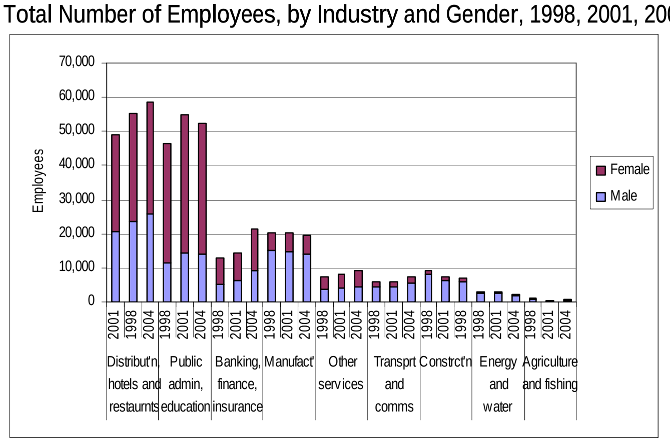
Over the same period there were some job losses in the construction and manufacturing sectors. In the latter case, given the long term trend in manufacturing, the employment performance was strong. The most dramatic job losses in relative terms were experienced in the primary sectors - agriculture and fishing and mining and quarrying. The recent job losses in the china clay industry are indicative of the continuing vulnerability of some sectors.

While the employment increase out-performed the national and regional economies, only limited progress was made in re-structuring the economy. Retail and hotels and catering continue to account for a very high proportion of employment and the public sector remains a very important employer. Although the growth in education is a very positive development, Cornwall and the Isles of Scilly remain under represented in value added service sectors.

The workforce is characterised as having a high proportion of part-time workers - approximately 15% of the male workforce is employed on a part time basis and 53.8% of working females, an exceptionally high level. Of the total workforce, approximately 54.5% are female. This is significantly higher than the levels recorded at the South West and national levels.

Female employment is concentrated in the large and growing sectors of ‘distribution, hotels and restaurants’, ‘public administration, education, and health’, and ‘banking, finance, and insurance’, where it accounts for over 50% of the workforce. However, in each of these sectors, female representation decreased between 1998 and 2004 due to the faster rate of growth of male employment.

Total Number of Employees, by Industry and Gender, 1998, 2001, 2004



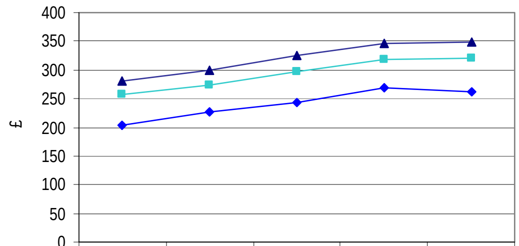
Source: Annual Business Enquiry, Nomis 2004

The transition to a service driven, knowledge based economy is anticipated to accelerate over the next 20 years in Cornwall and the Isles of Scilly. Using the base case scenario of 2.8% per annum growth in GVA for the region, the total number of jobs is forecast to grow by more than 35,000; reaching approximately 250,000 in 2026. Overall jobs growth is forecast to exceed the regional rate. Retail/distribution, business services and education/health are expected to be key drivers of jobs growth, a proportion of which will be derived from the growing and ageing population. The additional jobs in business services alone will be equivalent to the totality of those lost in primary and secondary industries. By 2026, service industries will account for 4 in 5 jobs, including the public sector.

Earnings

In 2005 the median weekly earnings for all workers in Cornwall and the Isles of Scilly was £263.10. This is significantly lower than the average recorded at both the South West (£320.20) and the UK (£349.60) levels. The median weekly earnings recorded in Cornwall and the Isles of Scilly have risen by 15.5% (£35.40) between 2000 and 2005, though this is less than that recorded at the South West (+17.4%) and national level (+16.7%).

Weekly Earnings for all Workers (Median, Workplace Based)



	1998	2000	2002	2004	2005
Cornwall	204.2	227.7	242.7	267.9	263.1
South West	257.1	272.7	296.6	317.1	320.2
United Kingdom	280.2	299.6	324.8	345.5	349.6

Source: ASHE © Crown Copyright / LINC

In comparison to other areas of England, Cornwall and the Isles of Scilly is among the poorest in terms of wage levels. Apart from Carrick (£304.10 per week) all the Cornwall districts have median weekly income levels below £300. Penwith, at £237.50 per week, is amongst the bottom five local authorities in England for earnings levels.

There appear to be two factors at work here. The first is that the employment structure and preponderance of part time employment leads to low overall earnings. This is typical of an economy in which tourism accounts for 25% of the economy. The second factor is that within the various sectors, wage rates are lower than elsewhere linked to lower levels of productivity and profitability. There is a need to increase the proportion of employment in sectors with higher than average earnings; the productivity, profitability and earnings of companies in Cornwall and the Isles of Scilly; and the proportion of the workforce working full time.

Messages for the Operational Programme

Economic activity rates are close to the national average, although lower than levels seen in the South West as a whole. Female economic activity is considerably lower than in the region (with a missing 5,800 compared to the regional levels), which suggests that the supply of labour could be increased if barriers to women taking up employment prospects were addressed. This could play an important role in tackling the recruitment difficulties and skills shortages, and possibly reduce the pressure to import labour with consequent pressures on the housing market.

The recent employment growth in Cornwall and the Isles of Scilly has been exceptional, at two and a half times the national growth rate. In spite of this strong employment growth, the economy remains dominated by sectors dependent on the public sector and/or with a tendency to offer low paid and part time employment. Only limited progress has been made with regard to increasing employment in sectors with a high growth and higher skilled/pay profiles. There is a continuing challenge to modernise the economy, while acknowledging that some important key sectors, such as tourism, face a challenge in terms of reconciling the need to maintain competitiveness while increasing value added and wage levels.

The predicted overall growth in employment and output provides a positive context for the continued regeneration of Cornwall and the Isles of Scilly. The decline in manufacturing jobs (many of which are better paid) will be offset by the growth in services, although many of the new jobs will be low paid/low value added. Even if a positive balance of higher value added service jobs is secured, progress is likely to be slow. This means that higher growth rates are required with a greater proportion of higher valued added activity in order to deliver the desired transformation of the economy.

Increasing wage levels and average earnings in Cornwall and the Isles of Scilly will require a combination of actions which restructure the business base and improve the competitiveness of existing businesses. Most importantly, it will require a shift to competing on the basis of quality not price, and this will require higher levels of investment in both capital and human resources.

2.3 Competition

GVA (Current and Future) and Output

In 2003 the total Gross Value Added (GVA) for Cornwall and the Isles of Scilly was £5,322 million. This represented approximately 7% of the total South West GVA. The economy has expanded at a much faster rate since 2000, with growth easily outstripping the regional and national economy. This growth can largely be attributed to GVA increases for the retail, real estate and utilities sectors between 1993 and 2003.

Headline GVA by NUTS3 area at current basic prices 1995-2003 (£ million)

	1995	1997	1999	2000	2001	2002	2003
UK	639,115	720,028	799,387	841,505	883,412	930,796	981,732
S. West	47,654	54,522	60,795	63,713	67,335	71,095	75,086
C & IoS	3,227	3,625	4,009	4,293	4,646	4,985	5,322

Source: ONS (2005) Local Gross Value Added – First Release 21 December 2005

The latest data provided by Eurostat appears to confirm the very high level of growth since 2000. The GDP/capita figures produced at the European level indicate that Cornwall and the Isles of Scilly has experienced a marked improvement relative to the EU average – from 65.3% to 75.8%. The data also suggest that the growth has been exceptional relative to other regions lagging behind i.e. it is more significant than the general trend.

The most marked increase in GVA per head has been in Carrick and North Cornwall, with Carrick being the only Cornish district with GVA per head above 80% of the national average. In spite of a marked increase in Caradon it remains the lowest of the districts, although Restormel is notable for only recording a marginal improvement in the ten years between 1993-2003. The GVA per head figures in Caradon, Kerrier and Penwith are exceptionally low, with all below 65% of the national average.

Top Five GVA Sectors (Percentage and Value Five Year Change)

Sector	Size (£mil), 2004	Size (£mil), 1999	5 Yr % Growth
Pharmaceuticals	3.8	2.1	84.7
Gas Supply	3.6	2.2	62.9
Manuf. Fuels	7.4	5.7	30.1
Motor Vehicles	4.9	3.9	25.8
Electronics	2.9	2.3	25.7

Sector	Size (£mil), 2004	Size (£mil), 1999	Value 1999-2004
Other Bus. Services	900.4	826.1	74.3
Retailing	672	622.8	49.2
Hotels & Catering	562.2	520.1	42.1
Education	339.5	299.6	39.9
Health&Social Work	494.1	457.5	36.6

Source: Cornwall Local GVA model (© Nankivell 2006) and Regional Accounts, ONS (© Crown Copyright 2006), LINC

The tables above illustrate that certain sectors of manufacturing have grown significantly in percentage terms though it is the service sector which has experienced the greatest growth in value terms. The three sectors which have contributed the greatest value to additional GVA are other business services, retailing and hotels and catering. Less positively, the latter two have a low GVA per head, and this partly explains the limited improvement in this key indicator. The education contribution to GVA has and will continue to increase as the full benefits of CUC are incorporated into the figures for 2005, 2006 and beyond.

The period 2002-2010 is predicted to be a period of economic growth in the UK. This will particularly be the case in Cornwall and the Isles of Scilly which are forecast to see an average annual real GVA growth of 3.9%. In comparison, the South West is forecast to experience a 2.8% growth rate.

The wholesale/retail and business service sectors are the biggest contributors to the Cornwall and the Isles of Scilly economy, each accounting for more than a fifth of total output. Services as a whole, excluding the public sector, now make up more than 60% of output, significantly higher than the national average. The area has, however, a disproportionate share of its output from lower value service sectors.

The combined output of the wholesale/retail and hotels/catering sectors reflects the importance of tourism to the local economy and the growing population. Output growth from the hotels/catering sector has lagged the national trend over the past decade, reinforcing the challenge of upskilling the workforce and making better use of other inputs in order to secure higher productivity and growth rates. Elsewhere in the service sector e.g. finance, output growth has outstripped growth nationally, although the overall contribution to total output is still lower than the national average.

Agriculture now accounts for less than 2.5% of output in Cornwall and the Isles of Scilly overall, although the influence of the sector on the economy is much greater through supplier linkages and other effects. Agriculture's share of output continued to fall between 1993 and 2003 and the decline exceeded the reduction nationally. The impact of Foot and Mouth Disease (FMD) in 2001 is a key factor in this reduction and output has since recovered.

The public sector has grown in importance over the past decade, although it accounts for a smaller share of output than in the national economy. As the additional funding for health and education in particular starts to plateau in the medium term, future increases in output will become more and more dependent on improvements in productivity in the public sector.

Productivity

Work recently completed by Local Futures highlights the scale of the economic challenge facing Cornwall and the Isles of Scilly. In the report "State of the Nation 2006" a productivity index was produced that used a combination of Gross Value Added per head and earnings. This benchmarked productivity for local authority areas to a national average of 100, and ranked each local authority area from 1 to 404.

Productivity Index

Rank	District	Region	Productivity Score England = 100
392	Restormel	SW	64.12
393	Pembrokeshire	Wales	63.48
394	Torbay	SW	63.31
395	Bridgnorth	W Mids	63.21
396	Caradon	SW	62.40
397	S. Shropshire	W Mids	62.39
398	North Cornwall	SW	62.15
399	Kerrier	SW	62.03
400	West Devon	SW	60.28
401	Alnwick	NE	59.42
402	Penwith	SW	58.56
403	Torridge	SW	58.45
404	Berwick-upon-Tweed	NE	57.19

Source: State of the Nation 2006. Local Futures

Productivity in Key Sectors 2004

Sector	FTE Employment	Factor Productivity
Environmental Technologies	1,576	£63,000
ICT	1,530	£52,000
Marine	1,295	£45,000
Biotechnology	559	£44,000
Advanced Engineering (inc Aerospace)	1,361	£37,000
Creative Industries	3,182	£35,000
Food & Drink (incl. primary prod)	9,633	£25,000
Leisure & Tourism	10,529	£25,000

Source: State of the Nation 2006. Local Futures

As the table highlights, five of the Cornish districts were in the poorest performing group nationally on this key indicator. All five had a productivity level at below two thirds of the national average. Notably, the same report also raised issues about the distribution of enterprise in the UK, using another Index which also places Cornwall and the Isles of Scilly in the lower performing category, although not to the same extent as the productivity index.

Factor productivity varies considerably across key sectors ranging from £63,000 per full time employee in environmental technologies (where job numbers are relatively modest) to £25,000 in tourism and leisure where employment numbers are considerable. The balance between high and low value added sectors accounts for the overall low productivity figures for the economy as a whole.

Messages for the Operational Programme

Although the growth in GVA has been impressive, population growth means that little progress has been made with regard to GVA per head. In essence, GVA growth has only partly been driven by productivity growth, with a significant element of growth being accounted for by more people in employment. The increase in employment has however been accompanied by an increasing population including the economically inactive and a non working elderly population. There is a need to focus on reversing low levels of productivity as much as employment and economic activity rates in future years.

Although the forecast growth rate is a positive feature, there is a need to raise the productivity of existing jobs to move away from a low wage, low value added economy. While a growing population brings with it additional employment, this is often in local service related employment, potentially reinforcing the low wage economy. An increasing population will also place more pressure on both the housing market and local services including health and education. It is not clear if the predicted level of growth is sufficient to allow Cornwall and the Isles of Scilly to absorb the increasing population. On the positive side, the increasing labour pool and increase in local expenditure will create new economic prospects for local businesses.

Whilst output has increased in many sectors over the past decade, and in some cases at rates above the national average, increased labour and other inputs, rather than significantly higher productivity, accounts for much of this increase. There is a high proportion of output in lower value added sectors and significant structural change is required to increase the contribution to national GDP. As the economy continues to expand, making better use of capital, the workforce and other inputs will be essential to boosting output and increasing GVA per head.

The exceptionally poor productivity scores for five of the Cornish Districts encapsulates the scale of the challenge facing stakeholders in improving the relative economic position of the county. The very low scores covering such a large proportion of the economic base will require concerted and long term actions.

Across a number of key sectors the range of factor productivity varies considerably. This does not necessarily make one sector more valuable than another, and a balanced economy has representation across all sectors. It is important however where lower value sectors are strongly represented to both work to broaden the economic base and at the same time seek to improve productivity levels in lower value sectors.

2.4 Enterprise

Business Stock

Stock of VAT registered businesses - Cornwall & Isles of Scilly (1999- 2004)

Year	De-registrations	Registrations	Net Change	Stock
1999	1,265	1,370	+105	17,785
2001	1,170	1,330	+160	18,105
2003	1,450	1,585	+135	18,465
2004	1,590	1,475	-115	18,345

Source: VAT Registrations and stocks/ VAT registrations & de-registrations by industry 1995 to 2004 (ONS©NOMIS) - Socio-Economic Stats for Cornwall, Research and Information, Cornwall County Council

In 2004 there were 18,345 VAT registered businesses in Cornwall and the Isles of Scilly. Between 1999 and 2004 there has been an overall increase in business stock of 560 (+3%). This growth rate is less than those recorded at both the South West (+4.6%) and UK (+4.7%) levels. The volume of new registrations has been increasing, reflecting a stronger national and regional economy, although the number of de-registrations has also increased.

The decline of 115 businesses between 2003 and 2004 can largely be attributed to the overall increase in agricultural and fishing business de-registrations at a national level during 2004. With the exception of agriculture, manufacturing, retail and financial intermediation, the other sectors have seen an increase in total numbers of VAT registered businesses between 1999 and 2004. Whilst agriculture is still a dominant sector with 20.7% of the total business stock, it has lost 415 businesses over the five year period. This is a reflection of the re-structuring that both agriculture and fishing have experienced over the last decade.

In numerical terms, three sectors dominate the business base – agriculture (3,900), retail (3,900) and real estate and business services (2,600). In this last case, while the numbers are considerable, as a proportion of the business base the group constitutes less than half the corresponding national figure. This under representation is also reflected in the employment figures and is one of the key structural weaknesses in the economy.

The percentage stock of VAT registered businesses in the hotels and catering sector in Cornwall and the Isles of Scilly (11.4%) is higher than those found at the South West (8%) and UK (7.1%) levels. In contrast, the stock of businesses in the higher paid sectors, such as manufacturing and high growth/high paid sectors such as finance (0.2%) is lower than the South West and UK averages.

VAT registered businesses represent the most significant part of the business base (in turnover and employment terms), but Cornwall and the Isles of Scilly also has a large number of smaller enterprises and people who are self employed (approximately 18% of the working age population). These businesses are particularly important in certain sectors, including some potential growth sectors such as creative industries.

Business Start Ups

In 2003 there were approximately 41 business registrations per 10,000 working age people in Cornwall and the Isles of Scilly. This was higher than start-up rates recorded at the South West (38 per 10,000) and England and Wales level (30 per 10,000). Indeed, Cornwall and the Isles of Scilly had the eighth highest start-up rate of all local authorities across England and Wales.

The sectors experiencing the highest percentage of start-ups were in real estate (22.3%), retail (22.3%), hotels and restaurants (19.2%) and construction (16.4%). Whilst these trends are similar across the UK as a whole, the proportion of new starts in real estate, renting and business services sector (36.2%) at a national level is much higher than in Cornwall and the Isles of Scilly.

While the high start-up rates in retail and hotels and catering reflect the strong tourism economy, and a healthy churn of new businesses is important in any sector, it does help to perpetuate the preponderance of lower value added sectors in the business base. In terms of the number of businesses relative to its population size, Cornwall and the Isles of Scilly compares well both to the South West region and nationally. Along with the business start up data this suggests that Cornwall and the Isles of Scilly are not short of entrepreneurs or an entrepreneurial culture, rather it is the type of businesses and the continued dominance of lower paid sectors which contributes to the area's poor relative economic performance. The area also has very good survival rates, and these have been improving for some time. Over 70% of businesses are still trading three years after being set up.

Self Employment

Cornwall and the Isles of Scilly has a very high proportion of its workforce in self employment (17.5%). However it would appear that the picture has deteriorated slightly in the last five years against the regional and national picture. In other words, the growth in employees has not been matched by the proportionate growth in the self employed group.

Self-Employed as a Proportion of all those in Employment, aged 16+

	2000	2005	Change (%)
England	12.2	12.9	0.7
South West	14.2	14.7	0.5
Employees (16+)	1,979,000	2,058,000	79,000
Numbers Self Employed (SW)	333,000	360,000	27,000
Cornwall and the Isles of Scilly	18.1	17.5	-0.6
Employees (16+)	163,000	194,000	31,000
Numbers Self Employed (C & IoS)	37,000	42,000	5000

Source: LFS

Messages for the Operational Programme

Cornwall and the Isles of Scilly has a reasonable number of businesses and a relatively healthy start up rate. The major issue is the structure of the business base, with a need to increase the start up rates of particular types of business, notably those in higher value added services. Creating the conditions for local businesses to survive, grow and compete more effectively is a considerable challenge for the Operational Programme.

With regard to business development support, while improving the productivity and competitiveness of all companies may be an important ongoing objective, there is a need to focus on accelerating the growth of companies from high value added sectors. There is also a need to retain the proportion and volume of self employed and start-ups and encourage business growth and investment.

Regional Priority Sectors

The Evidence Base which supported the review of the Regional Economic Strategy highlighted a number of sectors already identified as a priority for the South West, and in a number of cases Cornwall and the Isles of Scilly make a major contribution to the regional strength and competitiveness of these sectors. The table below analyses the size and relative performance of key sectors.[2].

[2] It looks at both broad sectors such as 'manufacturing' and more specialist ones such as 'environmental technologies', there will of course be some overlaps.

	Cornwall and the Isles of Scilly Sector Size and Performance	Analysis
Food and Drink	- Despite a small decline in its percentage of total GVA, in absolute terms the sector has grown from £131 million in 1999 to £186 million in 2003. - The total number of businesses fell (1999-2003) from 653 to 607, but employee numbers have increased. This implies that the main business losses have been among the smaller and micro-businesses employing up to 10 people. In contrast there has been a steady growth in the number of businesses employing more than 11 people. - Employment rose from 8,394 in 1999 to 9,740 in 2003 (5.5% of the total workforce), in contrast to a decline regionally and nationally. Over the same period the sector lost 10,406 jobs across the region. - The main growth sub-sector in Cornwall and the Isles of Scilly was the production and preparation of meat which grew from 1,419 to 2,504 employees. Other large sub-sectors are the manufacturing and retail of bread, pastries and cakes.	Factors affecting the sector's growth: - New chilling, packing and distribution facilities are making it easier to sell fresh local products to national and global markets. Marketing initiatives such as the Cornish King brand have reinforced public trust in Cornish produce; and - Many local farmers now have organic certification which allows them to tap into rising consumer demand.
Tourism	- In 2003 Cornwall and the Isles of Scilly received 4.9 million domestic tourist trips and a total of 25.8 million tourist nights. - A further 0.24 million trips and 1.6 million nights were made by overseas visitors. In total, it is estimated that these visits contributed £1,216 million to the economy (27% of the total South West spend and 4.5% of the England spend). There is some evidence that visitor numbers have peaked, although it is not clear if this is a temporary phenomenon, or a longer term trend. - Visitor related spend in Cornwall and the Isles of Scilly resulted in £1,530m to the local economy supporting an estimated 54,248 full and part-time jobs. These can be split between 46,812 jobs attributed to staying tourists and a further 7,436 jobs resulting from day visitor spend. This equates to 39,993 equivalent full time jobs being attributable to visitor spend, or 25% of the total workforce. In terms of Gross Value Added (GVA), the hotels and catering sector alone contributes between 6% of the economy in Kerrier to 11.6% in Penwith and 21.5% in the Isles of Scilly.	The tourist season has been extended in recent years, although numbers are still greatest in the summer months. The number of visitor attractions has increased in the past ten years. More people appear to be staying for shorter breaks, and this has the potential to lengthen the season, and reduce the seasonal nature of employment. In recent years tourism, as measured by tourism trips and overnight stays, has grown in Cornwall and the Isles of Scilly, against a backdrop of falling tourism figures across the South West and England. In 2003 Cornwall and the Isles of Scilly accounted for 28% of the South West's overnight stays, up from 23% in 2000. Tourism spending has also grown faster in Cornwall and the Isles of Scilly, increasing by 34% over the period 2000-03 compared to 4% and 6% growth in England and the South West respectively. New tourism markets based on quality will help to sustain the volume and duration of overnight stays.
Environmental Technologies	- Employment has increased significantly against regional employment losses of 9.1% (2000-2003), primarily a result of increased employment in recycling and the demolition of buildings. - There are 166 businesses (2004) in the ET sector (approximately 10.5% of the total regional environmental technology business stock). It is dominated by micro-businesses with 80% employing between 1 and 10 employees. The bulk of the workforce (630) is, however, employed in businesses with between 11-49 staff. - In 2004 there were a total of 1,478 people employed in the sector, 93% on a full time basis. The sector is dominated by male employees (85%) who generally have high levels of educational attainment.	An extremely diverse sector[3] but a small employer, although there is considerable potential to increase employment in the medium term.
Creative Industries[4]	- The sector is characterised by a high number of business, although many of these are categorised under other headings. - It has an estimated turnover of £250 million with a total of 3,294 businesses employing an estimated 8,600 people (4% of the total workforce). Approximately 76% of the workforce is freelance or self-employed, and in total the sector contributes £100 million to the Cornwall and the Isles of Scilly GDP (3.3%). - The largest sub sector is the visual arts, excluding crafts and photography, followed by film and video. In the former case, employment has been estimated at 3,300 making it a very significant employer.	Although the sector is highly skilled, the fragmented nature of the business base and nature of the market reduces earnings. Recent research has identified a number of weaknesses with the majority of businesses spending very little on marketing and promotion, and with business skills assessed as average to poor. Creative industries make a significant contribution to the tourist economy, although a number of businesses are involved in exporting, rather than providing solely for the residential /visitor market.

[3] Includes sub sectors such as manufacture of ventilation equipment; manufacture of electricity distribution apparatus; recycling of metal and non metal waste and scrap; collection/purification of water; insulation work activities; technical testing and analysis; and sewage and refuse disposal.

	Cornwall and the Isles of Scilly Sector Size and Performance	Analysis
Finance and Business	- This is a key sector within the knowledge-based economy, comprising 4,197 businesses, representing approximately 7% of the South West total and 23% of the Cornwall and the Isles of Scilly business base. The local finance and business services sector, in line with the national average, is predominantly made up of businesses employing less than 10 people (92%). - There are 21,313 employees in Cornwall and the Isles of Scilly's finance and business services sector, just 5.7% of the South West total. A very high proportion of these employees work on a part time basis (36.5%) in contrast to the South West (27%) and national (24%) levels. - The total GVA generated by financial services and real estate/business activities in 2003 was £1,450 million representing 21.9% of total GVA. The main growth over the last decade has been in the real estate/business activities sector, which has grown by 62% to £1,335 million.	The finance and business services sector is relatively under developed in Cornwall and the Isles of Scilly compared to the South West and Great Britain as a whole. Further work needs to be done to map out the competitive advantage which Cornwall and the Isles of Scilly can offer, and how best new investment can be secured.
Manufacturing	- The general manufacturing sector, which includes all manufacturing activities apart from advanced engineering, food and drink processing, environmental technology and biotechnology, has been in decline over the last five years. - In 2004 there were 431 businesses representing approximately 9% of the total South West manufacturing business stock. Only four companies employed more than 200 people, and there were only 13 medium sized companies. There was a larger pool of businesses in the 11-49 employees category; although at 57 the numbers involved are quite small. - There are a substantial number of businesses employing 1-10 people, however this size of business typically has insufficient capital investment in new equipment and often finds it difficult to invest in training and skills development. - GVA per employee in all manufacturing in Cornwall and the Isles of Scilly is £25,000 per head, well below the South West figure of £37,400. This partly reflects the structure of the sector.	The decline can be attributed to a number of factors including overseas competition, failure to invest in research and development and innovation and inadequate skills levels among managers and employees. When all manufacturing employment is taken into account, the decline has been less severe than regionally and nationally, and the broad sector has proven to be quite robust. That said, the business base is relatively modest and it is difficult to envisage that manufacturing employment will increase substantially in the future.
Agriculture	- Agriculture and forestry makes up 3% of the Cornwall and the Isles of Scilly economy (0.9% nationally), nevertheless, in many communities agriculture and associated employment remains an important business sector. - The sector has experienced a difficult time over the decade. Output, which peaked in 1995, fell dramatically in 1998 and, although there has been some recovery since, the 2003 level was still below that of 1993. In 2004 there were 9,032 agricultural holdings in total (18.5% of the total number of South West holdings); the majority of which are classified as carrying out 'other' activities (39.4%) and 'cattle and lowland' (22.2%). These exceed national levels, along with 'dairy' (9.9%). In terms of production livestock, notably dairy and beef, account for the majority of outputs in financial terms, with horticulture continuing to be an important sector of production. - Total employment in agriculture stood at 10,467 in 2004 (19% of the South West agricultural workforce). Although total employment grew by 10% 1999-2004, the proportion of part time workers has increased from 45% in 1999 to 57% of the total in 2004 (Full time employment fell by 688). Agricultural employment is important in North Cornwall and Caradon and there are a number of smaller areas where agricultural employment accounts for more than 10% of all employment.	The relatively low figure for a rural economy reflects the agri-industrial nature of the sector, and the importance of mining and quarrying and the poor quality of agricultural land in some parts of Cornwall. There are new opportunities emerging for the sector and the Cornwall Sustainable Energy Partnership has identified bio energy as a "sector of great potential".
Fishing	- In 2005 there were a total of 659 registered fishing vessels in Cornwall and the Isles of Scilly. As a result of quota cuts, the number of vessels has been reduced by exactly 100 between 2001 and 2005. - The most recent estimate of the total number of fishermen was 1,082 in 2001 (56% of the South West total). In 2003 approximately 14,000 tonnes of fish[5] was landed in local ports with a value of £26m. - Additional downstream activities add an estimated further £65.3 million to fish landings: broken down between processing (£45.3 million), merchants (£14.3 million) and retail (£4.6 million). In total it is estimated that the total fish industry is worth approximately £99 million to the Cornwall and the Isles of Scilly economy.	Although the numbers employed directly and indirectly in fishing are modest when set in the context of the wider economy, in a number of communities a significant number of jobs are dependent on the industry. Newlyn is the major ports for fish landing, with almost 70% of fish (by value) being landed at there. Estimates suggest that 13.6% of the total catch for England is landed at Newlyn, second only to Brixham. While the value of fish landings have remained stable, the ownership has changed, with a significant shift towards shellfish.

[4] Creative industries has been defined by the DCMS as including advertising, architecture, art and antiques market, crafts, design, designer fashion, film and TV, interactive leisure software, music, performing arts, publishing, software, television and radio.

[5] This comprised 8,343 tonnes of demersal, 1,059 tonnes of pelagic and 4,598 tonnes of shellfish.

Messages for the Operational Programme

Cornwall and the Isles of Scilly has a major opportunity to contribute to the development of a number of regionally important sectors. In two cases – tourism and environmental technologies – the area's contribution will be substantial – while in others – food and drink and creative industries – the employment involved is significant. In some of these sectors the wage levels are likely to be lower than average and there is a need to focus on increasing competitiveness and profitability to help move away from a low wage economy. The sector with the most potential is likely to be environmental technologies and renewable energy although much more work is required to identify the types of activities where Cornwall and the Isles of Scilly has a competitive advantage.

Food and drink is a large and growing sector with a number of strengths, including the Cornish brand, and there are opportunities to work with both small and large firms to further strengthen the sector. Employment in the sector is overwhelmingly full time, and is distributed throughout the area, although there are some hotspots. The sector is important both regionally and locally, exports a substantial proportion of its output and has a significant number of companies operating locally, and some of the smaller brands and products help reinforce the county as a destination.

The distinctive tourism product of Cornwall and the Isles of Scilly and its brand which is increasingly synonymous with quality, make a major contribution to the South West's GVA. There is some evidence that visitor numbers are in decline, although still at high levels compared to the 1990s, and traffic numbers and congestion in the peak season now act as a major constraint for visitors. There is a continuing challenge to increase the GVA per employee and earnings in the sector, and this needs to be linked to a high quality product, covering all elements of the visitor experience. This is a major challenge as a large part of the product is provided or maintained by the public sector.

There is an opportunity to determine the key elements of the competitive advantage which Cornwall and the Isles of Scilly has in relation to environmental technologies and renewable energy and to prioritise strengths which can generate employment and GVA. This will also have to take account of environmental considerations and priorities. Given that some elements of this sector are at the early stages of development, there is a need to consider if the current business base has the expertise and ambition to pursue new opportunities, or if greater efforts are needed to attract or develop new businesses. The potential to link to the higher education facilities in the area is also likely to be an important area for development.

The creative industries sector accounts for a significant proportion of employment. It contributes to the tourism product and employment is widely distributed. While the sector is an important provider of part time and self employment, often fitting in with people's lifestyle choice, a significant part of the business base has the potential to increase employment and value added. There is a need to identify those businesses with the potential to grow, with a focus on those in higher value added sectors which export their product out of Cornwall and the Isles of Scilly and already have a strong presence.

The financial and business services sector is now one of the most important economic drivers in the national economy. Cornwall and the Isles of Scilly has seen significant growth, although the sector provides a relatively low proportion of total employment when compared to the regional and national economy. Many elements of this sector are geared towards major cities, and Leeds, Manchester and London dominate employment, with strong growth in other cities such as Bristol. The challenge for Cornwall and the Isles of Scilly is how best to accelerate the growth of the sector and this will involve ensuring that there is suitable infrastructure such as office premises and connectivity and a highly skilled workforce capable of working at the higher value end of the sector.

The agricultural sector continues to go through a period of adjustment; this will be influenced by new regulations at the European and national level. There are some further strengths to build on within the sector including a move to environmental stewardship and further farm diversification. Further consolidation of holdings, and a reduction in the full time labour force (as distinct from the farmer) are likely. Land is a key economic asset and a strategy based on environmental and land management and sustainable agricultural production needs to be developed as part of the European Rural Development Programme.

The fishing industry is important in terms of keeping a number of ports and harbours as working facilities, and there remains further potential to develop local strengths - the growing food and drink sector and high quality restaurants and hotels. In the medium term the industry's prospects are linked to the EU quota system.

2.5 Innovation and ICT

Knowledge Based Economy (KBE) and Innovation

The OECD (2003) has developed and refined an attempted definition of 'technology and knowledge–intensive industries'. This includes 'high technology industries based essentially on R&D intensity' and 'knowledge intensive service industries'. It is now clear that the EU economies can no longer compete on the basis of low costs, and that the use of knowledge is the key to future competitiveness.

Knowledge Economy Employment

	1998	% of total	2003	% of total	% change
Carrick	7,889	21.5	10,007	21.9	+26.8
Restormel	3,667	11.7	3,581	10.0	-2.3
Penwith	2,605	15.2	3,120	15.4	+19.8
North Cornwall	2,465	8.9	3,085	10.1	+25.2
Kerrier	2,638	10.4	3,077	10.3	+16.6
Caradon	1,797	8.7	1,434	6.6	-20.2
Isles of Scilly	15	1.7	84	8.9	+460
South West	390,560	20	443,438	20.6	+13.5
UK	5,059,871	20.8	5,586,110	21.7	+10.4

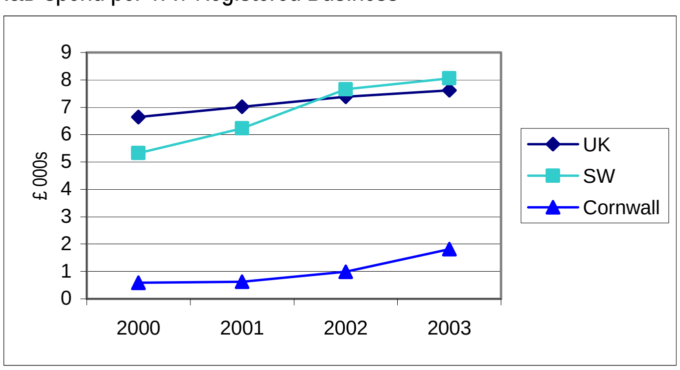
Source: SWRDA (2005) The Knowledge-Driven Economy, Regional Economic Strategy and Regional Spatial Strategy in the South West of England

Employment in the KBE sector in Cornwall and the Isles of Scilly is still relatively weak, despite strong growth between 1998 and 2003. The most notable success story is in Carrick where 21.9% of all employees are in the KBE sector, over 10,000 employees in total. This reflects a large public sector and the growth of the education sector. Nevertheless there is a substantial critical mass involved in KBE.

Penwith also has a high proportion of employees in the KBE sector, although the number involved is more modest. The other districts fall some way short of the 20.6% KBE average seen at the South West level. The majority of the districts have seen KBE employment growth rates between 1998 and 2003 higher than those experienced nationally, apart from Restormel and Carrick which have seen recent KBE employment losses. The roll-out, and encouraged take-up, of broadband is likely to have impacted upon the growth of the KBE sector across Cornwall and the Isles of Scilly.

The Lisbon Strategy identifies innovation as one of the key drivers for growing the knowledge economy. Innovation relates to the ability to identify and introduce new products and processes which, in turn, will help to improve economic performance.

R&D spend per VAT Registered Business



Source: Research and experimental development statistics, ONS © Crown Copyright

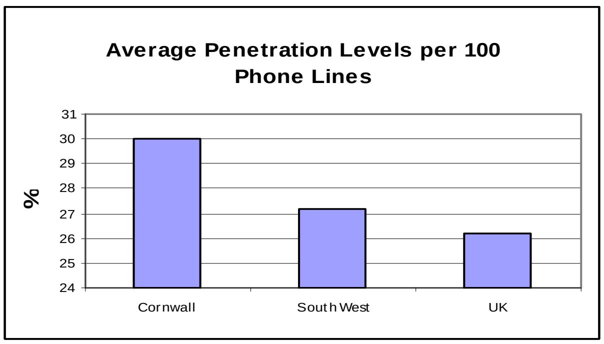
In 2003, over 550 jobs in Cornwall and the Isles of Scilly were in R&D businesses. This represented approximately 0.3% of the total workforce. Whilst this is still relatively low, R&D jobs in Cornwall and the Isles of Scilly have grown significantly in recent years. R&D spend per VAT registered business has also grown in recent years but is still considerably less than the percentages recorded at the South West and Great Britain level.

In 2002 there were 28.9 patent applications in Cornwall and the Isles of Scilly[6]. This was down on the 34.7 patents recorded in 2001. The 28.9 patent applications is equivalent to 57.3 patent applications per million inhabitants. This was significantly less than the number of patents per million inhabitants recorded at the South West (150.8) and at the national (128.7) levels. Similarly, it can be calculated at 122.9 patents per million workforce in Cornwall and the Isles of Scilly. Again this is less than the levels recorded across the South West (300.9) and the UK (257.6).

ICT

The ICT sector currently accounts for about 1% of jobs in Cornwall and the Isles of Scilly, although many more businesses and organisations rely on access to a high quality ICT infrastructure in order to remain competitive. ICTs are often linked to efficiency savings, improved business systems and processes, e-commerce and design and innovation. In addition, ICT underpins the Technology and Knowledge Intensive Industries, both as an enable to other Knowledge Intensive sectors, and as a key sector in its own right.

Cornwall and the Isles of Scilly has succeeded in leading the way in broadband availability. Of the 100 exchanges in the area, all have now been upgraded for ADSL broadband and there is 99% coverage across the area. Broadband technology is evolving quickly and beginning to deliver significant economic benefits. Penetration in Cornwall and the Isles of Scilly is now 13 connections per 100 of the population, and home working has increased massively over the past decade.



Source: Summary Broadband Facts & Figures, actnow 2006

In 2004 the South West had the highest level of start-ups that used technology of all English regions (29.9% of all start-up activity). Cornwall and the Isles of Scilly was the highest ranking sub-region in the region, with 37% of all start-ups using new technology, which may highlight the impact of interventions to encourage broadband and other ICT uptake. A continuing challenge is encouraging business to make the maximum use of broadband to improve their competitiveness.

The technology surrounding broadband advances quickly, and over the next one to two years the next generation of broadband to deliver higher speeds over telephone lines (ADSL2+ and VDSL) will be rolled out. This will present challenges to rural areas, and may worsen the rural / urban digital divide as:

- The highest speeds are heavily dependent on proximity to the local exchange, with the full benefits only being typically available within approximately a 2km radius of the exchange. Within Cornwall and the Isles of Scilly, 51% of phone lines lie beyond this point with the result that a significant number of local businesses and individuals will be excluded from the benefits of these new technologies; and
- There is no guarantee that the upgrade work required on the exchanges will be deemed economically viable in many rural area, leading to further exclusion. For example, the largest 25% of exchanges cover 67% of telephone lines.

A scenario where only the largest 25% of exchanges were upgraded, in conjunction with the 2km limit, would exclude two thirds of businesses and individuals in Cornwall and the Isles of Scilly from the new technologies. Furthermore, a VDSL rollout will require a ‘fibre to the cabinet’ solution involving significant infrastructure spend, and left to the market a rural economy like Cornwall and the Isles of Scilly would certainly lag behind major urban

[6] LINC / Eurostat

rollouts. In the longer term, the only true future proofing solution to the divide may come from 'fibre to the premises' solutions offering significantly higher speeds unaffected by the distances involved.

Messages for the Operational Programme

Given the absence until recently of a major University, and some of the other significant components which support innovation such as strong networks, the increase in R&D is an important development. While Cornwall and the Isles of Scilly are unlikely to reach the levels of innovation of the major urban economies, there is the potential given recent developments such as the Peninsula Medical School to increase both R&D employment and innovative activity.

Company led innovation, without necessarily employing dedicated research staff or leading to the filing of patents, is an important dimension of improving productivity, requiring further investment in capital and human resources. There are a reasonable number of companies of a size to consider innovation and research as an important strand of company development, although some companies may not see the short term benefits of R&D and may need some support to initiate work.

The low proportion of employment in knowledge based economy (KBE) sectors is a continuing weakness of the economy, although many of these sectors favour larger, urban economies. Creating new opportunities to accelerate the growth of KBE employment will help to address the underlying problems of a low wage economy, building on existing strengths (accelerated growth in Carrick) and seeking more significant new/inward investment.

While KBE can be considered in terms of economic activity in a defined set of sub-sectors, it has a wider relevance in how knowledge is applied to every type of business and in every type of sector to increase competitive advantage and productivity. Building knowledge and making greater use of intangible assets to compete effectively an important feature of future economic growth.

The investment in broadband technology has been a significant boost to Cornwall and the Isles of Scilly, given its peripheral location. It is important that local businesses are able to access the latest broadband and related technologies if they are to remain competitive in the future. There is now a need to review the infrastructure provision in Cornwall and the Isles of Scilly in the medium term to determine to what extent further investment is needed, and at the same time increase the use of ICT in the day to day operations of business.

While ICT is regarded as essential to every day business use, it should play a more important role for enterprises more physically remote from major markets. Further work to develop services such as video conferencing, which address peripherality as a constraint, would help translate the availability of broadband into a tool for increased sales and productivity. The issues surrounding the 2km radius limit from exchanges for benefiting from the future generations of broadband make this concern particularly relevant.

Business advice needs to be delivered at an appropriate level and businesses should be able to source ICT requirements in Cornwall and the Isles of Scilly with confidence (requiring a fully developed digital supply chain).

2.6 Investment (Sites and Premises, Education Infrastructure and Transport)

Over the past five years, a number of developments, some of which have been supported by the Objective One programme, have begun to address the mismatches in demand and supply for high quality sites and premises in Cornwall and the Isles of Scilly. Of the total stock of employment land, it is estimated that 60% is occupied. The majority of this land is in Restormel (150 ha), North Cornwall (135 ha) and Kerrier/CPR (101 ha). Approximately 50 out of the 577 hectares has been developed but is vacant.

In addition to the existing commercial land, a further 62 hectares of land is serviced with planning permission and 23 hectares is allocated as un-serviced without planning permission. A total of 135 hectares has been allocated as employment land, the majority of which is in Kerrier/CPR (52 ha) and Restormel (37 ha).

Recent studies have shown demand amongst businesses in a range of sectors for accommodation, although the market has not yet grown sufficiently to witness substantial private or speculative investment. Much demand is perceived as latent and there is a belief that public sector intervention is required to support new development. There are increasing examples of successful speculative developments, such as Tolvaddon Energy Park in Redruth.

A recent comprehensive study of Employment Space Strategy 2007-2017 examined the property market context, future prospects using Cambridge Econometrics growth forecasts, floorspace and employment land forecasts and sectoral requirements. The study concluded that some 70% of businesses were expecting to grow, a high proportion of businesses reported their premises as inadequate and in addition to current concerns, future demand is likely to be significant, and particularly for smaller units.

As well as growing overall, the type of accommodation being sought is changing. A snapshot of one month of property enquiries during 2005 showed a majority of enquiries were for office rather than industrial space, with almost half coming from RES priority sectors – IT, software, business services and creative industries.

The lack of a major HE institution in Cornwall and the Isles of Scilly has historically been a major brake on growth – resulting in the out migration of educated young people, contributing to poor workforce skills and holding back the growth of knowledge based industries. As the analysis of competitiveness identifies, growing more knowledge based businesses in Cornwall and the Isles of Scilly is key to creating more sustainable jobs and incomes. There has been a recent reversal in the out migration of young people from Cornwall and the Isles of Scilly which is encouraging and coincides with recent development: the Combined Universities in Cornwall initiative has sought to deliver a step change in HE provision, and become a key driver for growth and regeneration[7].

Phase 1 has now been completed and involves enhanced academic provision and upgrading the research base and links between academia and business through incubator space, knowledge transfer and graduate placements. Around 430 new teaching and support jobs have already been created as a result of the CUC initiative. In the longer term, the Phase 2 element is estimated to generate 2,480 jobs and £120m of GVA, excluding the benefits from incubation, knowledge transfer and other activity. Phase 2 is expected to create almost 2,900 HE places in Cornwall and the Isles of Scilly by 2010, contributing to a total of 7,750 HE places overall[8].

There are three main providers of FE within the area with over 8,000 full time students: the Cornwall College group[9], Penwith College, and Truro College. Alongside the developments in the HE student provision, research capacity is also being enhanced, particularly in the creative (Falmouth College of Arts) and environmental technologies (Camborne School of Mines) sectors, but also in the other emerging sectors and research fields. To ensure that business benefits flow from the CUC partnership, a business outreach co-ordination service is being established. There is a need also to provide appropriate infrastructure to stimulate high growth knowledge intensive business activity in new innovation and Incubator Centres and Science Parks.

Newquay Airport is one of the area's critical external links, providing connectivity for businesses, visitors and residents. The airport has grown rapidly in recent years and in 2004 handled approximately 280,000 passengers. Nine UK destinations are now served by three airlines, with the greatest number of passengers on the route to London Stansted currently provided by Ryanair. Given Cornwall's peripheral location and the extended journey times to reach the county by road or rail from outside the South West, the growth of the Airport has provided a major boost to the image of the area and helped develop new commercial and tourism opportunities.

The provision of a number of scheduled passenger services is a relatively recent phenomenon at a facility which has a well-established RAF base. The future operation, ownership and management of the airport is currently being reviewed following the decision of RAF St. Mawgan to withdraw airside facilities and commercial operations and an Airport Development Fund has been set up to help generate the required levels of investment. Newquay Airport is now a key economic driver. It directly and indirectly supports an estimated 610 jobs in the local economy and makes a contribution to GVA of £18.2m per annum, excluding benefits from military personnel and civilian jobs at RAF St. Mawgan.

[7] Being established in two phases, the Initiative involves the creation of a 'hub' campus at Penryn and new or improved HE facilities at a dozen of Cornwall's further education colleges, and will cost £623 million up to 2025.

[8] CUC Phase 2 Work In Progress Business Plan.

[9] With centres at Camborne, St Austell, Saltash, Falmouth, Stoke Climsland and Rosewarne.

Newquay Airport Masterplan Forecasts

Sector	Route	Service Type	2010	2020	2030
International Scheduled	Dublin	Small Regional			
		Large No Frills	76,905	113,648	170,123
	Cork	Small Regional	23,660	35,023	51,842
	Frankfurt	Large No Frills		104,418	123,833
Domestic Scheduled	Stansted/Luton	Large No Frills	171,071	253,227	374,838
	London	Small Regional	60,153	69,888	69,888
	Isles of Scilly	Small Niche Existing	23,687	35,062	51,901
	Scotland	Regional	20,360	46,005	68,099
		Regional	19,577	44,236	
	Belfast	Large No Frills			70,809
	Northern England	Large No Frills	48,807	72,246	106,942
International Charter Outbound	Palma	Charter	26,366	35,931	49,296
	Tenerife	Charter	16,625	22,276	29,945
	Lanzarote	Charter	6,480	20,498	30,342
	Las Palmas	Charter		16,848	24,939
Charter Inbound	Austria	Existing Charter	1,974	2,922	4,325
Total			495,664	872,229	1,227,122

Source: Newquay Cornwall Airport Master Plan Variant Statement 2005.

Travel by rail into and within Cornwall has expanded significantly over the past decade with an extra 1 million trips in 2004/5 in comparison to 1996. Rail accounts for only 4% of passenger trips in the county, however, reflecting in part the limited coverage of the rail network – there is only one main train line through the county, with five branch lines from it serving Gunnislake, Looe, Newquay, Falmouth and St Ives. Whilst there are mainline services to destinations including Manchester, Newcastle and Scotland, the extremely long journey times impact on the business community by constraining the ability to meet with customers and suppliers.

The main line provides an important strategic link to the rest of the UK, particularly Plymouth, Bristol and London, and services are generally well utilised in spite of the long journey times. Whilst the growth in passenger numbers has been positive, this increase corresponds to the trend nationally. Rail patronage continues to be constrained by a history of under-investment in the core infrastructure, long journey times, and infrequent and sometimes unreliable service provision. Given further improvements, there is potential for the rail network to account for a larger share of passenger trips, particularly between the key towns, thereby alleviating some of the congestion on the county's roads.

The rural and semi-rural nature of much of Cornwall means that the county's roads take the strain for the bulk of trips. With a patchy bus network, car usage has been growing, both amongst residents and by visitors.

There are now 66% more vehicles in Cornwall and the Isles of Scilly than there were 20 years ago, and the number of multiple car households has increased rapidly. Whilst this growth is partly explained by the increasing population, it also reflects changing lifestyles and the weaknesses in public transport networks. The growth in car ownership has not been uniform, with low incomes contributing to low levels of car ownership in some communities. Transport inequalities appear to be growing rather than narrowing.

Congestion has worsened considerably, with unsurprisingly, large seasonal variations resulting from the five million annual visitors, the vast majority of whom arrive by road. As well as the strategic roads such as the A30 being increasingly affected by congestion, the growing number of vehicles is also adversely impacting on access to key towns, employment sites and visitor destinations – travel to work distances are significantly higher than the UK or even South West average. Measures to increase public transport patronage and restrain the growth in car usage are essential as part of a sustainable transport strategy for the county.

Cornwall has a wide range of ports. The major ones are located at Fowey and Par (serving the china clay industry), Falmouth, the third largest natural deep water harbour in the world, (marine industry, ship repair and freight handling), and Truro (freight handling). Other secondary ports include Penzance, with its important sea connections to the Isles of Scilly, Newlyn, the principal fishing port, and Hayle, Looe, Padstow, Mevagissey, Newquay and St Ives being locally significant for the fishing and marine industries. These and other smaller harbours, important in the past for fishing, are now more of a focus for local tourism from both land and sea visitors. Cornish ports handling freight can play an important role in the development of a sustainable freight solution. The port of Fowey is the fourth most important port in the South West region in terms of freight handled, with over 1.5 million tonnes of port trade. Fowey is particularly significant in European terms, as one of the ports identified as part of the transport "Trans European Networks" (TENs). Par Docks handles over 0.6 million tonnes of freight per annum. The port of Falmouth handled about 1.00 million tonnes, mainly consisting of imported petroleum products. The port of Truro, although a smaller operation, handles over 50,000 tonnes per year and is looking to expand. Government and EU policies are encouraging short sea shipping solutions.

At present, the only public service by sea from the mainland is the service to the Isles of Scilly that operates for freight throughout the year from Penzance and for passengers in the summer months. There has also been a significant expansion in the number of cruise liner visits to Cornish Ports (Fowey, Falmouth and Penzance) with Falmouth becoming the fourth most popular UK cruise destination, reflecting the new tourism attractions (National Maritime Museum, Tate St Ives and Eden Project) and Cornwall's changing tourism market.

Messages for the Operational Programme

Enhanced transport and digital connectivity is needed to support Cornwall and the Isles of Scilly's improved economic trade, collaboration and co-operation. Whilst recent investments have begun to tackle the shortage of high quality sites and premises, there remains an unmet demand for high quality accommodation of a range of types and sizes. Market conditions are such that in the vast majority of locations, however, development will not come forward without an element of pump priming from the public sector. Further consideration needs to be given to the public sector sharing risks and rewards in terms of development, rather than merely continuing to provide subsidy. In a growing economy, the levels and scale of public sector intervention should be diminishing.

Meeting the needs of micro and other growing businesses remains a key priority, and further research to establish the scale of demand and best means of stimulating supply would be useful in preparing for the new Convergence Programme.

The CUC initiative has already begun to have a positive impact on the Cornwall and the Isles of Scilly economy, both through increasing learning activities and also enhancing the area's research base and business/academic links. In the medium term, CUC can provide a key source of knowledge based activity and help to attract and retain people and businesses in the area. The development of networks and engagement with businesses will be critical to maximising the benefits of the capital investment being delivered through Phases 1 and 2 of CUC. In the longer term, however, additional mechanisms for delivering HE provision within Cornwall and the Isles of Scilly may be developed, perhaps in unison with the CUC. The CUC will provide substantial benefits to Cornwall and the Isles of Scilly, but this does not mean that the area cannot strive for a 'University of Cornwall' in the longer term.

Given the peripherality of Cornwall and the Isles of Scilly, the retention and development of the Airport for commercial services is a critical element in the strategy to re-connect the economy. Elsewhere in the UK, Airports are now key drivers of regional economies and the growth of Newquay Airport can generate substantial direct and indirect benefits in the medium to long term. The Airport is integral to promoting Cornwall and the Isles of Scilly as a business and investment destination.

The growth in population and economic activity envisaged over the next decade or so will place increasing pressure on the transport infrastructure. A range of solutions are required in order that congestion does not significantly worsen, and that public transport becomes a more attractive and sustainable way of accessing employment and services around the county.

2.7 Skills

Participation and Attainment

The Government, through the Connexions service, is committed to reducing the number of 16-18 year old young people not in education, employment or training (NEET). There are two types of NEET. There are those who will be NEET for a short time and are essentially testing out a variety of options and there are those who have major/multiple issues and are at long term risk of remaining disengaged. Between 2002 and 2004 the percentage of NEETs in Devon and Cornwall (including the Isles of Scilly) fell from 7.0% to 5.6% of the total population of 16-18 year olds. Current levels in Devon and Cornwall are under the proportion recorded across England (7.7%).

In 2005 69.5% of adults aged 16-69 participated in 'any learning' across England. Participation in 'any learning' in the South West was greater than the national average at 73.2%, including 50.3% in 'taught learning'. Levels of 'any learning' (69.8%) and 'taught learning' (48.1%) in Cornwall and the Isles of Scilly (69.8%) were lower than those recorded at regional level, although the differences were not significant. Of much greater concern is that between 2003/04 and 2004/05 there was a marked decrease in the percentage of people who participated in taught learning at a national level. This trend is also the case in Cornwall and the Isles of Scilly, where participation in taught learning dropped by 12.4%.

Literacy and numeracy underpin all educational achievement, help drive human potential and raise self-esteem. The Cornwall and the Isles of Scilly population have relatively good levels of basic skills in comparison with the national average. Approximately 19% (or 58,800) adults in the Cornwall and the Isles of Scilly population have numeracy skills below entry level 3, less than both the England (21%) and South West (21%) averages. This marked difference is also reflected in the percentage of literacy skills below entry level 3. Approximately 5% of the English and South West population have poor literacy skills, whilst just 1.8% (or 5,500) of Cornwall and the Isles of Scilly adults have literacy skills below entry level[10].

In 2005 GCSE attainment levels in Cornwall and the Isles of Scilly were slightly below those recorded at the South West and national level. In 2005 just over 57% of candidates attained at least five A to C grades across England. The South West dropped behind the national average at just over 56% and Cornwall and the Isles of Scilly fell under again at 55.8%.

There has been a steep rise in attainment levels between 1997 and 2005. The South West has achieved a 9.2% rise in the number of pupils achieving five or more A to C grades. This rise is also reflected in a 7% increase in Cornwall and the Isles of Scilly. However it must be noted that in 1997 the area's attainment stood at almost 2% above the South West (47.1) average and almost 4% above the average for England (45.1%). Therefore, although GCSE attainment levels have risen in Cornwall and the Isles of Scilly, they have not risen as fast as those recorded at the national level.

Although the difference in A Level attainment between Cornwall and the Isles of Scilly and England as a whole are not as marked as those recorded at GCSE level, there is still a gap in achievement. The average points score in Cornwall and the Isles of Scilly in 2004/5 was 76.7. In contrast, the average points score at A Level across both the South West and England as a whole was 79.

In 2004 13% of the population of Cornwall and the Isles of Scilly (39,700 individuals) had no qualifications, which was highest for those aged 16 to 19 (20.8% or 5,100 individuals) and those aged 50 and over (19.7% or 19,900 individuals). The age group 25 to 34 had the lowest level of individuals with no qualification (6% of the population or 3,100 individuals). The proportion of individuals with no qualifications in Cornwall and the Isles of Scilly was slightly higher than the South West figure of 12%; however it was below the English average of 16%. If the proportion of over 16s in Cornwall and the Isles of Scilly without qualifications was reduced to the regional level, and additional 3,270 individuals would be qualified to some level.

In 2005 almost three quarters (73%) of the employed workforce of Devon and Cornwall (including the Isles of Scilly) aged 16-74 had some qualification at Levels 1 to 5. However, approximately 40% of the employed workforce were qualified below Level 2 or did not have a qualification. In line with national trends, those working in finance, real estate, public administration and education sectors were among the highest qualified. In contrast, employees in the agriculture and construction sectors were among the least qualified.

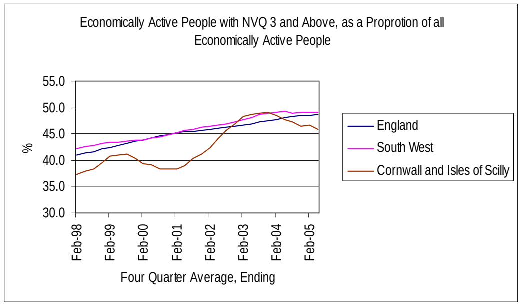
In two of the major employment sectors, where employment has been increasing (Wholesale and Retailing, and Hotels and Restaurants), almost half the workforce have qualifications below level 2. As worryingly, this also applies to the manufacturing sector, and this will have implications for GVA and competitiveness. In numerical terms there are 60,000 economically active adults without a level 2 qualification, which will not only impact on their employment prospects but also on their likely incomes.

In 2004/05, approximately 70% of all adults of working age in Cornwall and the Isles of Scilly were qualified to level 2 and above, 43.3% are qualified to level 3 and above and 20.2% are qualified to level 4 and above. Compared with the South West, the percentage of working age adults qualified to level 2 is broadly similar. However, at levels 3 and 4, Cornwall and the Isles of Scilly falls behind the South West. At level 4 the gap with the South West becomes greater and there is a six percentage point difference (equivalent to 17,500 working age individuals) between achievement levels among the economically active in Cornwall and the Isles of Scilly (20.2%)

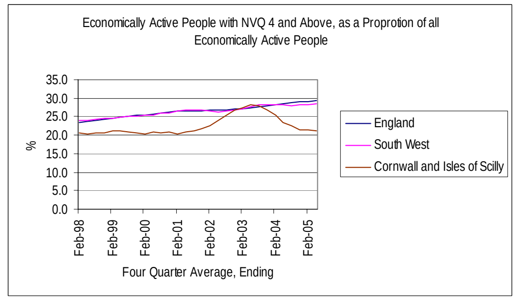
[10] DfES Skills for Life and Census 2001

in comparison to the South West (26.1%)[11]. As the charts indicate there has been a recent dip in performance at levels 3 and 4. A study in 2002 found that 6% of new graduates within the region are from Cornwall and the Isles of Scilly and that few new graduates to the South West region find work in Cornwall and the Isles of Scilly; those that do tend to be older (over 30) and are more likely to be self-employed[12].

Economically Active Qualification Levels (NVQ Levels 3 and 4)



Source: LFS



Source: LFS

Messages for the Operational Programme

Cornwall and the Isles of Scilly needs to build on the strong foundation of basic skills held by its population and increase participation in learning as a means of raising skills and qualifications levels above both the South West and national levels. This will include addressing numeracy issues in particular, as well as increasing adult participation in taught learning.

Qualification levels remain low in several important sectors in Cornwall and the Isles of Scilly, namely wholesale/retail and hotels/restaurants which capture the majority of tourism employment, and also manufacturing where skill levels would have been expected to be higher. Overall some 40% of the workforce has low levels of qualifications and given the changing nature of employment, those who do not hold qualifications above the minimum level remain vulnerable to labour market change.

There is a clear relationship between the level of qualifications held and employment. Nearly 90% of those holding a level 4 qualification are in work, compared to 73.8% of those whose highest qualification is a level 2, and just 53.3% of those without qualifications. There is a need to increase the numbers in the workforce qualified to levels 3 and 4 as part of the process of moving to a knowledge-based economy.

Raising the attainment of those coming through the statutory education system will have a direct impact on the skills and qualifications available to employers. It will also increase the likelihood of young people making a successful transition into work or further education, and eventually progressing into Higher Education. Developing a more highly skilled workforce with a greater representation of graduates and post graduates will help to boost competitiveness within the area.

Skills Gaps/Needs

In 2005 the highest skills shortage was in ‘skilled trades’ at 24%, where many occupations have been affected by the high demand for construction workers, and reduced investment in this area of training in earlier years. Other occupations experiencing skills shortages were ‘professional occupations’ (15%) and ‘personal services’ (12%). Occupations least affected by skill shortages were ‘managers and senior officials’ (6%) closely followed by ‘administrative staff’ and ‘associate professionals’ at 7% and 8% respectively.

In 2003, the sector reporting the largest skills gap was manufacturing at 19%. This was followed by tourism at 16%, retail at 11%, whilst construction and social care both stood equally at 10%.

In spite of many jobs paying low wages, skills shortages are identified as the biggest problem for firms seeking new recruits. More than one in four employers reported difficulties in recruiting the desired number of staff, with the

[11] Labour Force Survey 2004/05, DfES
[12] Research Briefing Cornwall, Institute for Employment Studies (IES) for HERDA-SW, 2002

result in some cases that posts were left unfilled. Surprisingly, the worst recruitment problems were evident in the health sector, where in the public sector at least, pay and conditions are considered relatively attractive.

Recruitment difficulties affect all parts of the economy, even the booming construction sector where many of the jobs are well paid. The feedback from employers shows that skills gaps are evident across the spectrum of qualifications and experience from entry level and semi-skilled right through to higher order occupations. Analysis of recent inward migration patterns to Cornwall and the Isles of Scilly shows that a high proportion of individuals possess a range of skills and that this inward migration has helped to address some of the skills and recruitments of demands of employers.

Reason for having problems with recruiting

	Frequency	%
Shortage of skills	101	19.7
Nobody wants to work/lack of interest	85	16.6
Rate of pay	36	7.0
Lack of applicants	26	5.1
Finding right person	24	4.7
Lack of commitment/attitude	22	4.3
Lack of experienced staff	18	3.5
Hours of work	16	3.1
Lack of qualifications	13	2.5
Specialist skills/technical	13	2.5

Source: SMSR (2005) Current and Future Skills Survey

The causes of recruitment difficulties are complex, relating partly to levels of job-related training (see table), workforce adaptability and prior qualifications and experience. In a tightening labour market, the ability of workers to transfer between jobs and sectors relatively seamlessly increases recruitment difficulties for employers, with the evidence suggesting that the skills available are in many instances not keeping pace with employers needs.

Such gaps have serious implications for employers. The gaps increase the workload for other staff and therefore increase operating costs for businesses. With increased costs businesses experience difficulty meeting quality standards which results in loss of trade. Businesses are forced to focus on ‘fire-fighting’ rather than making strategic investments in future productivity, with consequent effects on the overall strength of the Cornwall economy.

Skills gaps are seen as one of the major barriers to business growth. Therefore, workforce development is one of the key factors underlying business competitiveness. A survey of Devon and Cornwall businesses (including the Isles of Scilly) concluded that businesses employing between 100 and 199 (63% of workforce) were more likely to train their employees. Those less likely to receive any training were those working in small businesses (between 1 to 10 employees) or those working in much larger organisations (200 or more). The impact of skills gaps upon business performance can be significant. Approximately 49% of employers reporting a skills gap stated that it had resulted in increased workload for other staff. Other employers reported an impact on business performance in terms of increased operating costs, difficulties meeting quality standards and a loss of business to other competitors.

The main reason given by employers for hard-to-fill vacancies in Cornwall and the Isles of Scilly was the low number of applicants with required skills. This is particularly the case for occupations considered to be ‘professional’ (64%), skilled workers (65%), machine operatives (59%) and managers (50%). These findings are reflected in the number of employers reporting skills gaps within their existing workforce. Particular skills gaps are reported in skilled trades people and professionals.

It is interesting to note that a higher percentage of supervisory management training can be attributed to small scale employers. Similarly, employees in businesses employing fewer than 10 people (13%) were found to be more likely to be studying towards a formal qualification than those working in businesses employing more than 200 (7%).

In terms of training undertaken, the retail sector performs particularly well with 56% of employees receiving training. Similarly, over 50% of the health and social care workforce received job-related training in 2003. In contrast only 26% of employees in the agriculture sector received job-related training in 2003, although relatively few businesses in the agriculture sector reported skills gaps. The sector reporting the highest skills gap in 2003 was the manufacturing sector. Only 32% of those employed in manufacturing were receiving training in 2003.

The IER has forecast an increase of 35,000 jobs for Devon and Cornwall and the Isles of Scilly up to 2012 with full time employment declining and part time employment increasing. Growth is expected in those sectors which have driven the economy over the last five years – retail, hotels and restaurants, education, health and social work. In the forecast for the occupational growth there are expected to be a substantial number of higher skilled jobs – over 7,000 corporate managers and a significant number of professional and skilled trade jobs (although these figures also include Devon).

Messages for the Operational Programme

There is a need for a much more intensive focus on recruitment difficulties and skills shortages. Tackling skills gaps is crucial to ensuring that businesses are able to operate effectively and to their full potential. Both the skills of the existing workforce (skills gaps) and potential workforce (skills shortages) need to be addressed to enable local businesses to increase productivity and efficiency levels.

The scale of recruitment difficulties and skills shortages would suggest that the growth of the economy is being affected by labour related issues. This is affecting a number of the most important sectors in the economy, and hard to fill vacancies cover all levels and types of jobs.

While the ability of companies to import labour is now a feature of the economy, this adds additional pressure in terms of the housing market, both rented and for owner occupation, as well as local service provision.

Identifying the specific skills which are in demand will help public sector agencies to focus their investment where it is most needed and employers should be encouraged to identify the skills which they require, so that appropriate training provision can either be made or extended.

There are however relatively low numbers of people registered as unemployed, and a much large group of economically inactive in receipt of Incapacity Benefit (see below). In the latter category, many will need additional support to return to the labour market. In summary, there is not a large pool of untrained labour, ready to take up new prospects, and consequently a major challenge will be up-skilling those already in employment and increasing the participation rates of women.

Employers need to be supported to understand and identify the skills needs which are affecting their businesses. Many employers work round skills deficiencies amongst their workforce with resultant reductions in productivity and income generation. Raising the demand for skills, as well as the supply, is crucial in increasing wealth levels in Cornwall and the Isles of Scilly. In particular smaller companies need to increase their commitment to training as a means of improving productivity and profitability.

The issues identified with regard to hard to fill vacancies highlights the challenge of addressing the issue – with a lack of skills and experience being the main factors. At the same time, the effects on business of skills gaps is considerable with operating costs rising, quality standards falling and delays in introducing new work practices impacting directly on value added and profitability. This makes addressing skills and recruitment issues one of the most important challenges for key stakeholders.

2.8 Un(der)employment and Worklessness

Number and Proportion of the Working Age Population Unemployed, by Duration (%)

	Aug-2001			Aug-2006		
	All Claimants	Over 6 Months	Over 12 Months	All Claimants	Over 6 Months	Over 12 Months
England (%)	2.5	0.9	0.5	2.5	0.9	0.4
South West (%)	1.7	0.5	0.3	1.6	0.5	0.2
Cornwall & Isles of Scilly (%)	2.3	0.8	0.4	1.8	0.6	0.2
Cornwall & Isles of Scilly (No.)	6,805	2,205.0	1,135.0	5,360.0	1,670.0	610.0

Source: ONS (Nomis) Claimant Count

Claimant Count Unemployment by Age, as a Proportion of the Total Claimant Count Unemployment

	Aug-01			Aug-06		
	Under 25	25-49	50 & Over	Under 25	25-49	50 & Over
England (%)	26.3%	57.5%	16.2%	31.6%	52.4%	16.0%
South West (%)	25.4%	55.7%	18.9%	31.3%	50.8%	17.9%
Cornwall & Isles of Scilly (%)	26.3%	51.7%	22.0%	31.8%	49.4%	18.8%
Cornwall & Isles of Scilly (No.)	1,790	3,515	1,500	1705	2650	1,005.0

Source: ONS (Nomis) Claimant Count

There were a total of 5,384 Job Seekers' Allowance claimants in Cornwall and the Isles of Scilly in August 2005, representing 1.8% of the total working age population. This compares favourably with the levels recorded across the UK but is slightly higher than in the South West as a whole. The claimant count has been falling for many years, although rates in Cornwall and the Isles of Scilly are more affected by seasonal change, due to the heavy reliance upon tourism related activities during the summer months. That said, long term unemployment is declining at a favourable rate although the level of youth unemployment is remaining relatively static compared to other age groups. On the ILO measure, now recognised as a more accurate measure of unemployment, some 3.7% of the economically active population were unemployed during June 2004-May 2005. Again, this is the below the national rate (4.7%) but higher than in the region as a whole (3.4%).

Underemployment is a particular issue in the area, with a very high proportion of men and women working part-time. There is also evidence to suggest that some highly skilled people are not in appropriate employment, and their skills are being under-utilised. This constrains the Cornwall and the Isles of Scilly economy and reduces overall levels of productivity.

There is now strong evidence that worklessness has become an entrenched problem, and this is disguised by focusing on the unemployed claimant count which captures only a small proportion of those without employment. Economic inactivity rates can be better captured through analysis of key benefits data. There are approximately 39,600 benefits claimants, representing 13.2% of the working age population. This is slightly lower than the levels recorded nationally. The main claimant group is the sick and disabled (9.1% of the population), followed by unemployed (2.1%), lone parents (1.3%) and other (0.7%). While official unemployment fluctuates between some 5,500 and 6,500 claimants, those on sickness and disability benefits account for 27,300 claimants.

There are variations across districts. Whilst the sick and disabled factor is significant within all Districts, the Neighbourhood Renewal Districts consistently exceed the average across all groups. In total nearly 70% of the workless population in Cornwall and the Isles of Scilly are on health-related benefits.

The majority of new Incapacity Benefit claimants expect to return to work, and a significant proportion do not have incapacities which will stop them returning to work. The three main causes of people moving on to health related benefits are mental/behavioural disorders, musco-skeletal disorders and heart, circulatory or respiratory disorders, although only a minority have severe health problems. A significant proportion nationally (and presumably in Cornwall and the Isles of Scilly) would like to work, although once a person has been on Incapacity Benefit for twelve months, the average duration of stay is eight years. This emphasises the need to provide support at an early stage. The tables show that there is a large sick and disabled cohort (19,600) in the 40-64 age group and a similar number (20,100) who have been claiming benefit for over two.years.

Sick and Disabled DWP Client Group by Age, Feb 2006

	Under 19	25 to 30	40 to 64
England	3.0%	23.9%	73.0%
South West	3.4%	25.1%	71.5%
Cornwall & the IoS	3.1%	21.2%	75.7%
Cornwall & the IoS (no.)	800	5,500	19,600

Source: DWP Benefits Claimants 5% Sample, Nomis

Sick & Disabled DWP Client Group by Duration, Feb 2006

	Up to 6 Mths	6 Mths - 2 Yrs	Over 2 Years
England	6.4%	17.4%	76.1%
South West	7.2%	18.7%	74.1%
Cornwall and the IoS	7.4%	18.5%	74.2%
Cornwall & the IoS(no.)	2,000	5,000	20,100

Source: DWP Benefits Claimants 5% Sample, Nomis

Approximately 21.3% (63,300) of the working age population are classified as economically inactive and this is in line with the national rate. Within this figure there are a relatively high proportion of males who are inactive

(17.1%), compared to the South West (14.8%) and UK levels (16.8%). Of those that are economically inactive in Cornwall and the Isles of Scilly, 32.1% (20,200), would like a job. This is much higher than the South West (24.7%) and UK (23.5%) levels. It is interesting to note that a third (32.1%) of those on benefits want a job (a cohort of some 20,200 people), again a higher proportion than the regional or UK levels (24.7% and 23.5%).

Key Benefits Data – February 2005

	UK	SW	Cornwall / IoS (%)	Cornwall / IoS (Total)
% of total working age population	21.9	19.2	21.3	63,000
% of males	16.8	14.8	17.1	26,200
% of females	27.4	23.9	25.7	36,900
% who do not want a job	76.5	75.3	67.9	42,800
% who want a job	23.5	24.7	32.1	20,200
% who want job – reason for not looking – discouraged worker	0.4	0.5	0.9	500
% who want job – reason for not looking – long term sick	7.2	7.5	13.2	8,300
% who want job – reason for not looking – looking after family/home	6.2	7.1	8.7	5,500
% who want job – reason for not looking – student	2.7	2.7	3.5	2,200
% who want job – reason for not looking – other	4.5	4.3	4.1	2,600

Source: Annual Population Survey (2005) NOMIS

The main reason for economic inactivity amongst those that would like to work was long term sickness. At 13.2% (8,300), the levels of people giving long term sickness as the main factor holding them back from entering employment was higher in Cornwall and the Isles of Scilly than the South West (7.5%) and UK levels (7.2%). Similarly the percentage of people who would like to work but could not because they were either discouraged workers, looking after family/home or students, were all higher in Cornwall and the Isles of Scilly.

Amongst people with disabilities, the working age employment rate (2005) is noticeably worse for males at 53.2% compared to the region and nation (62.5% and 53.2%), reflecting the transition from primary industries. Economic inactivity is also higher in Cornwall and the Isles of Scilly for people with disabilities – accounted for by the large percentage of inactive males of working age in 2005 with disabilities (46.8%) compared to the regional and national level (37.5% and 42.5%). There are very high levels of males of working age with disabilities who are economically inactive in North Cornwall and Caradon (63.2% and 62.3%).

The 2004 Index of Multiple Deprivation provides a snapshot of the economic and social well being of Cornwall and the Isles of Scilly across a basket of indicators. Overall, the area is ranked at the mid point of the local authorities in England (75th out of 148), although this hides significant internal differences – Penwith is amongst the 20% most deprived of districts nationally and is the most deprived local authority area in the South West region, whereas Caradon is ranked outside the worst 50%. The IMD is examined in more detail in the rural section later.

Messages for the Operational Programme

Unemployment has reduced in importance as an issue as the claimant count has fallen over recent years and there will always be a residual level of unemployment as the labour market continually adjusts to market change and people find themselves between jobs. Attention should now turn to the challenge of tackling key groups of 'workless' rather than unemployment specifically. There is a particular issue with high male inactivity which particularly pronounced amongst those with disabilities.

The latest IMD rankings demonstrate the spread of deprivation across the area, with particular concentrations in West and North Cornwall. It will be important to ensure that interventions to secure new growth and investment are complemented by support measures so that all of Cornwall and the Isles of Scilly's communities benefit and disparities narrow rather than widen. This will include targeted interventions at those parts of the area where levels of deprivation are high, and where intensive efforts are needed to address what are long standing and deep seated issues of social and economic exclusion. The major challenge is to ensure that all sections of the community are able to access opportunities that meet their needs and aspirations.

2.9 Environment and Resources

The quality of the environment is one of Cornwall and the Isles of Scilly's distinctive assets, generating considerable benefits for residents and providing a major draw for economic migrants and businesses to the county. The unique character of the Isles of Scilly is also a major strength. Natural resources provide the bedrock of a large part of the local economy, whether it is agriculture, fishing or tourism and contribute towards a quality of life and positive image well beyond Cornwall and the Isles of Scilly's boundaries. Cornwall and the Isles of Scilly also face a number of environmental challenges, however, not least in dealing with large areas of brownfield land, much of which is the legacy of mining, china clay and other extractive activities.

The most recent comprehensive audit of Cornwall and the Isles of Scilly reinforced the breadth and depth of the environmental assets, including an outstanding natural, built and historic environment, large areas of which are protected through National, European and International designations. In Cornwall alone, the AONB covers 27% of the total area and it possesses an outstanding coastline. SSSIs and SACs also cover large areas of the county.

In 2002, the amount of waste produced in Cornwall and the Isles of Scilly each year stood at 7.28 million tonnes each year. It is estimated that there will be significant increases in the production of municipal waste over the next 20 years as a consequence of population, housing, and GDP growth.[13]

Cornwall and the Isles of Scilly is at the forefront of climate change, with evidence of rising sea levels and coastal erosion posing threats to the coastal communities. In addition to conserving assets and addressing environmental problems, climate change, resource depletion and waste present significant challenges and potential opportunities. In some areas, such as household waste recycling, Cornwall and the Isles of Scilly is ahead of the UK average, albeit there is still some way to go to reach the national targets. Recycling of household waste was in line with the regional figure of 21% and ahead of that seen nationally (18%), in 2003/04. Since 2001/02 the growth of household waste recycling has been fastest in Cornwall and the Isles of Scilly; ten percentage points, compared to four points regionally and five nationally[14].

In 2005 Cornwall and the Isles of Scilly had the capacity to produce almost 50mw of renewable energy, enough to supply 43,747 homes, and amounting to 41% of the region's total capacity. Within Cornwall, wind farms account for 78% of the total renewable energy capacity. Cornwall's capacity is expected to increase further in 2006 with the construction of the 1.8MW Roskrow Barton wind cluster, which was approved in 2004. In addition to renewable energy schemes, the county has a total of 71 heat schemes, with a current capacity of 3.43MW and the highest number of heat pumps installed, with a current capacity of 1.48MW.

Total CO_2 emissions per capita are lower in Cornwall and the Isles of Scilly than across the region (7.9 CO_2 tonnes per 1,000 of population, compared to 8.2 tonnes regionally). Domestic emissions are in line with the region figure (2.7 tonnes per 1,000 of population), and the lower figure in Cornwall and the Isles of Scilly is attributable to the lower emissions from industrial and commercial activities (2.5 tonnes, compared to 3.0 tonnes regionally)[15][16].

More locally, both the Eden Project (which uses solar PV panels on its education centre to promote renewable energy practices) and the Regen South West's Wave Buoy, off Cornwall's North Coast (which is measuring wave activity to inform development of the world's first wave farm) have been singled out for special praise by the DTI's top ten list of green energy projects in 2005.

Floods can cause severe damage to environmental and economic assets (individuals and businesses). Parts of Cornwall fall within the Environment Agency's River Tamar Catchment Flood Management Plan, which covers the area from North East of Bude in the north of Cornwall down to the Plymouth Sound. It identifies that the planned urban development within the catchment could worsen flooding and that there is a need to minimise future developments in areas at risk of flooding and to ensure that drainage systems for future developments are fully planned, using sustainable systems. It also highlights the potential risk from more intensive farming practices and identifies the increase of forest areas as a means of reducing run-off.

[13] State of the Cornish Environment, 2002 Baseline

[14] Defra Municipal Waste Management Survey 2003/04 (Cornwall and the IoS Brief, GOSW)

[15] Defra 2005

[16] It is difficult to compare to the region, as the UK figure includes additional emissions not attributable to the regions (i.e. the regional figures are underestimated), consequently the defra spreadsheet does not produce a total UK figure per capita

Environmental considerations have the potential to generate significant benefits to the sub-regional economy. Most notably, the Environmental Technologies sector is identified as a new and emerging sector which has the potential to support significant employment. Quality of life considerations may attract investment, businesses and workers to the sub-region, and the environmental practices of business can improve their efficiency, driving down business costs. Environmental practices will also lower energy bills, which stood at £579bn in 2002, of which 98% left the local economy. In addition, given the energy bill, significant contributions could be made to the local economy from generation and use of local sources of energy. At the regional level employment in the renewal energy sector is expected to increase from 1,140 FTE in 2004/05 to between 14,000 and 17,000 by 2020[17].

Messages for the Operational Programme

Cornwall and the Isles of Scilly's environment plays a key role in the economic and social well-being of the area and there are a range of opportunities to secure greater economic benefits from, amongst other things, the growth of the environmental technology business sector. With further population and business growth anticipated, there will be a range of issues e.g. Brownfield vs. Greenfield, to be tackled to meet the aspirations and challenges of sustainable development.

Environmental concerns will ensure that the issues surrounding sustainability are maintained as a policy making priority. However, more recent issues surrounding rising world energy prices and concerns regarding oil dependency have also promoted the sustainable agenda. Local energy initiatives, including commercial ventures such as wind farms, in addition to micro-generation facilities will help counter each of these issues. Cornwall and the Isles of Scilly is in a position to lead on more sustainable consumption and production measures such as SME energy efficiency measures and the enhanced role of the environmental technologies sector. The Programme will aspire to carbon neutrality, for instance through energy efficiency and the development of renewable and sustainable energy sources.

2.10 Rural Areas, Towns and Settlements

Cornwall and the Isles of Scilly is predominantly rural in nature. Based on the Defra classification of urban and rural areas, only Kerrier is classified as having as 'urban population'; accounting for 43.1% of its total population. However, all of the Local Authority areas, with the exception of the Isles of Scilly, have large market town populations, ranging from 13% in Kerrier to 55% in Carrick.

The Cornwall and Isles and Scilly Population, by defra Rural Classifications[18]

Name	Total Pop (000s)	Total Urban Pop	Large Market Town Pop	Rural Town Pop	Village Pop	Dispersed Pop	Total Rural (excluding Large Market Towns)
Isles of Scilly	2.1	0.0%	0.0%	0.0%	93.2%	6.8%	100.0%
North Cornwall	80.8	0.0%	15.9%	31.2%	32.7%	20.1%	84.1%
Caradon	79.7	0.0%	17.8%	42.8%	25.3%	14.1%	82.2%
Penwith	63.1	0.0%	32.2%	32.7%	21.5%	13.6%	67.8%
Restormel	95.5	0.0%	44.0%	27.5%	17.7%	10.7%	56.0%
Carrick	87.8	0.0%	54.5%	12.2%	22.5%	10.7%	45.5%
Kerrier	92.5	43.1%	13.3%	11.8%	21.7%	10.1%	43.6%
South West	4,928	50.6%	15.3%	13.9%	13.8%	6.4%	34.1%
England	49,142	73.1%	7.6%	9.1%	7.2%	3.1%	19.3%

Source: Defra

Excluding Large Market Towns, rural areas still account for a significant proportion of the population, ranging from 44% in Kerrier to 100% of the population of the Isles of Scilly. These figures compare to 34% for the South West and 19% across the UK. The rural population is predominantly located in rural towns or villages; however a sizable proportion of the population is classified as 'dispersed'. For Cornwall this ranges from 10% (Kerrier), to just over 20% of the total population (North Cornwall). The dispersed population of the Isles of Scilly is broadly in line with the regional average (6.8% and 6.4% respectively), this however is a reflection of the high proportion of the population that reside in villages (93.2%) and may be a reflection of the area's land constraints.

[17] Cornwall Economic Forum Strategy and Action (September 2006 Draft), 2006-26

[18] Note people living in the Large Market Towns are defined as Urban in the Rural Definition. For the purposes of classifying Local Authorities these towns are considered to be Rural.

The rural nature of the economy also presents a number of key challenges, ranging from the availability and affordability of housing and access to key services. The overall IMD rankings mask considerable differences on each of the domains, reinforcing some of the key rural challenges:

- One in five of Cornwall's "super output areas" are ranked in the 15% most income deprived areas in England.
- Employment deprivation which captures all of those not in work, not just those registered as unemployed, is most severe in Restormel and Penwith.
- On health deprivation, rankings are good relative to the other domains, reflecting lower than average mortality rates. Incidence of the major diseases has, however, increased since 2000.
- The Barriers to Housing and Services domain (which captures indicators such as distances to key facilities such as a post office) shows a worsening position with more than half of Cornwall's SOAs ranked in the 20% most deprived in England. This reflects the loss of services and facilities as well as the worsening of housing affordability ratios. Particular problems are evident in North Cornwall where four SOAs are within the 1% most deprived nationally.

The Cornwall and Isles of Scilly Rural Economic Strategy (2003) highlighted some of the key contributions that rural Cornwall can make to the overall economy, in addition to highlighting the areas' challenges. It notes that the predominance of micro-businesses in large part reflects the number of life-style businesses. However, despite studies suggesting that there is a willingness to grow amongst these sorts of businesses, many operate below the VAT threshold level and do not expand above this. Further whilst tourism plays a key role in many rural areas, the employment it generates is often seasonal and lower paid. Declining employment in the land based industries has had a large impact on rural communities. The recent emergence of other industries in rural areas, such as business services, is helping to create diverse local economies.

In the absence of a larger urban area, a group of towns act as key centres for employment, retailing, service use and social activity in Cornwall. The 18 key towns and their relative significance are:

- Regional Strategic significance attracting labour from a wider area – the network of Truro, Camborne-Pool-Redruth, Falmouth-Penryn;
- Sub-Regional significance – St Austell, Newquay, Penzance;
- Local Service Centres – Bodmin, Wadebridge, Helston, St. Ives, Launceston, Liskeard, Bude. Saltash, Helston, Hayle and Torpoint.

The 18 towns are estimated to contain approximately 140,000 jobs in 2006 (including employee jobs, self employed, sole traders and managers) and 120,000 employee jobs (two thirds of the county total)[19]. They contained just over half the resident population in 2001 and produce some two thirds of the GVA of the Cornwall and the Isles of Scilly economy (£3.6bn). The employment dynamics within the towns are quite contrasting with some attracting labour (Penzance, Bodmin, Falmouth-Penryn, Launceston, Helston and Bude), some more self contained with local jobs filled by local people (Newquay, St Ives and Falmouth-Penryn) and some with a net out-flow of labour/commuters (Hayle, Wadebridge, Liskeard, St Austell).

The key towns accommodate a significant and growing proportion of Cornwall and the Isles of Scilly's employment and business base, particularly in the manufacturing, retailing and public service sectors (some towns also reflect their coastal resort and tourism status with strong representation in hotels and catering). In spite of the county's rural characteristics, more than half of all businesses are in the key towns. Cornwall's towns are also increasingly important retail and service delivery centres. Four of the County's towns are now categorised as regional towns for retailing, and the majority of towns have seen an expansion in their retail floorspace, spend and yields.

Whilst Cornwall and the Isles of Scilly has seen a significant population increase overall, this growth has not been experienced in all of Cornwall's key towns. The three strategic centres and Newquay have all seen their populations rise substantially in the past decade; a much more static picture is evident in St Ives, Bude and Bodmin. Whilst growth has also occurred elsewhere, achieving sustainable development will depend upon concentrating new investment and people in the key towns.

The growth in employment and diversification in the towns to some degree has been off set by a 'tightening' of the labour market, self containment and low skills which is compounded by physical constraints such as congestion and the availability of a suitable range of town centre premises and land[20]. That said the towns have significant

[19] See page 9 Cornwall Towns Study August 2006, Roger Tym and Partners

[20] See page 14-15 Cornwall Towns Study August 2006, Roger Tym and Partners

employment potential provided the constraints are not exacerbated and sites and premises provision matches sector growth/floor space requirements. Cambridge Econometrics forecasts indicate that there is potential to increase the levels of employment in the Cornish Towns by 22% over 20 years to 2026 (equating to some 31,080 jobs) and an 86% rise in GDP. These are mainly in the construction, distribution and retail and service sectors. The forecasts do not include the potential impact of major economic initiatives.

The Isles of Scilly

With limited land, a population of just over 2,000 and an internationally acknowledged environment of outstanding quality, the Isles of Scilly is one of the unique communities in the UK. As a small and fragile community, the Isles face a number of challenges around demographics and housing, economy and employment, and transport. The scope for housing is restricted by finite supply of land (only 1600ha) and the overarching need to safeguard the environment. Many residents who need a home are reliant on local incomes and access to the limited housing stock is prohibitively expensive. This highly restricted housing market limits the available workforce on the Isles and also makes it difficult to retain younger families. This has a knock effect on the viability of the school and other services. The Isles' affordable housing problem is exacerbated by the limited existing stock, over 23% of which are second homes, and generally low incomes.

Tourism dominates the economy and accounts for 85% of income, while the historically dominant flower farming is affected by increasingly competitive global market. This sector requires particular support for diversification activity. There is a strong link between the exceptional environment, tourism and flower farming.

The opportunity to make a living on the Isles and the existence of a range of services are vital components of viable and demographically balanced communities. Business development needs to benefit the overall community and facilitate employment opportunities for those who wish to live within it. This includes supporting businesses based in the traditional sectors, those that make the most of the potential offered by the islands' distinctiveness and diversification. The latter includes small scale ICT activity that overcomes some of the issues relating to peripherality whilst being compatible with the environment.

Messages for the Operational Programme

Rural areas will face particular potential pressures arising from barriers related to peripherality and wider factors such as the consequence of the CAP reforms. These are likely to affect the amount of land used for agricultural purposes, and sit in the context of declining traditional rural industries. Additional challenges are related to poor access to jobs and services, notably in the more peripheral areas of the region. These issues, highlighted by the IMD, may exacerbate the problems of rural disadvantage.

Cornwall has a substantial number of key towns as well as a considerable number of other settlements which reflects the rural nature of the economy and the sheer size of the county. While significant employment is located in the key towns, a sizeable proportion of the employment base is based in smaller settlements. The development of smaller settlements and rural will help to accelerate employment growth and diversify the business base.

The towns also have a key role to play (accounting for two thirds of Cornwall and the Isles of Scilly's GVA and employment), as the expanding population and jobs base implies strengthening of the roles of towns as centres for employment and service delivery. There is a need to define and deliver a distinctive role and function for each centre, based on a shared understanding of how best to exploit the opportunities available to Cornwall and the Isles of Scilly. The key issues include achieving a critical mass of development within the zone of Truro, Camborne-Pool-Redruth[21] and Falmouth/Penryn and securing a new future for Penzance, St Austell and other towns who remain dependent or exposed to declining sectors and/or have growth potential. There is also a need to retain a sufficiently broad range of services, retail vitality and jobs base in each of the local centres.

The Isles of Scilly is a small and unique community, living in one of the most special environments in England. There is a continuing challenge of maintaining and diversifying a fragile economy,

[21] Improving social, economic and environmental conditions is important here.

2.11 Strengths, Weaknesses, Opportunities and Challenges

Cornwall and the Isles of Scilly has a number of strengths and weaknesses, as well as opportunities and challenges. The strengths include long term assets, such as the quality of life and culture of enterprise, as well as more recent developments such as the Combined Universities for Cornwall. The weaknesses are more fundamental and entrenched, focussed on the under-performance of the business base and limitations with regard to human capital. These continue to undermine competitiveness, in spite of recent progress.

Opportunities are based around a forward looking agenda, in Cornwall and the Isles of Scilly and globally, and take account of the internationalisation of trade and the opportunity (and need) to connect with the global economy through competitive businesses and a highly skilled workforce. Challenges are also forward looking, and while some relate to historic weaknesses, the major challenges relate to issues of growth, globalisation and climate change.

Strengths		Weaknesses	
1	The resilient business base and enterprise culture	1	Peripherality from major markets
2	Economic momentum - recent economic and employment growth	2	Low level of innovation, product and process development
3	Some strong sectoral performance (Food and Drink and Tourism)	3	Low levels of business productivity
4	Broadband penetration	4	Predominance of lower paid and part time employment
5	Strong tourism brand, increasingly linked to quality	5	Limited higher value added service sector economy
6	Early success of Combined Universities of Cornwall	6	Social, economic and environmental conditions in Camborne Pool Redruth
7	Uniqueness of the Isles of Scilly	7	Comparatively weaker skills base of the workforce
8	Wide recognition of quality of life	8	Persistent recruitment and skills shortages
9	Outstanding coastal and natural environment	9	Lack of graduate and higher skilled jobs
10	More positive external image increasing based on quality	10	High levels of worklessness and pockets of severe deprivation
Opportunities		**Challenges**	
1	Increasing international trade and promoting 'outward' facing business growth	1	Managing population and employment growth in the context of affordability and housing availability
2	Promoting more widespread broadband and ICT adoption and application	2	Climate change and transition to a low carbon economy
3	Capitalising on Newquay Airport and importance of air travel to a knowledge economy	3	Ensuring the globalisation of trade does not adversely affect the Cornwall and the Isles of Scilly economy
4	Harnessing environmental technologies and renewable energy technologies	4	Improving the quality and appropriateness of business infrastructure
5	Exploiting new tourism markets based on quality	5	Poor public transport connectivity between key centres
6	Growing HE capacity represented by Combined Universities of Cornwall and Peninsula Medical School and greater business creation potential	6	Retaining well qualified younger workers in jobs they aspire to
7	Continuing the trend of inward migration of young people (reversing trend of previous decades)	7	Increasing the provision of higher paid and higher skilled employment in the economy
8	Continuing to develop the relative strengths of creative and cultural industuries	8	Tackling persistent levels of worklessness
9	Marine industries and continuing to harness the economic potential of county's sea assets and ports	9	Responding to the impact of restructuring of traditional industries – china clay, agriculture, fishing
10	Re-vitalised key centres	10	Sustainability of the Isles of Scilly

The following section summarises the headlines in three key domains: the business base, people and place.

The Business Base

Despite strong growth in employment since 1999, a growing business base and growth in some key sectors some underlying structural weaknesses remain within the Cornwall and the Isles of Scilly economy. These include low levels of productivity, a preponderance of businesses and employment in declining/low growth and low value added sectors, and a low number of medium sized and high growth companies. This is compounded by a shortfall in the supply of good quality full-time work in high paid sectors and in spite of some modest recent improvements a low wage economy. The business base is experiencing a continuing adjustment of primary industries, and challenges in increasing profitability and wages in the tourism industry and securing economic growth from ICT take up and use.

Despite this, the analysis illustrates the relative resilience of the business base with some well represented RDA target sectors[22] with further potential for growth, a growing HE base and expansion of the FE sector, and a steady increase in financial and business services. To ensure the gap does not widen with the national economy the key challenge is no longer the number of businesses and jobs, but the types of businesses and the quality of the jobs, with a need to focus on knowledge based growth sectors and higher skilled and higher paid employment. In some areas, insufficient momentum has been built in terms of developing the modern, knowledge economy crucial to sustainable communities. This requires time (perhaps decades) for new assets such as the CUC and the Eden Project to have their full economic impact, and for the area to strengthen its competitive advantage (even when Cornwall and the Isles of Scilly is securing some employment growth). This latter point is important in assessing the extent to which further investment in economic infrastructure is fundamental to the growth of a knowledge based economy.

People

Cornwall and the Isles of Scilly's labour market has improved considerably – claimant unemployment is at its lowest level in decades (circa 6,500) whilst economic activity rates are on a par with the national average. In addition, the area has a relatively good record on basic skills, which augurs well for efforts to embed participation in lifelong learning. However, increasing participation rates and higher average earnings elsewhere has meant that there has only been a marginal improvement in the relative position. Whilst educational attainment has improved dramatically in Cornwall and the Isles of Scilly over the past decade, in line with national trends, this has not fed through into a step change in the qualifications and skills of the workforce[23]. Further a large proportion of workers with no or few qualifications are in key sectors which are predicted to grow, such as tourism and retail.

The more general issue in relation to labour supply is that a major source of working aged adults not in employment are on Incapacity Benefit. Rates of worklessness are particularly high in the west of Cornwall. While many within this cohort could return to work, they are likely to require intensive support. There is a danger that there is an entrenched core of both young adults and older people who are disengaged from the labour market.

Further there are significant mismatches between the demands and requirements of employers and the supply of skills, with skills gaps across all sectors, but particularly acute in manufacturing and tourism. A lack of skills is highlighted as the single most important factor in recruitment problems and an increasing number of employers are reporting hard to fill vacancies, even for semi-skilled and elementary positions. There are also considerable skills gaps reported by employers within their existing workforce. Investment in training is a key issue and the constraints facing many local businesses result in a vicious circle of low margins, insufficient workforce training, poor workforce skills and ultimately skills shortages and recruitment difficulties which undermines productivity and growth. Breaking this cycle is one of the biggest challenges for the regeneration of Cornwall and the Isles of Scilly.

The number of jobs in Cornwall and the Isles of Scilly is forecast to grow with a continued long term shift away from skilled trades, semi-skilled and elementary occupations. Given the nature of the skills shortages, and the requirement for both qualifications and experience, there is not a simple solution of matching workless people to job vacancies. Rather, for large elements of labour demand, the solution is likely to involve up-skilling those already in employment. The low rates of labour market participation amongst women suggest that the potential of women to meet skills and employment needs is to a degree still untapped. There are some key strengths to build on including the establishment of CUC and the expansion of FE/HE, high rates of participation in out of work learning and relatively good attainment levels amongst young people at school.

[22] Tourism, food and drink, creative industries, and the much smaller environmental technologies and marine industries.

[23] 2 in 5 of the workforce are qualified below Level 2 or possessed no qualifications and too few people are qualified to degree level or above.

Sectoral growth is currently being undermined by a shortage of skilled and experienced people able to take up new jobs and assist local companies to grow. Without a step change in the skills and qualifications base, Cornwall and the Isles of Scilly will struggle to make significant in-roads into the disparities in productivity and incomes which exist with other regions in the UK.

Place

The need to accommodate a growing population and increasing workforce has major implications for the spatial distribution of land for development. The major centres have a key role to play in accommodating new jobs and housing, although this will increase pressure on other infrastructure, including roads and public transport, education and health. There is a danger that economic growth will be constrained without additional investment in the economic infrastructure. The Cornish towns account for two thirds of Cornwall and the Isles of Scilly's GVA and employment, and a considerable number of centres have a role to play in transforming the economy.

Given the scale of housing and business investment, there will be a major issue of ensuring that growth is not impeded by transport bottlenecks and congestion. Given the Importance of the environment to Cornwall and the Isles of Scilly, ensuring that new development is located in the most sustainable locations is critically important Linked to the need to improve internal movement is the need to improve connectivity into and out of the region. Newquay Airport is an invaluable asset, and further growth in passenger services and numbers will benefit the wider economy. At the same time the arterial road network and rail line will remain critical parts of the transport infrastructure and there is a continuing need to improve the key arterial routes over the next 10 and 20 years.

Although the growth in employment and population will change Cornwall and the Isles of Scilly, a significant proportion of new employment will be in lower paid and skilled sectors. There is, therefore, further investment needed in economic drivers which can further stimulate the knowledge based economy, and the process of transformation will be incomplete unless knowledge based growth can be further stimulated above the current economic projections. In short, in spite of the forecast employment growth, further intervention is required to ensure a sustainable and prosperous economy.

3 Strategy

3.1 Introduction

Cornwall and the Isles of Scilly has an enviable track record in terms of employment growth, although this has been led by growth in lower paid and lower skilled employment. The evidence suggests there is a need to accelerate the re-structuring process, and in particular to create jobs in new, higher skilled sectors and areas of the economy where there are long term growth prospects. Linked to this is the need to capitalise on areas where Cornwall and the Isles of Scilly have a comparative advantage and/or can create the conditions for growth sectors to flourish. The evidence suggests a focus on the types of jobs, new starts and investment, as much as the quantity, with a need to increase the numbers of enterprises using knowledge to produce high value added goods and services.

Cornwall and the Isles of Scilly are already well represented in a number of the key sectors identified by the Regional Economic Strategy as important economic drivers. This includes major employers such as tourism and food and drink; growing and significant sectors such as creative industries, and sectors with long term potential such as environmental technologies and renewable energy.

The quality of new employment opportunities is as important as the quantity and there is a need to focus on increasing productivity as the means by which existing businesses will remain competitive and ultimately be in a position to pay better wages. The evidence suggests that improving productivity is an important objective across all sectors, not just growth or priority sectors. Fundamental to improving productivity is innovation, the development of ideas and use of creativity, knowledge and skills.

The key challenges for the Operational Programme are:

- Accelerating the growth of those sectors and business characterised by high value added products and services and developing networks and alliances which build a self sustaining economic momentum to allow for continued growth in the medium and long term.

- Improving productivity levels across the business base, a priority in an economy where the distribution of employment is important. Many people depend upon and need (for personal reasons) local jobs and these are provided by businesses in every sector. Increasing the ability of local businesses to survive and compete more effectively is an ongoing challenge. Building business capability to innovate and use knowledge as the key competitive asset is crucial to raising productivity of the business base.

- Addressing the effects of peripherality, re-connecting people and business to national and international opportunities, including not only directly, but through the exchange of experience, knowledge and ideas as a two way flow with other regions.

- Securing economic growth in a responsible manner, developing towns and settlements which are as attractive as the natural environment, engines of local employment, while taking a leading role in reducing carbon emissions arsing from economic growth.

There is an ongoing challenge to support people to realise their full potential. This includes within the workforce, and with young people, where there is a need to raise ambitions and aspirations of all young people, not just those who are academically successful. The development of a more highly skilled workforce, with an increased representation of graduates and post graduates, underpins the aspiration of moving to a knowledge based economy. Reducing the number of workless people is one of the most immediate challenges. The number of workless people is substantial, and the number on long term Incapacity Benefit is considerable. These challenges will be addressed through learning and skills support which will complement the Convergence strategy.

Cornwall and the Isles of Scilly have enjoyed a period of significant economic growth. This has allowed some progress to be made in narrowing the gap with other regions, although the predominance of low paid employment has continued. The economic forecasts indicate that lower paid employment will make up a significant part of additional employment over the next ten years. Changing the composition of employment growth is an important underlying objective.

3.2 Overall Vision of the Cornwall and Isles of Scilly Operational Programme

In order to move to a more prosperous and sustainable economy, Cornwall and the Isles of Scilly needs to:

- Have the economic infrastructure and attractive towns which support a connected and accessible, knowledge based and more diverse economy.

- Develop a business base with a higher proportion of economic activity in sectors where the growth prospects are positive i.e. a more rounded, modern, knowledge based economy.

- Be characterised by an economy in which a greater proportion of employment is in higher paid jobs and where the workforce is highly skilled, at all levels, including those qualified at Levels 4 and 5, which traditionally has been a weakness in the workforce;

This presents a major challenge as Cornwall and the Isles of Scilly does not have some of the assets which are driving the larger urban economies, and as a peripheral region is affected by the time and costs involved in working in national and international markets. However, it does have dispersed assets which can help underpin the move to a knowledge based economy, supporting investment of a type and scale which enhances the attractiveness of Cornwall and the Isles of Scilly as a place to live and work.

This requires a move to establishing a momentum of transforming the economy, as distinct from encouraging economic growth for its own sake. This will lead to a focused approach to secure the type of investment which will support the transforming agenda – building up intellectual capital, quality locations and accommodation; a skilled workforce; connectivity and access to markets; and a competitive supply chain.

The transformation of the economy will be underpinned by a culture which is:

- Forward looking
- Outward facing

Forward Looking will be supported by an approach which invests in foresight and intelligence on future trends and developments which will impact on the economy and society; using networks and collaboration to stimulate new ideas and encourage their exploitation. It is closely linked to the theme of outward facing.

Cornwall and the Isles of Scilly have a long history of trading globally. In recent, years, however, this aspect of the economy has diminished, as key traditional sectors have declined. The Outward Facing theme will be supported through the increased connectivity of both strategic transport improvements and digital technology, and through businesses trading nationally and internationally, developing collaborative and cooperation arrangements with networks and regions throughout Europe and beyond.

These underlying themes will be supported by actions which improve the confidence and self esteem of the community, particularly young people, and is rooted in Cornwall and the Isles of Scilly's historic role as trading partners with companies and countries from across the globe. There is also a need and opportunity to share the experience of addressing the issues of peripheral and rural economies with other regions across the world. Those involved in the Programme will incorporate working with other Member States into a structured process for exchanging ideas and knowledge.

The Programme has a single objective, supported by four operational objectives. The Programme objective is:

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

Successfully developing a high value added, high skilled economy is a major challenge which will need long term commitment from all of the key stakeholders. The effects of peripherality are profound, and overcoming the constraints of distance from markets cannot be under-estimated. The Convergence Programme can, however, establish a momentum of change which will need to continue for many years after the Programme has concluded.

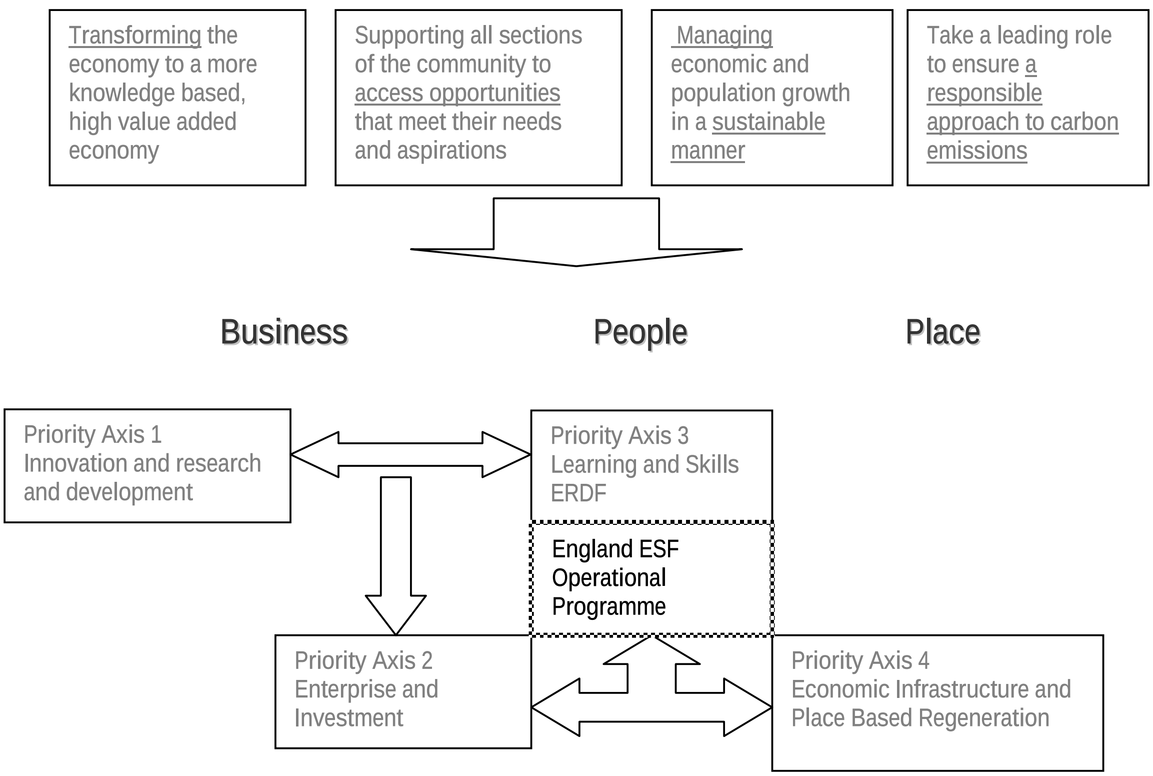
It is on this basis that four operational objectives have been set. These are:

1. Transforming the economy to a more knowledge based, high value added economy with a broader range of sectors, and a reduced dependence on low paid jobs
2. Supporting all sections of the community to access opportunities that meet their needs and aspirations
3. Managing economic and population growth in a sustainable manner
4. Take a leading role in aspiring to carbon neutrality

Aspiring to carbon neutrality has a particularly high priority in a region where environmental assets are so important. The Convergence Programme will act as a European exemplar by supporting economic growth in a manner which takes account of the environmental consequences of growth. This will include working with the business community and wider population to both raise awareness of and develop responses which help to reduce carbon emissions.

The Convergence Programme will be taken forward through four Priority Axes, and additional support will be provide for the agricultural and fisheries sectors through accompanying programmes supported by EARDF and EFF.

3.3 Strategic Objectives and Priority Axes



3.4 Priorities for Action

Innovation and research and development will seek to increase the rate of innovation and the economic benefits arising from the commercial application of research and development and other intellectual assets . This Priority will aim to raise the productivity of companies through the application of a wide range of knowledge including product and process improvements. It will address the low levels of innovation evident in the economy, and will seek to provide the key infrastructure and support services needed to develop and sustain a culture of innovation.

Enterprise and investment will focus on accelerating the growth of businesses, with a focus on high value added companies and developing high value added sectors with growth potential. The Priority will focus on addressing constraints and barriers to growth including lack of exports, low levels of investment, and seek to accelerate the adoption of new opportunities arising from digital and ICT. While Cornwall and the Isles of Scilly has a good record of employment growth and enterprise formation, the focus will be on the quality of opportunities, rather than magnitude.

Learning and Skills – This Priority will provide the critical infrastructure needed to support the move to transforming the economy to knowledge based, innovative and creative economy where human capital is a major strength. Support provided through ERDF, will be complemented by the two Convergence Priorities set out in the England ESF Operational Programme. The ESF supported learning and skills support will make a significant contribution to the work of the other Priorities set out in this Operational Programme.

Economic Infrastructure and Place Based Regeneration – This Priority will focus on improving internal and external connectivity, with a focus on allowing people and business to access new opportunities. This will be complemented by addressing economic and business infrastructure constraints which inhibit new investment by the private sector. This will include ensuring that new investment is secured at a scale which is appropriate for the location, taking account of the need to protect and enhance the built and natural environment and the quality of life. With a distributed employment base and a number of key towns, there is an opportunity to capitalise on the quality of life as a key asset in attracting and retaining talented and enterprising people and new investment.

3.5 Process for Chosen Strategy and Partnership Involvement

Initial Development Work

This strategy has been developed through an extensive process, starting with the work of the Cornwall and Isles of Scilly Economic Forum in developing Strategy and Action. In September 2005, the Cornwall and Isles of Scilly Economic Forum held a large conference at the Combined Universities in Cornwall, which more than 170 people attended from across Cornwall and the Isles of Scilly and the Region. This conference started the thought process amongst stakeholders and resulted in the production of 24 outcome templates across 12 thematic areas.

Following this event an interim consultation process was undertaken from 28th February to 24th April 2006. This consultation focused on progress to date with draft documents relating to: Key issues and themes; Evidence review and analysis; Strategic context and Responses from the first consultation. The draft Strategy and Action went out to formal consultation on the 13th September with final responses to be received by the 1st November.

Strategy and Action is the Economic Development Strategy for Cornwall and the Isles of Scilly, therefore it is vital that Convergence funding aligns with this overarching economic plan. It is within the context of the draft Strategy and Action that the Convergence Programme was developed. The process for identifying Convergence priorities involved the establishment of six task and finish groups - Innovation and competitiveness; Diversity and Equality; Culture; Infrastructure and Place Based Regeneration; Environment; and Skills and Learning.

These groups were tasked with developing the focus on the priorities within the context of the ERDF funding; how cross cutting themes might be incorporated; any spatial priorities; what the delivery arrangements might look like; how Convergence funding can add value; and what further action is necessary.

Each group met twice during September 2006. Following the work of the task and finish groups, a regional consultation event was held on October 5th in Newquay to obtain input from key stakeholders with regard to the overall direction of the Programme. The event was a success with 120 attendees. Further consultation will occur in January 2007 to obtain stakeholder input with regard to the final draft Operational Programme having taken account of the Ex-Ante Evaluation and the Strategic Environmental Assessment.

Formal Consultation

A draft Operational Programme was made available for consultation in November 2006.

To be completed in January.

3.6 Alignment

The Strategy and priorities has been influenced by, and will contribute towards, policies and strategies at a European, national and regional level. The full alignment is set out in detail in Chapter 7. The following is a summary of the policy hierarchy and key contributions of the Convergence Programme.

European	In March 2000 the Lisbon Council established the Lisbon Strategy with the aim of making Europe ‘the world’s most dynamic and competitive knowledge-based economy’, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010. Also In 2001 the Gothenburg European Council added an environmental dimension to the Lisbon Strategy. It agreed a sustainable development strategy, which completes the European Union's political commitment to economic and social renewal. The European Commission adopted the Community Strategic Guidelines in October 2006 which establish the areas important for the realisation of community priorities, in particular in relation sustainability goals and to the renewed Lisbon Strategy for growth and jobs. The Programme will make a significant contribution to two of the three main priorities for future spending: Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and creating more and better jobs by attracting more people into employment or entrepreneurial activity. The Convergence Programme will contribute to the European policy objectives, notably on innovation, research and development, entrepreneurship and more competitive companies and sustainable communities.
National	The UK Lisbon Reform programme identifies how the UK will take forward the Lisbon agenda. It identifies three priorities: Macroeconomic Policies For Growth, Increasing Productivity growth, and Increased Employment Opportunity For All. The National Strategic Reference Framework establishes the priorities for Structural Funds Programmes in the UK in 2007-13. In order to achieve this Framework outlines three priorities for the Convergence Programme which provide the framework for determining priority interventions and funding allocations: Innovation and knowledge transfer; Enterprise and business; and Improving accessibility and connectivity. The Convergence Programme will contribute to the UK policy objectives, notably on innovation and knowledge transfer, enterprise and improving accessibility.
Regional	The Regional Economic Strategy (RES) provides a shared vision for the development of the region’s economy; *“South West England will have an economy where the aspirations and skills of our people combine with the quality of our physical and cultural environment to provide a high quality of life and sustainable prosperity for everyone”.* The RES sets out three economic drivers central to the continued development of a successful and competitive economy in the South West: Innovation; Skills and Environment. In order to achieve this Vision the RES sets out three strategic objectives: Successful and Competitive Business Strong and Inclusive Communities and An Effective and Confident Region. The Convergence Programme will contribute to all three of the RES strategic objectives.
Cornwall and the Isles of Scilly	The Cornwall and the Isles of Scilly Economic Forum has produced Strategy and Action as the economic development strategy for Cornwall and the Isles of Scilly. This will be measured against four key framework goals which will provide the ultimate aims for economic success in the area. Two of these framework goals provide the link to the Lisbon agenda for competitiveness and two provide the link to the Gothenburg agenda. Strategy and Action focuses on: competitiveness, people and place and the Convergence Programme is closely aligned to, and will make a significant contribution to the strategic objectives of Strategy and Action.

There is particularly close alignment with Strategy and Action, which has been the subject of an extensive consultation process with all of the key stakeholders.

The Convergence Operational Programme will also contribute to a number of other policies at European, national and regional level. This includes science and innovation, environmental objectives and those around sustainable and inclusive communities.

4 Priority Axes

4.1 Introduction

This chapter provides a detailed description of the activities of the four Priority Axes including specific actions, outputs and results indicators, financial resources and likely categories of expenditure. The four Priorities are:

- Innovation, Research and Development.
- Enterprise and Investment.
- Learning and Skills (supported by the Convergence Priorities of the England ESF Operational Programme).
- Economic Infrastructure and Place Based Regeneration.

These Priorities are being taken forward in an integrated manner to ensure that there is complementarity and synergy between actions and with other Funds. In many cases, packages of actions will link capital investment in new facilities, with revenue actions aimed at the business community, linked to training and learning initiatives which support the up-skilling of the workforce. Priorities need to be interpreted both vertically in terms of actions and funding, and horizontally in terms of sectors, location and key groups. In taking forward key actions, steps will be taken to ensure that all section of the community have access to support, including ensuring that businesses located outside of the main towns are able to contribute to the development of the knowledge economy.

In addition to maximising the linkages between the four Convergence Priorities, there are a number of cross cutting themes which will influence the type of activities being supported and how actions are implemented. These are Equality of Opportunity and Diversity and the Environment. While these are dealt with in a later section, each Priority will take into account relevant issues in relation to both of these areas, both in terms of target groups and in the types of activities to be supported.

One final element of alignment is the new Rural Development Programme and the Fisheries Programme. The former will provide significant support to agricultural enterprises, those involved in agri environment and land management, as well as supporting rural development. This will add to the support being provided to rural business and the rural workforce in the Convergence Programme.

4.2 Summary Financial Allocations

The table below sets out the indicative financial allocations for the Convergence Programme in Cornwall and the Isles of Scilly in the 2007-2013 period. Significant resources are deployed against the three headings of business, people (when the €190m ESF made available through the England ESF Operational Programme is included) and place. The resources focussed on a knowledge based economy are considerable, including all of Priority 1, large parts of Priorities 2 and 3, and parts of Priority 4 (such as the digital investment). In terms of competitiveness and investment, again significant resources are devoted to this element of the Lisbon agenda, with all of Priorities 1 and 2, and a significant proportion of Priority 3, as well as virtually all of Priority 4.

In terms of weighting there is a balance between the three themes of business, people and place, and some of the capital investment in Priorities 1 and 2, will complement and reinforce some of the investment in key towns in Priority 4. The support provided for learning and skills (ESF) and improved connectivity, particularly through digital in Priority 4, will underpin and contribute to the innovation and competitiveness focus of Priorities 1 and 2.

Summary Financial Table ERDF (€m)			
	ERDF	UK	Total
1 Innovation and Research & Development	77.000	25.667	102.667
2 Competitiveness and Investment	121.000	40.333	161.333
3 Learning and Skills[1]	55.000	18.333	73.333
4 Placed Based Regeneration	189.000	63.000	252.000
Technical Assistance	15.536	7.208	28.831
Total Convergence	457.536	152.512	610.048
[1] England ESF Operational Programme includes €190m of ESF for Cornwall and the Isles of Scilly Convergence.			

4.3 Priority Axis 1: Innovation and Research and Development

Context and Rationale

The Innovation and Research and Development agenda is an important priority for the South West region and Cornwall and the Isles of Scilly. Within a global economy, it is no longer possible to compete on cost alone and there is a need to concentrate on added value through ideas, knowledge and technology.

Cornwall and the Isles of Scilly have relatively low levels of expenditure on research and development. There is a low proportion of enterprises involved in innovation and research and development. This is largely due to the industrial structure and low concentrations of those sectors which invest most highly in research and development including pharmaceuticals and aerospace. This partly explains the pre-dominance of very small companies, and the weakness of the company base in the medium sized enterprises (between 30 and 100 employees). The poor performance with regard to innovation and research and development is also reflected in the relatively poor exporting record. Many companies operate in local markets, where the need for innovation is less pronounced, and in part are sheltered from competitive forces by the distance of the local markets from major centres.

While peripheraility and scale has historically provided some protection from external competitors, it has also had the effect of isolating businesses from accessing the expertise and support of leading edge institutions, and made it more difficult for companies to access networks and develop alliances and collaborations to exploit innovations and research and development.

Within the context of innovation and research and development, Cornwall and the Isles of Scilly has a major opportunity to build its intellectual capital around environmental technologies and renewable energy. Demand for new/innovative products is increasing as concerns around carbon emissions and environmental issues increase.

There are also a number of assets which can be further developed to increase the propensity of businesses to undertake research and development, to exploit the outputs of the knowledge base and to innovate. These include the Combined Universities in Cornwall, which provides a conduit to the expertise of Exeter and Plymouth Universities and Higher Education more widely; and the Peninsula Medical School. In addition, Further Education Colleges have the potential to play a leading role in product and process improvements with SMEs. These is also potential to build capacity around those businesses which already undertake research and innovation.

Aims and Objectives

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

The strategic objectives are to:

1) Increase the intellectual capital of Cornwall and the Isles of Scilly through investments in the knowledge infrastructure and research capacity in higher education; increasing and where necessary supporting business investment in research and development and increasing HE/business collaboration;
2) Improve the productivity of companies through increasing the rate of innovation and the economic benefits arising from the pull through and exploitation of knowledge (research and development and other intellectual assets) including product and process improvements. Building understanding of drivers of innovation and using these to lever increased innovative behaviour by companies;
3) Increase the number of high value added and innovative new start businesses.

There are strong linkages between this Priority and Priority 2 Enterprise and Investment. It is expected that some businesses and new starts supported under this Priority will migrate to Priority 2 support as ideas and innovations move to full scale production, and businesses seek additional access to finance and to develop in to national and international markets.

Overall Description of Activities to be Supported

There are a number of actions which will increase the level of innovation and creativity, and stimulate business growth through the application of research and development. These include increasing business awareness and take up of support for R&D available from national and EU schemes and developing bespoke innovation and research and development support to take account of the nature and strengths of the business base.

Other key activities include linking the HEI and public and private research institutions based in Cornwall and elsewhere in the region to businesses with the ambition and potential to develop new products and processes. Where appropriate, the Programme will draw upon specialist expertise from across Europe and globally to ensure that businesses have access to the best expertise available.

This Priority is not spatially targeted, and steps will be taken to ensure that businesses are aware and able to take advantage of, support irrespective of their location. This will be part of ensuring that a networked rural knowledge economy is developed.

Activities under this Priority will focus on quality not quantity, with the emphasis on helping companies to access the highest quality business advice and expertise. As such key strands of activity are shown in the table below:

Key strands of activity within Priority 1

Strands	Focus and activity
Stimulating research & development	Focus on building intellectual capital within Cornwall and Isles of Scilly through: enhanced research capacity in HEI particularly in growth potential sectors and increasing research skills available to business; increasing business expenditure on research and development; proof of concept funding, critical to the pre-commercial development of new ideas.
Supporting ideas, innovation & knowledge	Focus on linking companies to sources of knowledge including HEI expertise, with a particular emphasis on addressing a weakness in support provision, exacerbated by peripherality and including technology translation activities. major themes will be: the management and use of knowledge within businesses; with a focus on management and exploitation of the full range of intellectual assets to generate business led innovations and intellectual property rights issues. Encouraging innovation creativity in business and increased use of design as a key means of adding value; product and process improvements (linked to innovation centres)and providing support for exploring the potential of new ideas; Proactive identification of external drivers which might provoke innovation eg competition; regulatory change; consumer pressure; technological change; and translation to business messages.
Developing specialist infrastructure for innovation and research and development	Addressing the shortage of specialist support for companies and individuals to create and further develop ideas. This will include existing businesses incubating new ideas, University staff and students, healthcare employees and other entrepreneurs looking at new start ups based around innovation and research. Support will include the establishment and operation of a network of innovation centres and provision of small grants to staff and students in HE and FE initially.
Environmental technologies and renewable energy	The development of an Environmental Technologies and Renewable Energy Initiative which could develop a major new industry in Cornwall and the Isles of Scilly. This would focus on developing an industry leading on the design, development and production for local use and export of products responding to environmental and energy related opportunities; building on real increases in intellectual capital in HE and elsewhere, catalysed by construction of Wave Hub marine energy testing platform. This would include working with research centres, specialist organisations and manufacturing and service companies, and also stimulating demand within Cornwall and the Isles of Scilly.

Financial Resources

Priority 1: Innovation and Research & Development			
	EU	UK	Total
Innovation and Research & Development	77.000	25.667	102.667

Outputs and Results

The following indicative targets have been set taking account of provisional indicators set out in the draft Quantification Framework for ERDF prepared by DCLG. These are likely to be further revised and the Programme can include additional indicators where appropriate. This will be the subject of consultation.

Indicators	Target Number
Outputs	
Number of businesses assisted to improve their performance	500
Number of businesses assisted to improve their performance via financial support	50
Number of environmental technologies and renewable energy enterprises assisted	150
Number of graduates placed in SMEs	200
No of firms involved in collaborative research & development projects	250
No of patents granted and other IPR's devices used (eg trademarks copyrights)	80
Number of additional firms involved in business/cluster networks	300
Number of SME's assisted to improve their environmental performance	200
Number of business within the region engaged in new collaboration with UK knowledge base	300
Square metres of new or up-graded specialist premises	3,000
Results	
Gross new jobs created	3,000
Gross jobs safeguarded	2,000
Private sector investment leveraged (£m)	
No of patents and other IPR's devices used (eg trademarks copyrights)	80
No of SME's launching new or improved products	200
Area of premises constructed/upgraded to BREEAM standards (incubators etc)	3,000
Gross increase in GVA	£105m
Gross jobs created in environmental sectors	800
Increase in sales from new products and processes	£300m
Impacts	
Net additional GVA	£52m
Net additional employment	1,500

NB. These are indicative indicators and are likely to change.

Specific Actions to be Supported

Action Area	Description	Link to RES Actions	Likely Activities
Research and Development	Linking companies to University and HEI expertise and in assisting spin out from HEI in Cornwall and development of innovative businesses	1E.3. Encouraging collaboration between businesses and the region's knowledge base, in Cornwall and the Isles of Scilly, regionally, nationally and globally.	• Increasing R&D capacity in HE, linked to high growth potential sectors • Increasing capacity for business research and development through R&D support and increased HE/business collaboration • Research Centres (Marine Renewable Energy, Peninsula Medical School) • Proof of concept funds
Ideas, Innovation and Knowledge	Encouraging company led innovation, exploitation of Intellectual Property, product and process improvements	1E.1 Develop a culture of innovation in the region.	• Knowledge networks and clusters • Building awareness/understanding of intellectual assets (workshops/seminars etc) • Specialist support for business on intellectual asset management and protection (intellectual property rights issues) • Intellectual Property Audits • Encouraging creativity and generation of new ideas in businesses • Using innovation drivers to provoke innovation behaviour in businesses including technology translation activities • Building HE(and FE)/business collaborations • Building capability of businesses to exploit R&D and other knowledge • Detailed market research for new products and processes • Financial advice and investor readinesses programmes
Specialist infrastructure for innovation and research and development	Innovation, research and development facilities and incubation units needed to nurture new idea and enterprises.	1E.1 Develop a culture of innovation in the region.	• Innovation Centres • Incubation Space • Support for spin out companies •
Environmental Technologies and Renewable Energy	Services and facilities to support enterprises research and develop new products and processes	1E.1 Develop a culture of innovation in the region.	• Establish Wave Hub marine energy testing platform. • Innovation Centres and subsequent development to capitalise on the emerging intellectual assets.

4.4 Priority Axis 2: Enterprise and Investment

Context and Rationale

Cornwall and the Isles of Scilly have a good track record in terms of business start ups and employment growth, although this has been the result of increases in education, health and retail employment. In spite of this growth, there are relatively few high growth companies and a low proportion of enterprises in knowledge based and high value added sectors. The evidence indicates that productivity is low, too few businesses create new knowledge and innovate, and too few trade nationally and internationally, and this explains in part the historic poor performance of the economy.

The Strategy and Action document sets out clear reasons why the development of a knowledge based economy is vital for Cornwall and the Isles of Scilly:

- Global pressures to re-focus investment away from large scale, high mass, low value production for mass markets, towards innovative, creative, knowledge rich, niche-market products and services that create value;
- High value, low mass products and high value services are more location independent, reducing the peripherality effect and therefore particularly relevant to Cornwall and the Isles of Scilly.

The productivity of businesses is significantly below the regional and national averages. A key characteristic of the business base is a high proportion of low value added business activity. The most recent economic forecasts suggest that a large proportion of future employment growth will be in lower paid and lower skilled activities. The economy is dominated by micro-businesses (in terms of the numbers of businesses), and there is an under-representation of companies with 30-100 employees. Other factors which contribute to low productivity are remoteness from major markets for businesses, which leads not only to low levels of exports, but also a lower propensity for knowledge transfer and collaboration.

A major challenge for the Programme is the rural and peripheral nature of the eligible area. Knowledge based economies have to date evolved in areas where there is a critical mass of people with creativity, ideas and a culture of collaboration and competition. A key challenge for the Convergence Programme is to help develop a knowledge based economy which is based on quality and a scale which capitalises on the strengths of the rural economy and its key assets.

Activities under this Priority will focus on transforming the economy. This will focus efforts on improving productivity across the business base, developing a strong group of businesses trading nationally and internationally, capitalising on the use of ICT and broadband to reduce the effects of peripheraility and establishing Cornwall and the Isles of Scilly as an investment location for value added and knowledge based business.

Aims and Objectives

The aim of this Priority is to re-structure the economy to one with a higher proportion of high value added business, under-pinned by more productive enterprises across the business base. This Priority has a key role to play in addressing the low earnings, low skilled nature of the economy. The strategic objectives are to:

1) Increase the proportion of businesses and employment in high value added business activities.
2) Increase the quality of new starts through further developing the enterprise culture and supporting high growth and high value added new starts.
3) Increase the productivity of business through the provision of high quality support services in key areas including internationalisation, ICT take up and use, and investment support.
4) Increase the scale of investment and re-investment by the private sector in Cornwall and the Isles of Scilly.

There are strong linkages between this Priority and Priority 1 Innovation and Research and Development and Priority 3 Learning and Skills. It is expected that some businesses and new starts involved in innovation and new product development will receive initial support under Priority 1. A considerable number of businesses supported under this Priority will be expected to access support for the up-skilling of their workforce under Priority 3.

Overall Description of Activities to be Supported

This Priority will focus on the process of transforming the economy, and as such will not fund generic new start and business support. The focus will be on high growth business, companies in high value added sectors, and those requiring a highly skilled workforce. The most recent research with regard to key towns and into the commercial and industrial property market highlighted the continuing need to intervene in both town and more rural areas to provide appropriate and high quality business accommodation. This will be an important element of support under this Priority.

This Priority is not spatially targeted, and steps will be taken to ensure that businesses are aware of, and able to take advantage of support irrespective of their location. This will be part of ensuring that a networked rural knowledge economy is developed.

Key strands of activity within Priority 2

Strands	Focus and activity	
Enterprise Culture	Young people	Focus on young people. This will include extending and coordinating enterprise work in schools, and working with the now large student population (Further Education and University). Objective of raising the confidence and aspirations of young people, as well as stimulating new enterprise activity.
New Starts	High quality, high growth new starts	Cornwall and the Isles of Scilly have a good start up rate and a high number of enterprises relative to the population. This reflects a considerable number of lifestyle and micro enterprises. The intention is now to focus on the quality of new starts, supporting those with growth potential and in knowledge based sectors.
Business Support	Increasing ICT take up and use	Increasing the take up and exploitation of ICT and broadband, including intensive support through support for high growth enterprises.
	Increasing investment by the private sector	Addressing market failure in the provision of certain types of capital, and assisting SME to develop investor ready proposal. Promoting and marketing the area as a dynamic sub region, building on the strong image and brand, as an inward investment location for high quality, high value added business.
	Accessing national and international markets	Focussed on reducing barriers which inhibit companies from trading nationally and internationally. Objective of significantly increasing exports particularly through international joint ventures and alliances, as well as exporting.
	Business infrastructure for a modern economy	In areas of market failure, ensuring appropriate accommodation is available for enterprises investing and re-investing in Cornwall and the Isles of Scilly. The emphasis is likely to be on office based accommodation targeted at knowledge based business.
	Accelerating business growth	Support focussed on working with businesses with growth potential, aimed at improving competitiveness. This strand will include a small number of targeted initiatives, likely to focus on accelerating the growth of higher value added companies.
	Environmental performance in business	Improving business productivity through improving environmental performance and developing new business opportunities relating to changing environmental standards
Environmental Technologies and Renewable Energy	Contributing to the development of an Environmental Technologies and Renewable Energy Initiative which will support a major new industry in Cornwall and the Isles of Scilly. The emphasis will be on developing an industry based on the design, development and production of products responding to environmental and energy related opportunities. This would include working with research centres, specialist organisations and manufacturing and service companies, and also stimulating demand within Cornwall and the Isles of Scilly. This Priority will complement the work of Priority 1, which will focus on innovation and research and development, by providing access to new markets and specialist business support as products and processes are marketed.	

Financial Resources

Priority 2: Enterprise and Investment			
	EU	UK	Total
Enterprise and Investment	121.000	40.333	161.333

Outputs and Results

The following indicative targets have been set taking account of provisional indicators set out in the draft Quantification Framework for ERDF prepared by DCLG. These are likely to be further revised and the Programme can include additional indicators where appropriate. This will be the subject of consultation.

Indicators	Target Number
Outputs	
Number of businesses assisted to improve their performance	2,000
Number of businesses assisted to improve their performance via financial support	150
Number of environmental technologies and renewable energy enterprises assisted	300
Number of graduates placed in SMEs	500
No of new SMEs assisted	400
Number of firms involved in supply chain development and improvement projects	250
Number of businesses assisted to reach industry supplier standard	150
Number of technology audits	300
Number of additional firms involved in business/cluster networks	600
Number of SME's assisted to improve their environmental performance	400
Number of business within the region engaged in new collaboration with UK knowledge base	600
Square metres of new or up-graded premises	40,000
Results	
Number of start-up businesses created	330
Number of businesses improving their performance	2,000
Gross new jobs created[1]	5,000
Gross jobs safeguarded	3,000
Gross increase in GVA	£175m
Gross jobs created in environmental sectors	1,000
Impacts	
Net additional GVA	£87.5m
Net additional employment	2,500
Net additional increase in number of firms	231
[1] Excludes some of the additional employment from new premises	

NB. These are indicative indicators and are likely to change.

Specific Actions to be Supported

Action Area	Description	Link to RES Actions	Likely Activities
Enterprise Culture	Raising the aspirations of young people, as well as stimulating new enterprise activity.	1B1. Develop a culture of enterprise.	• Additional activities to encourage enterprise as a career option through schools, colleges and universities. • Activities that encourage innovation and enterprise amongst students and Further Education and University.
New Starts	Supporting and encouraging quality new starts with high growth potential in knowledge based sectors	1B.2. Promote and encourage the creation of new enterprises.	Tailored services provided to high growth potential start-up businesses. Intensive support to include: • Business strategy, planning and marketing support; thorough market research; management capability.
Increasing ICT take and use	Supporting businesses take-up ICT opportunities.		Initiatives to target businesses based on sector, theme or geography. Range of support mechanisms for businesses of different skills levels.
Increasing investment by the private sector	Addressing market failure in the provision of certain types of capital, and assisting SMEs to develop investor ready proposals. Promotion and marketing.	1A.2. Improve access to finance	• Investor readiness schemes. • In cases of proven market failure, venture, seed capital, JEREMIE and JEREMIE like schemes. • Promotion of Cornwall and the Isles of Scilly as an investment location.
Accessing national and international markets	Reducing barriers to international trade, particularly through international joint ventures and alliances.	1D.1 Encourage and support regional businesses to trade internationally	• In-depth support for companies wishing to trade internationally. • Specific support to address cultural and language barriers. • Grants and loans to help companies overcome initial barriers to international trade.
Business infrastructure for a modern economy	Addressing market failure in the property market.		• Targeted investment such as Beacon Technology Park, Bude Business Park, Indian Queens. • Workspace Strategy. • Rural Workspace.
Accelerating Business Growth	Support focussed on working with businesses with growth potential, aimed at improving competitiveness.		• Targeted initiatives, likely to focus on accelerating the growth of higher value added companies.
Environmental Technologies and Renewable Energy	Develop an Environmental Technology/renewable energy initiative to create a major new industry.	Environment as cross cutting theme.	• Capitalising on wave hub project to become world leader in marine energy. • Inward investment targeting. • Development of collaborative networks.

4.5 Priority Axis 3: Learning and Skills

Introduction

The Convergence Operational Programme, as with all new European Programmes, is a mono-fund i.e. it does not include support from a number of Funds. The Convergence Operational Programme is funded by the European Regional Development Fund, while other funds have their own Operational Programmes. The most significant of the other funds, in financial terms, is the European Social Fund, and this is being delivered through the England ESF Operational Programme. Given the importance of the learning and skills agenda to the objectives of the Convergence Operational Programme, the relevant Convergence Priorities from the national ESF Operational Programme are presented in this section, in addition to proposals for ERDF investment. In the case ERDF interventions, the intention is to provide support which contributes to the Programme objective of transforming the economy.

Cornwall and the Isles of Scilly have a skills profile which reflects the economic structure. The area has high numbers of people with few qualifications, lack of basic skills is a major issue, and relatively few people are qualified to Levels 4 and 5. It does not have the skills profile for a modern and more competitive economy, and this is a major structural weaknesses and constraint on economic growth. There is a particular need to continue to strengthen graduate and post graduate research and maximise the contribution of Higher Education assets in delivering the up-skilling agenda.

While significant resources are being provided by the European Social Fund through the England Operational Programme, there is a need to ensure that Cornwall and the Isles of Scilly has the learning infrastructure needed to support the process of transforming the economy. It will also be important to ensure that that ESF support directly contributes to the objective of transforming the economy.

Rationale

Cornwall and the Isles of Scilly have a relatively low proportion of employment in higher value added and higher skilled employment. There is a need to develop business and sectors which base their advantage on a highly skilled workforce, with high levels of graduate and post graduate employees. The Convergence Priorities of the ESF Programme make explicit provision for higher level skills training and support HEI led research at the post graduate level. This is an important element in the strategy of raising the human capital in Cornwall and the Isles of Scilly.

ERDF support will be available to develop learning and skills infrastructure critical to the development of high level skills and the development of human capital. It will be focussed on contributing towards the agenda of the transformation of the economy, and as such, focus on knowledge, innovation and creativity, and helping to ensure that Cornwall and the Isles of Scilly has a pool of talented people able to contribute to sustainable economic growth

ERDF support focus support on critical infrastructure which is closely aligned to the Innovation and Research and Development agenda set out in Priority 1, and the Enterprise and Investment agenda set out in Priority 2. It is also expected that investments will be linked to the priorities set out in Placed Based Regeneration, and contribute to the economic regeneration of key towns.

Key strands of activity within Priority 3

Learning and Skills Infrastructure	HEI/FE	To provide where appropriate support for knowledge infrastructure critical to the development of a knowledge based, competitive economy

Financial Resources

Priority 3: Learning and Skills Infrastructure ERDF €m			
	ERDF	UK	Total
Learning and Skills	55.000	18.333	73.333

The England ESF Operational Programme

The learning and skills proposals for ESF follow the national agenda and are part of the England ESF Operational Programme, although there are specific Priorities in support of Convergence. (See ww.esf.gov.uk for full consultation document). In the ESF Operational Programme the key drivers for Convergence are:

Tackling Barriers To Employment	addresses Article 3.1.b of the ESF Regulation "*enhancing access to employment and the sustainable inclusion in the labour market of job seekers and inactive people, preventing unemployment, in particular long-term and youth unemployment, encouraging active ageing and prolonging working lives, and increasing participation in the labour market*"
Improving The Skills Of The Local Workforce	addresses Article 3.1.a of the ESF Regulation: "*increasing adaptability of workers, enterprises and entrepreneurs, with a view to improving the anticipation and positive management of economic change*"

A total of €190m of ESF support is available for Cornwall and the Isles of Scilly though the England ESF Operational Programme.

Priority 4 of the ESF English Operational Programme, Tackling Barriers To Employment

This Convergence Priority supports activities to enhance access to employment and sustainable inclusion in the labour market of unemployed, under-employed and inactive people and to prevent unemployment for people under threat of redundancy. Unemployed, under-employed (e.g. seasonal workers), inactive people and people under threat of redundancy will be eligible for support within this Priority. There will be a particular focus on people with disabilities and health conditions; jobless parents, including lone parents; older workers and people from ethnic minority groups. People who have made the transition to work from inactivity/unemployment will also be eligible for support regardless of employment sector or size of establishment.

The community and voluntary sector has an important role to play in tackling barriers to employment. A number of groups face particular challenges and need support over an extended period in order to re-enter the labour market. In a number of situations community and voluntary organisations will play a central part in the delivery of services.

Priority 5 of the ESF English Operational Programme, Improving The Skills of the Local Workforce

This Convergence Priority has the objective of helping to deliver the learning and skills vision in the Cornwall and Isles of Scilly Strategy and Action Review 2006, 'To help all people in Cornwall achieve the highest levels of skills and qualifications they can in order to enable them to find jobs and improve their chances of career progression. This Priority will support:

- Adult Learning and Skills – increasing choice and access to learning and skills training for adults (19+)
- Workforce Development – raising workforce and business skills at all levels across all sectors in Cornwall and the Isles of Scilly to match the best in the UK. This will include joint actions with social partners to engage employers and support employees in learning and training.
- Higher Education and Skills – increase the number of HE students enrolled at the Combined Universities in Cornwall and increasing the take of higher skills training by those in employment.

In addition, progression routes for learners is a key part of Cornwall and the Isles of Scilly's strategy, be it progression into mainstream learning or from mainstream into further learning, at all levels. This will be a crucial factor in achieving success in Improving the Skills of the Local Workforce. Priority Axis 5 supports activities to develop a skilled and adaptable workforce.

The following tables are taken from the Convergence sections of the draft England ESF Operational Programme. (see www.esf.gov.uk)

Specific Actions to be Supported: ENGLAND ESF OPERATIONAL PROGRAMME : see consultation document at ww.esf.gov.uk

England ESF Operational Programme Priority 4: Tackling Barriers To Employment (Indicative Actions)		
Young people	*Focusing on young people not in Education, Employment and Training (NEET) and those likely to enter the NEET group (preventative actions), as well as those aged under 25 on Incapacity Benefit or out of the labour market.*	*Active and preventative measures which ensure early identification of needs with individual action plans and personalised support including activities working with young people to prevent them from becoming NEET* *Work experience, work tasters and supported employment programmes* *Activities that link to specific regeneration initiatives, including ERDF funded projects to ensure residents can take advantage of the jobs and opportunities that arise from the regeneration of their areas* *Jobsearch training, advice and support*
Worklessness	*Focussing on those on Incapacity Benefit (27,300 in total) and addressing the multiple factors which make a return to work or training a challenge. Focus on those recently registered for Incapacity Benefit.*	*Active and preventative measures which ensure early identification of needs with individual action plans and personalised support including: activities focussed on people under threat of redundancy; workplace initiatives to prevent long term sickness absence/drift into worklessness (e.g. healthy workplace initiatives); early intervention/activity to prevent long-term benefit dependency* *Activity to tackle linked and complex causes of worklessness/barriers to employment including those relating to community safety, health, homelessness and education where this activity is clearly linked to economic progression* *Development of multi-agency partnerships to facilitate/deliver Pathways to Employment and other relevant activities such as links between health and employment organisations to support people on health related benefits to progress towards/move into work* *Activities that focus on the transition to work e.g. money management, childcare and transport* *Post emloyment support and mentoring/after-care activities for both employees and employers, regardless of sector and size of company*
Disadvantaged Groups	*Focusing on groups facing particular challenges in taking up training and employment opportunities, including lone parents.*	*Pathways to Employment programmes focussed on the re-integration of people/groups who are most distanced from the labour market and have the most severe/complex barriers to employment* *Pre and post employment skills activities including basic skills, ICT skills, financial literacy, employability and life skills, ESOL and vocational skills* *Community Development activity to identify, engage and support disadvantaged jobless individuals/groups where this is clearly linked to a pathway to employment or other progression activity* *Small community projects to mobilise unemployed and inactive people who are disadvantaged or excluded and to facilitate their integration into the labour market (building on the experience of Global Grants 2000-06)* *Activities to provide appropriate and bespoke support to particular groups who may be disadvantaged in the labour market such as: people with disabilities and health problems; older people; Lone parents; women; people from ethnic minorities and offenders.* *Sector based/demand led routeways to work that overcome skills shortages and recruitment difficulties* *Advice and support for self-employment, business creation and social enterprise.*

Specific Actions to be Supported: ENGLAND ESF OPERATIONAL PROGRAMME : see consultation document at ww.esf.gov.uk

England ESF Operational Programme Priority 5: Improving The Skills of The Local Workforce (Indicative Actions)		
14-19 Learners	*Raising achievement, self-esteem and success levels for 14-19 learners*	*Initiatives to reform vocational routes for, and develop vocational skills among, 14 to 19 year olds.* *Initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (from age 14).* *Activities to engage 14 to 19 year olds not in education, employment or training, tackle their barriers to learning, and help them access to programmes such as Entry to Employment.* *Activities to support access to and provision of apprenticeships.*
Adult Learning and Skills	*Increasing choice and access to learning and skills training for Adults (19+)*	*Training in basic literacy and numeracy skills, and English for Speakers of Other Languages – ESOL.* *Activities to support access and progression of disadvantaged young people and adults from foundation level up to level 3.* *Activities to prepare disadvantaged young people to access Higher Education (but not Higher Education provision itself).* *Lifelong learning and vocational training for low skilled and low paid women workers to improve their progression.* *Training, mentoring and supporting men and women who want to enter occupations or sectors where their gender is under-represented, in order to tackle gender segregation.* *Training older workers in order to update their qualifications and skills and prolong their working lives.* *Training for workers who face redundancy or have been made redundant.* *Initiatives by the social partners to promote lifelong learning and skills in the workplace.*
Workforce Development	*Raising workforce and business skills at all levels across all sectors in Cornwall and the Isles of Scilly to match the best in the UK. This will include joint actions with social partners to engage employers and support employees in learning and training.*	*Training for workers leading to level 2 qualifications (especially workers without current level 2 qualifications, part-time workers, workers in sectors with weak training records). ESF funding will support activities additional to those funded domestically under the level 2 entitlement.* *Training for workers leading to level 3 qualifications in sectors where there are skills shortages at level 3, in small and medium sized enterprises (up to 250 employees), and for women and ethnic minorities in sectors and occupational areas where they are under-represented at level 3.* *Lifelong learning and vocational training for low skilled and low paid women.* *Training in ICT, e-learning skills and eco-friendly technologies.* *Lifelong learning and training for managers and workers (at any level) in small businesses (up to 50 employees), including training and development in leadership, management, and technical skills needed for business development, business growth innovation and productivity.* *Training trainers (at any level) to deliver activities (for example basic skills provision) which benefit ESF target groups.* *Initiatives to ensure the supply of skills is relevant to employers' needs.* *Training of childcare workers.*
Higher Education and Skills	*Increase the number of HE students enrolled at the Combined Universities in Cornwall and increasing*	*Thee activities reflect the wider range of activities and higher intensity of funding available for the Convergence Objective. They will not support core Higher Education provision. Activities may include* *Research that supports the training of researchers and post graduate studies, where relate to the knowledge economy, labour market and human capital linked to employment and skills needs now and in the future.*

	higher skills training by those in employment.	*Graduate placement programmes within small and medium sized companies to support business growth and increase the numbers of graduates employed in Cornwall, including those from disadvantaged groups.* *Developing employer led provision that meets key skill and key sector at level 4 and above.* *Developing improving pathways from level 3 vocational programmes to foundation degrees and beyond, including curriculum development where linked to vocational studies that meet business needs, current and emergent.* *Increasing access for all to Higher Education provision (particularly for part time employees, older and migrant workers) via innovative acces routes including modular and bespoke courses, e-learning, local delivery and other flexible, blended methods of delivery where linked to vocational studies that meet business needs, current and emergent.* *Raising the level of technical skills for those in employment to meet existing and potential sector skills shortages.*
Capacity Building		*About 2% of the ESF Convergence allocation will be available for social partner capacity building projects. This will enable social partners to contribute to delivering the Convergence ESF priorities and outcomes. Joint actions with social partners, particularly, for example, with the TUC, CBI and FBS will be encouraged to ensure that this is achieved. This will include the support and development of social enterprises.*
Technical Assistance ESF		*Technical assistance funds will be available to finance preparatory, management, monitoring, evaluation, information and control activities of the operational programme, together with activities to reinforce the administrative capacity for implementing the funds. This will include the Programme's publicity and communication strategy, support for cross-cutting themes and development of Programme monitoring and evaluation systems. Technical assistance will be available to support partners in the non-governmental sector to participate in and deliver Programmes. In the Convergence region, technical assistance will also be used to invest in administrative capacity to facilitate programme delivery and strengthen capacity in impact analysis and evaluation*

4.6 Priority 4: Economic Infrastructure and Place Based Regeneration

Context and Rationale

Economic infrastructure and place based regeneration is a major component of the Convergence Programme, and its contribution is essential to the development of a knowledge based and more modern economy, with a reduced dependence on lower paid and lower skilled employment. The importance of economic infrastructure to support sustainable and higher levels of growth is now widely recognised in the context of city and urban economies. The importance of transport connectivity, both internally in terms of the functioning of the economy, and externally to markets and knowledge networks are regarded as key under-pinning assets in successful city regions. These are just as important in a rural context and even more important in peripheral locations.

Businesses in Cornwall and the Isles of Scilly face some of the longest journey times in Europe to reach national markets, and even longer journey times in accessing international markets. As importantly, suppliers and business collaborators face the same long journey times, and this restricts access to high quality advice, and increases the costs to the business community of accessing external expertise. It is important to continue to improve connectivity in all its forms to enable Cornwall and the Isles of Scilly to move to a more modern, better balanced economy. Crucial to this objective is the development in a sustainable manner of Newquay Cornwall Airport.

Digital infrastructure and its use have a very important role to play in reducing some of the effects of peripherality and helping companies to access new markets. As importantly, there is a wider contribution to the development of an information society, with the many positive developments which benefits both people and communities.

Cornwall and the Isles of Scilly have, in spatial terms, a distributed economic base, with a number of key towns, many of which are of a similar size. There is no overwhelmingly important centre, although some towns, such as Truro, play a particular function. The distances between towns, and the large population living outside towns in smaller settlements means that an urban centred approach based on a limited number of locations would be inappropriate. In many parts of the area, such as North Cornwall, residents have limited opportunity to travel to work in towns in the west, and vice versa. An approach based on investing in the larger towns only, would significantly increase long distance and unsustainable commuting.

In terms of developing a knowledge based economy in a sustainable manner, a number of towns, as well as the rural hinterland, will play a role of acting as attractive locations for new investment. This will require adequate access and public transport provision, attractive environments, and the type of business accommodation suitable for new and re-investment opportunities. This physical agenda is closely linked to business development and learning and skills as complementary actions.

Aims and Objectives

Given the forecast population and employment growth over the next ten and twenty years, and the importance of the environment and quality of life of key settlements, it is important that investment in towns and locations is managed in a sustainable manner. The Draft Regional Spatial Strategy identifies Cambourne, Pool and Redruth, Falmouth/Pernyn, and Truro as playing an important role in accommodating growth. It is important, however, to ensure that other towns are able to make a contribution to accommodating employment growth, particularly where it is focussed on higher value added employment.

The strategic objectives are to:

1) Increase the connectivity of Cornwall and the Isles of Scilly, regionally, nationally and internationally.
2) Ensure that Cornwall and the Isles of Scilly have the digital and ICT infrastructure to support business competitiveness and the further development of a knowledge society.
3) Increase the capacity of key towns and locations to accommodate new investment critical to the development of a knowledge based and higher value added economy.
4) Develop critical business infrastructure, wherever possible capitalising on existing assets, which contribute knowledge based and competitive economy.

Description of Activities to be supported

There are three elements to this Priority:

Strategic Connections (transport)– Strategic connectivity between Cornwall's main towns and the UK and Europe is a vital element of creating a successful knowledge based economy. Journey time reliability will help boost productivity and competitiveness, increase access to markets and attract inward investment. Accessibility is fundamental to a socially inclusive society. Improved strategic connections, as distinct from addressing the functioning of local economies, are critical to the process of transforming the economy. Journey times to other parts of the UK by road and rail are exceptionally long, and to international locations, even longer. There is a need to increase the business communities' access to national and international markets, as a part of the outward facing theme, which is a key principle of the Convergence Programme and Priorities 1 and 2.

The focus of this element will be on a number of key strategic improvements such as: Newquay Cornwall Airport as a transport asset and a catalyst for economic growth in the surrounding area; strategic transport infrastructure that will encourage investment in areas of spatial priority; and finding a solution to the future transport needs of the Isles of Scilly and the unique requirements of its economy.

In the case of the Airport, there is substantial evidence of the importance of airports as gateways for the business community and their importance in terms of trade, business development and knowledge networks. There is also strong evidence of Airports role as economic drivers in regional and sub regional economies. Proposals for Newquay Cornwall Airport are being developed to take advantage of both of these dimensions, and the Airport has an important role to play in developing an outward facing economy, with strong business links to other regions and countries.

Strategic Connections (digital infrastructure) - The Objective One Programme enabled an accelerated roll out of broadband technology in Cornwall and the Isles of Scilly. Now, almost 50% of businesses are using the technology and take-up rates exceed both regional and national averages. A demand led rollout has ensured availability of broadband across the region, and take-up has been driven higher still by targeted marketing, ensuring the benefits penetrate deeply into the rural communities. ICT offers significant opportunities to a rural economy across the board, economically, socially and environmentally. Bridging distances with high speed communications, people will be able to work in new and smarter ways, joining in with a global economy irrespective of their location, reducing travel and minimising their environmental impact whilst doing so.

There are limitations imposed by the current broadband technology. Whilst cities, towns and other areas close to their local telephone exchange can now enjoy next generation speeds of 8Mbit/s, whole swathes of rural areas are locked on significantly lower speeds at under 1Mbit/s, perpetuating a digital divide. The focus of this element will therefore be on ensuring that Cornwall and the Isles of Scilly maintains the competitive advantage obtained through the roll-out of broadband by providing the next generation of ICT infrastructure that will deliver:

- 100% coverage of broadband for a rural economy;
- Bandwidth equivalent to any UK city for the key towns; and
- Two or three locations with 'unlimited bandwidth', acting as a magnet for innovative businesses.

The investment in digital and broadband will be supported by accompanying actions funded by other Priorities to increase the take up and use of the new services by the business community and also other sectors such as schools and colleges.

Place Based Regeneration – There is strong evidence of the need to have attractive towns and settlements as engines of employment growth, particularly for knowledge based industries where higher skilled and high paid workers are crucial to economic growth. There has been under investment in many towns in Cornwall over a long period, and this has been accompanied by infrastructure constraints which have inhibited new development. The shortage of high quality accommodation, evidenced in the recent property study, is linked to a number of factors, and different solutions are required in different locations. The failure to provide high quality office accommodation in particular threatens the growth of higher value added businesses being supported under Priorities 1 and 2.

Place based regeneration will seek to develop bespoke solutions which identify key local constraints, assess opportunities for major, possibly iconic investments, support solutions to local economic infrastructure constraints , and accelerate site assembly and other actions to stimulate new investment. Interventions' will include local economic infrastructure, where investment in, for example, transport infrastructure at a local level, is able to open up new development opportunities or remove constraints to sustainable economic growth.

As noted earlier, the main towns are estimated to contain approximately 140,000 jobs in 2006 (including employee jobs, self employed, sole traders and managers) and 120,000 employee jobs (two thirds of the county total)[24]. They contained just over half the resident population in 2001 and produce some two thirds of the GVA of the Cornwall and the Isles of Scilly economy (£3.6bn).

The Draft Regional Spatial Strategy identifies that approximately 30% of jobs can be found in Truro, Falmouth/Penryn and Camborne, Pool, Redruth and that significant economic activity will centre on these areas. Activities will focus on strategic investment projects that complement existing opportunities, such as the CUC in Falmouth/Penryn and the work of the Urban Regeneration Company in CPR. The Draft Regional Spatial Strategy also indicates an important role for Penzance, Newquay, Bodmin, and St. Austell and the recent work on key towns and future business space needs highlights the distributed nature of employment and the scale of opportunity in many of the key towns and rural areas.

The Convergence Programme will support the modernisation of the business infrastructure in locations with the potential to secure significant new investment and which can add to the process of transforming the economy. This will include areas of opportunities, and areas of difficulty, where intervention may be required to address persistent under-performance. Where appropriate, interventions will contribute either directly or indirectly, to the Government's liveability agenda.

Investment will be taken forward on a planned and phased basis, using an evidence based assessment drawing on the recent key town report and review of future property requirements. The provision of other major economic infrastructure will be linked to place based regeneration and is an important component of the Convergence Programme. The intention is to prioritise those investments of regional and national significance with the potential to secure significant new investment for Cornwall and the Isles of Scilly.

Financial Resources

Priority 4: Economic Infrastructure and Place Based Regeneration			
	EU	UK	Total
Economic Infrastructure and Place Based Regeneration	189.000	63.000	252.000

Outputs and Results

The following indicative targets have been set taking account of provisional indicators set out in the draft Quantification Framework for ERDF prepared by DCLG. These are likely to be further revised and the Programme can include additional indicators where appropriate. This will be the subject of consultation.

Indicators	Target Number
Outputs	
Square metres of new or up-graded premises	30,000
Square metres of new or up-graded premises (specialist)	3,000
Major Digital projects	4
Results	
Square metres of new or up-graded premises (direct and indirect)	80,000
Passenger numbers (Airport)	600,000
Gross new jobs created[1]	10,000
Gross jobs safeguarded	4,000
Gross increase in GVA	£320m
Impacts	
Net additional GVA	£160m
Net additional employment	5,000
[1] Excludes some of the additional employment from new premises	

NB. These are indicative indicators and are likely to change.

[24] See page 9 Cornwall Towns Study August 2006, Roger Tym and Partners

Specific Actions to be Supported

Action Area	Description	Link to RES Actions	Likely Activities
Strategic Connections: Transport Infrastructure	Create a fully accessible and sustainable transport infrastructure	3A.1 Enhance connectivity providing access to markets and tackling peripherality 3A.2 Reduce congestion in the main cities and towns	• Isles of Scilly transport improvements. • Newquay Cornwall Airport and associated development • Feasibility and pre-development activity relating to medium term investment in strategic road network
Strategic Connections : Digital Infrastructure	Provide the technology to support trade locally, nationally and internationally	1D.1 Encourage and support regional businesses to trade internationally	• Infrastructure to be developed to enable Cornwall and Isles of Scilly to be a leading edge centre of broadband connectivity
Place based Regeneration	Develop towns and settlements with the business infrastructure to support economic growth	1A.7 Deliver sustainable sites and premises for business growth	• Infrastructure necessary to liberate specific economic development opportunities: • Truro local transport package • CPR local transport package and investment in business infrastructure • Other key towns and developments (to be developed on a phased basis, using the recent key towns report and review of future property needs, taking account of need for intervention, economic benefits, and value for money, and links to the Programme objective of transforming the economy)

5 Cross-Cutting Themes

5.1 Environment

Introduction

Cornwall and the Isles of Scilly will be a place where the environment and the economy work together. A robust and successful business base is critical to achieving sustainable prosperity – and this can only be achieved with the environment being fully integrated into the business model of individual enterprises and the economy as a whole.

The 2000-06 Objective One Programme made considerable progress in mainstreaming environmental issues within an economic development context, and was highlighted in nationwide evaluations as representing best practice in this respect. However, it is increasingly clear, and in line with UK Sustainable Development policy, that a step change, rather than just incremental growth of good practice, is required to meet environmental challenges, especially in relation to energy use and climate change.

There is now agreement among all mainstream UK political parties that a mixture of regulation and green taxation will be required, with the deliberate aim of changing business and consumer behaviour - and these will be in addition to the recent increases in energy costs associated with rising oil prices. As with any market shift, there will be a need for existing businesses to adapt, and for new businesses to take advantage of emerging market opportunities. The Convergence Programme has a key role to play in ensuring that the economy of Cornwall and the Isles of Scilly continues to develop and brings long term, sustainable, benefits to its population, while at the same time seeking to reduce - not simply to slow the growth of - environmental impacts including climate change emissions, in addition to encouraging the replication and expansion of existing good practice.

The UK Government has made a commitment in the National Strategic Reference Framework to treating environmental sustainability and equality as cross-cutting themes for all future Structural Funds Programmes. This will include integrated strategies for addressing environmental issues and respecting the principles of sustainable development. This presents a challenge but more importantly an opportunity to develop new solutions and respond to new and expanding markets.

The productivity and efficiency of the business model will be transformed through the tools available from the Convergence Programme, including:

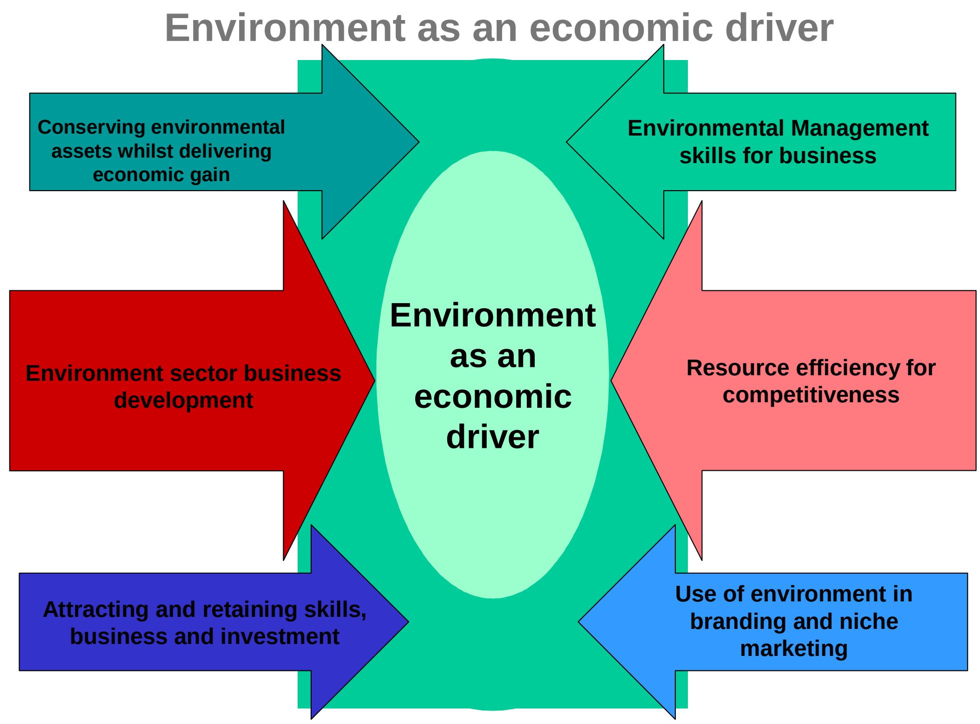
- Promotion of eco-innovation through research and technical development and incubation;
- Proofing of new economic activity and technologies against their environmental impacts; and
- Energy, and wider resource use, efficiency advice integrated into all types of business development, both capital and revenue.

In line with the Government's sustainable development strategy, the Convergence Programme will address this cross cutting theme through two perspectives:

1. *Recognising the potential impact of economic regeneration on the environment* - In the context of the Structural Funds Programmes, environmental sustainability means that whilst achieving their social and economic goals, projects should minimise their environmental impact and enhance environmental opportunities and benefits; and

2. *Recognising the potential economic benefit that the environment can bring* – Both the draft Cornwall and Isles of Scilly Strategy and Action and the South West Regional Economic Strategy recognises that Cornwall and the Isles of Scilly have unique environmental assets and that the environment represents a significant potential driver of the economy, as the diagram below illustrates.

The six strands of the environment as an economic driver



This section outlines the key environment issues facing the region, the objectives for the Programme in addressing these issues, how they will be monitored and key actions by Priority needed to address these issues.

Key Facts

The quality of the environment is one of Cornwall and the Isles of Scilly's unique assets, generating considerable benefits for residents and providing a major draw to the area for tourists, economic migrants and businesses. The most recent comprehensive audit of Cornwall and the Isles of Scilly reinforced the understanding of the breadth and depth of the environmental asset base, including an outstanding natural, built and historic environment, large areas of which are protected through National, European and International designations, such as the recently conferred Cornish Mining Landscape World Heritage Site. In Cornwall alone, the AONB covers 27% of the total area. SSSIs and SACs also cover large areas. Cornwall and the Isles of Scilly also face a number of environmental challenges, including:

- Climate change
  - Cornwall produces 10% of CO_2 emissions (7.9 tonnes CO_2/1000 population) within the South West, lowest of all the sub-regions (8.2 tonnes CO_2/1000 population in the South West), however, if national targets are to be met all areas will need to reduce emissions, and this is in the context of expanding economic growth;
  - Rising sea levels as a result of climate change (Mean sea level in Newlyn has risen by 15cm since 1915), resulting in increased coastal erosion;
- Resource efficiency
  - Total commercial and municipal waste is forecast to grow at between 1 and 3% per annum as a consequence of increasing population, housing and economic activity. More sustainable waste management will include methane production through the reduction in landfill, energy savings in the processing of raw materials, and the reduction in the completion of non-renewable resources.

In facing these challenges, Cornwall and the Isles of Scilly has shown itself to be at the forefront of renewable energy production in the South West, generating 41% of the renewable capacity of the region. In addition to renewable energy schemes, Cornwall and the Isles of Scilly have a total of 71 heat schemes, with a current capacity of 3.43MW and the highest number of heat pumps installed, with a current capacity of 1.48MW. Many of these latter schemes have been supplied by the local market.

More locally, both the Eden Project (which uses solar PV panels on its education centre to promote renewable energy practices) and the Regen South West's Wave Hub, off the Cornwall's north coast (which is measuring wave activity to inform development of the world's first wave farm) have been singled out for special praise by the DTI's top ten list of green energy projects in 2005.

Responding To The Strategic Environmental Assessment

The early work of the Strategic Environmental Assessment identified a number of issues for the Programme, namely:

Energy Use and Climate Change – Although the exact trajectory of the increasing complexity of global climate change, dependency on fossil fuels, increasing global demand, and price volatility is far from definite the potential risks are accepted as important at the national, regional and programme area level. Collective governmental action is key – the EU as a whole (including through regulation, taxation and trading schemes) has a vital role to play in this, both in terms of reducing the global climate change impact of its own activities and in stimulating change in others.

Nationally, the NRSF states that all programmes must take account of the Government's goal to reduce the UK's emissions of carbon dioxide by 20% by 2010 and by 60% by 2050, in order to tackle climate change. Regionally and sub-regionally, there is an aspiration to trial methods of economic development that are carbon neutral. The implications of this, is that the Programme will target "greenhouse" gases throughout its activities and investments including:

- Energy, and wider resource use, efficiency advice to businesses will need to be integrated into all types of business contact
- Promotion of eco-innovation, such as low carbon technologies, through the innovation Priority
- Proofing of new economic regeneration activity, including the development of new businesses, against their environmental impacts
- On top of efficiency savings, renewable energy and other technologies will need to be used to reduce "greenhouse" gas emissions.

If the aspiration of carbon neutrality is to be achieved any net emissions will require carbon offsetting to compensate for the remaining emissions. The key immediate issue for the Programme is to devise an appropriate approach to calculating carbon emissions at a Programme level that is both easy to use and yet accurate enough for offsetting to occur.

Transport – Transport emissions make a significant contribution to both air pollution and the CO_2 emissions referred to above. However, the peripheral nature of Cornwall and the Isles of Scilly means that any increases in transport costs will impact to a greater extent on businesses and that these impacts will be greatest for those with large volumes of goods to transport.

The key issue for the Programme is ensure appropriate cost effective connectivity to ensure economic regeneration and positively manage the environmental issues associated with improving transport infrastructure. This will be done in several ways:

- Transforming the economy to a more knowledge based economy with lower associated resource and transport costs;
- Developing local supply chains that enhance intra-regional links and reduce transport costs; and
- Ensuring that improvement of the transport infrastructure, to reduce travel time and costs, represents best environmental practice.

Resource Use in Business – The extent to which businesses use resources other than energy (e.g. water use and waste management) will depend on the nature of the business itself. The evidence suggests that those which produce high volumes of waste, or which depend on large supplies of water, are likely to benefit the most from environmental management business support. The challenge for the Programme is therefore to target:

- Environmental management support for all types of business

- More sustainable management of resources, including the management of waste; this also gives the opportunity to develop new businesses and markets.

Buildings – Both new and existing buildings have environmental impacts in terms of both their construction and their ongoing use – it is vital that both are targeted through the Programme:

- The impact of both the construction and use of buildings has been well studied and good practice standards are available such as BREEAM, which SWRDA has committed to using on all capital projects.
- The active management of environmental issues within new build and refurbishment of existing stock presents the opportunity to stimulate the market for environmentally smart technologies, goods and services.

Biodiversity and Landscape – For Cornwall and the Isles of Scilly, Biodiversity and Landscape make up the very distinctiveness that helps retain and attract people to the area as both visitors and as migrants. Therefore ensuring that this is protected is a high priority. However, the extent to which this can be achieved under this Programme is limited, with the evidence base showing that the majority of direct pressures on both biodiversity and distinctive landscape are associated with agriculture and therefore fall under the remit of EAFRD and this is reinforced in the NSRF. Therefore the challenge for the Programme is to ensure that projects consider their potential impact on biodiversity and landscape in the application process and where appropriate in the planning and complementary regulatory processes.

The issues raised by the SEA consultants and the suggested responses have been taken into account in developing the environmental cross cutting these and the proposed approach with regard to carbon emissions.

Objectives

The Regional Economic Strategy outlines a vision for the South West. This vision recognises that the quality of our physical and cultural environment is central to providing a high quality of life for everyone. One of the region's aims is to show that economic growth can be secured within environmental limits to bring prosperity to the region. This aim complements that of Cornwall and the Isles of Scilly draft Strategy and Action that recognises that *'in order to achieve long term sustainability, taking steps towards achieving a carbon neutral environment is essential if the environment that is loved by both residents and visitors alike is maintained for enjoyment by future generations'.*

It is a firm commitment that the Convergence Programme will both build on the foundations created by the delivery of the Objective One Programme and reflect the commitment above. The Programme will be a pilot for an approach to regional development that aspires to be carbon neutral. While it is recognised that this is a bold statement, partners believe that the delivery of this Programme provides an opportunity to show how this might be achieved, through testing methods for reducing carbon emissions at both the individual project and Programme levels. As such the Programme will help to show the region the way towards carbon neutral economic development.

A key part of this ambition is the very real potential for Cornwall and the Isles of Scilly to maximise the significant opportunities to use the environment to sustain and create economic growth. Most notably through:

- The sustainable use and management of resources, including water and waste – environmental best practice can improve business efficiency by driving down business cost and reducing the risk of non-compliance with existing and emerging regulation;
- The exploitation of the research and development potential of the Combined Universities in Cornwall partnership to trigger eco-innovation, particularly for a lower carbon economy;
- The growth of the environmental technologies sector is identified as a new and emerging sector which has the potential to support significant business growth and wealth creation;
- The embedding of energy efficiency and renewable energy solutions into all types of business development.

The Convergence Programme will invest in a portfolio of projects that will include:

- Reducing carbon emissions compared with conventional approaches e.g. energy efficient buildings and on site renewables; and the reuse and recycling of commercial waste (see following carbon emissions section) ; and
- Projects with the potential for being carbon negative – research, development and incubation of eco-innovation leading to business development; and business advice on energy and resource efficiency (see following carbon emissions section).

Environmental good practice will also lower the energy bill for Cornwall and the Isles of Scilly, 98% of which leaves the local economy. In addition there is the potential to further develop local market based solutions for technologies such as earth energy heating. At a South West level employment in the renewal energy sector alone is expected to increase from 1,140 FTE in 2004/05 to between 14,000 and 17,000 by 2020[25].

Quality of life considerations, including the significant and notable asset base of the natural and historic environment, attract investment, businesses and workers to Cornwall and the Isles of Scilly. These have the potential to be reinforced into a more coherent package with the development of widespread environmental good practice within businesses together with the development of an enterprise base strong in environmental goods and services.

The environmental objectives of the Cornwall and Isles of Scilly Convergence Programme are to:

- increase:
  - the sustainable use of our natural resources, including land, water and the management of waste;
  - the sustainable use of energy, including both energy conservation and the use of renewable energy;
  - the business opportunities for the increased demands for environmental technologies, goods and services;
  - the awareness of businesses of the value of the environment and its role in economic development;

- conserve:
  - the value of the natural and historic environments;

- use
  - the Programme and its projects as examples of the successful integration of economic and environmental goals, including the identification of good practice.

These complement the objectives of the South West's Integrated Regional Strategy.[26] The Convergence Programme will also set a clear set of objectives around carbon emissions (see following sections).

Monitoring

The programme monitoring strategy will include a section on Cross Cutting Theme evaluation and training by specialist advisors will be provided to ensure that monitoring officers have the capacity to effectively monitor and record cross cutting theme activity and data. This will include the collation of best practice case studies.

The following indicative targets have been set for the Environment Cross Cutting Theme, taking account of provisional indicators set out in the draft Quantification Framework for ERDF prepared by DCLG. These are likely to be further revised and the Programme can include additional indicators where appropriate. This will be the subject of consultation. Targets for ESF related activity will be set by the National ESF Operational Programme.

Indicators	Target Number
Number of buildings to a minimum BREEAM standard of very good or equivalent	To be determined
Number of environment sector businesses supported	
Number of buildings refurbished/improved/adapted for productive use	

[25] Cornwall Economic Forum Strategy and Action (September 2006 Draft), 2006-26
[26] Just Connect, An Integrated Regional Strategy for the South West 2004-2026

Actions by Priority

Environment as Driver	Priority Axis	Impact on Environment	Response
Research, development and incubation of environmental goods and services, including Renewable Energies will result in new less resource and "green house" gas intensive technologies and the growth of emerging sectors.	Innovation, Research and Development	Environmental impacts associated with construction	Projects expected to be exemplars of environmental best practice in their design, construction and operation
		Environmental impact associated with new products and services identified	Incorporation of environmental management training – see Priority 2
The region's HE/FE institutions hold specialist knowledge in some fields of environmental science and renewable energy. Better links with businesses operating in these fields will result in the commercial exploitation of this expertise			Proofing new technologies against their environmental impacts
The resource and energy efficiency and renewable energy strand of activity will support both existing and new businesses.	Enterprise and Growth	Environmental impacts associated with construction	Projects expected to be exemplars of environmental best practice in their design, construction and operation
Growth of businesses responding to greater demands for environmental technologies, goods and services – including the potential for growth in exports.		Environmental impact associated with new businesses	Incorporation of environmental management training early in the decision making process.
Environmental management training resulting in more competitive sustainable businesses.			Proofing business development activities against their environmental impacts
Social Enterprise models whereby local people learn skills to manage their local environment giving them the skills to enter employment or self employment.	Learning and Skills	Environmental impacts associated with construction	Projects expected to be exemplars of environmental best practice in their design, construction and operation
Learning and Skills represents an opportunity to deliver the environmentally literate workforce of the future.		Environmental impact associated with new businesses	Incorporation of environmental management training
Learning and Skills represents an opportunity to deliver environmental training as part of a wider package of training within high impact sectors.			
Re-invigoration of key towns will improve their attractiveness to investors, as long as care is taken to maintain the appearance and character of areas.	Economic Infrastructure and Place Based Regeneration	Environmental impacts associated with construction	Projects expected to be exemplars of environmental best practice
		Material use impacts associated with new ICT infrastructure and its use	Projects expected to be exemplars of environmental best practice
		Growth in use of airport leading in increased CO_2 emissions	A package of measures to mitigate the carbon emissions, including energy efficiency targets, renewable energy systems and off-setting

5.2 Carbon Neutrality

The Cornwall and the Isles of Scilly Convergence Programme is making a major commitment to reducing carbon emissions and aspires to carbon neutrality for the Programme as a whole. This approach is set within the context of the prioritisation given to this issue in the Regional Economic Strategy, and the recent Stern Report (see Stern Review on the Economics of Climate Change, HM Treasury website) which highlighted the urgency of the situation and the opportunity costs of delaying action.

There are a number of elements in developing a substantial reduction in carbon emissions through the Convergence Programme. These are (a) working with the business community and other organisations to reduce carbon emissions and (b) developing approaches which take account of and reduce the carbon effects of Programme activities aimed at stimulating economic growth.

In terms of the business community and other organisations, the Programme will:

- Increase awareness amongst the business community and the public sector of the need to reduce carbon emissions.
- Provide businesses and other organisations with the tools and methods to assess their carbon footprint, and advice on how to reduce their emissions without damaging the efficiency of their organisation.
- Assist businesses and organisations to anticipate and deal with legislative changes designed to reduce carbon emissions.
- Provide a small grant programme to support energy efficiency in business.

In terms of the investment funded through the programme, the Programme will:

- Develop techniques and methods for assessing the net carbon emission of proposals;
- Implement a system which requires carbon reduction actions as a pre-condition of support;
- Afford carbon reductions/offsetting strategies the same importance as economic benefits in deciding on how best to invest Convergence Programme resources.

The intention of both working with the business community and implementing investment in new activities is to move to a situation of carbon neutrality across the Programme as a whole. While not all activities, investments or business sectors will achieve this goal straight away, the balance across the Programme will encourage high standards. The working definition of carbon neutral is as follows:

> *A carbon neutral organisational unit, product or service or process has zero net carbon emissions associated with its activities, through a combination of internal emissions reducing actions and external mitigation/offsetting actions.*

While carbon neutral is the goal to which the Programme aspires, in the immediate term a number of responses will be promoted. It is expected that project sponsors will use some or all of these approaches. They include generating carbon credits, reducing the projects' own carbon footprint; mitigating actions and formal offsetting. Further development work is taking place to further develop the Carbon Neutral approach. This will involve consultation with key stakeholders to further develop the implementation arrangements. The development work will include:

- Agreeing the management and delivery for the oversight of the carbon neutral approach, including the adequate resourcing of any monitoring arrangements;
- Agreeing the principles which will influence the decision making processes with regard to Convergence funded investments;
- Agreeing responsibilities and a work programme for the development of tools and methods with regard to carbon footprints, reduction, mitigation and offsetting actions;
- Agreeing the mechanisms and resources for engagement with the business sector and with project sponsors;
- Building support mechanisms into the Programme to encourage renewable energy; ensure energy efficiency in business and develop a forestry enterprise plan.

These new arrangements will be in place before the commencement of the Programme, and will be taken forward with the support of the key stakeholders.

5.3 Equality and Diversity

Introduction

In 2000, the Government gave most public authorities in Britain a legal duty to promote race equality. The gender and disability duties will become statutory later this year and in early 2007 respectively. The UK Government has made a commitment in the NRSF to treating environmental sustainability and equality as cross-cutting themes for all future Structural Fund programmes. The framework states that *'all structural fund programmes will respect the principles of non-discrimination and equal opportunities. Projects will be encouraged to take account of the needs of the local communities they serve, and where appropriate take account of good practice developed within the Equal Community Initiative.'*

The Integrated Regional Strategy has an aim *'to make sure that people are treated fairly and can participate fully in society'.*

This section outlines the key equality and diversity issues facing Cornwall and the Isles of Scilly, the objectives for the Programme in terms of addressing these issues, how equality will be monitored and key actions by Priority needed to address these issues.

Key Facts

	Key Facts
Gender	*Employment* – Women accounted for 48% of the total working age population, a slight decrease since 2000. Women are more likely to work in part-time jobs than their male counterparts. *Average Earnings* – Female full time earnings are increasing faster than the male equivalent, however, they are still lagging in absolute terms. *Economic Activity* – In 2005, women of working age had a lower economic activity rate (73%) than their male counterparts (85%). *Unemployment* – Female unemployment has dropped significantly over the last ten years to 1.5% in 2005, compared to 4.5% for men. Women have a lower average duration of unemployment.
Age	*Employment* - The over-50's have lower rates of employment (37.6%) than other age groups, however, this has grown from a rate of 33.6% in 2000. *Unemployment* – Unemployment is highest (10.3%) amongst the 16-24 age group. *Economic activity* – The over 50's have the lowest economic activity rates at 38.4%, however this has increased significantly since 1995 (31.8%).
Ethnicity	*Population* – 1% of the population of the South West are from BME backgrounds compared to 2.3% in the South West and 9.1% nationally. *Employment* – The employment rate is 81% for BME individuals compared to 75% for all people. This performance is better than that of England, with 59% and 75% respectively.
Disabilities	*Population* – 22% of the working age population are classified as disabled and 19% have a disability that impacts on their ability to work. *Employment and Economic Activity* – 57% of working age disabled people in Cornwall and the Isles of Scilly were classified as economically active, compared to 55% nationally and 78% for all people. There are district differences in economic activity rates ranging from 65% in Kerrier to 48% in Caradon.
Baseline data being researched for religion/ belief and sexual orientation categories	

Issues

For Cornwall and the Isles of Scilly to achieve the economic growth targets proposed, all members of society need to be able to contribute their full potential. The key facts as detailed in the table above highlight the current inequalities within the region's workforce. Whilst legislation is in place (as detailed in the table below) to prevent discrimination within the workplace, inequalities remain. These inequalities mean that people are working below their full potential due to a number of barriers:

- Childcare and other logistical issues;
- Confidence and self esteem;

- Education and skills; and
- Awareness of opportunities.

Strand	Legislation
Race	Race Relations Act 1976 (Amendment) Race Regulations 2003
Disability	Disability Discrimination Act 1995
Gender	Sex Discrimination (Gender Reassignment) Regulations 1999
Sexual Orientation	Sexual Orientation Regulation came into force in December 2003
Age	Employment Equality (Age) Regulations 2006
Religion or Belief	Employment Equality (Religion or Belief) Regulations 2003

The challenge for the Programme is to ensure that all members of society are able to benefit from and access the support proposed under this Programme. Many of the proposed activities are tightly focused on developing a knowledge based economy and rightly so. However, there is a risk with some of these activities that under-represented groups will be indirectly discriminated against. For instance, where priority strands target sectors that are traditionally male dominated, it is important to identify how women or other under-represented groups will be able to benefit.

Objectives

In the light of the issues identified above, the objectives for the Programme will be to:

- Increase the take-up of quality training and employment by under-represented target groups;
- Increase the number of people in under-represented groups accessing training and employment in higher skilled occupations and sectors where they are currently under-represented;
- Ensure that business support is inclusive and responsive to the needs of all communities and under-represented groups;
- Increase the participation of people from under-represented groups in the management and implementation structures of the programme. It is important that partnerships, selection panels and other administrative groups are representative at all levels and positive steps are taken to gain the active involvement of under-represented groups;
- Increase the number of under-represented groups owning their own business.

Monitoring

Monitoring will be an important tool in delivering the equality objectives. The programme monitoring strategy will include a section on cross cutting theme evaluation and training by specialist advisors will be provided to ensure that monitoring officers have the capacity to effectively monitor and record cross cutting theme activity and data. This will include the collation of best practice case studies.

Equality Impact Assessment

Although it is a Programme rather than a policy, advice received from DCLG Equality and Diversity Unit (EDU) is that all Operational Programmes (OP) should be screened for their relevance to and potential impact on six strands of equality: Race, Disability, Gender, Sexual Orientation, Age and Religion/Belief. The screening will identify any adverse affect the Programme may have on any specific groups and also determine if a full assessment is required. An impact assessment will also fulfil the requirements of Article 16 of the General Regulations (EC) No 1083/2006.

The six strands of equality have already been taken into account in the development of the Programme, and further work will now take place in further developing the final Programme. This will involve:

- Consulting all stakeholders as part of the full consultation process on the Draft Operational Programme;
- Undertaking the Equal Opportunity and Diversity Screening Process; and
- Dependent upon the results of the Screening Process, undertaking a Full Impact Assessment.

The results of this work will be a Final Operational Programme which takes full account of Equality and Diversity challenges and opportunities. This will include setting a full range of indicators and targets relevant to Equal Opportunities and Diversity, as well as polices and processes to ensure that objectives are met. In order to ensure consistency between the two South West Programmes (Competitiveness and Convergence), the review of Equal Opportunities and Diversity will be taken forward drawing upon expertise from across the region.

The following indicative targets have been set for Equal Opportunities and Diversity, taking account of provisional indicators set out in the draft Quantification Framework for ERDF prepared by DCLG. These are likely to be further revised and the Programme can include additional indicators where appropriate. This will be the subject of consultation. Targets for ESF related activity will be set by the National ESF Operational Programme.

ERDF Indicators	Target Number
Number of persons from under represented groups[1] assisted in starting a business	
Number of women assisted in starting a business	
Number of persons from under represented groups assisted to get a job	
Number of women assisted to get a job	
Proportion of Programme committee and sub committee members who are women	
[1] Defined as people from a black and minority ethnic background, and people with a disability	

Actions by Priority

Priority Axis	Issue	Response
Innovation and Research and Development	There is a risk that 'Supporting ideas, innovation and knowledge' activity will be interpreted as only applying to the technical/engineering type companies which are traditionally male dominated.	Activities must encompass the whole intellectual property spectrum
	Access to research facilities	Ensure new provision and facilities accessing revenue support have appropriate access and facilities for people with disabilities
Enterprise and Investment	Risk that some less achieving 'special measure' schools may be missed out	Need to operate a fully inclusive approach though all schools
	Women and disadvantaged groups are less likely to start their own business	Targeted activities at women and disadvantaged groups
	New starts in the knowledge intensive and high-growth areas are more likely to be male dominated	Monitoring and targeted activity at women and disadvantaged groups as required
	The environmental technologies sector is male dominated	Monitoring and targeted activity at women and disadvantaged groups as required
	Limited broadband coverage in certain areas	Provide 100% broadband across the entire county and increase bandwidth to support greater market where able
Learning and Skills		
Economic Infrastructure and Place Based Regeneration	Risk of not including disadvantaged communities	Link to ESF
	Ensuring there are options for people without a car	Assessing potential impact on people without a car

6 Financial Allocations

The annual financial allocations for ERDF are detailed below. The Convergence Programme will have an evenly spread annual allocation, with no tapering at ether the beginning or the end of the Programme. This will require a timely start to the new Programme to ensure that n+2 requirements (which require regular actual expenditure) are met.

Annual Financial Allocations		
	ERDF	Total
2007	61.544	82.059
2008	62.775	83.698
2009	64.030	85.371
2010	65.311	87.079
2011	66.617	88.820
2012	67.950	90.598
2013	69.309	92.412
Total	457.536	610.048

The *provisional* financial table has been set with a UK Public Sector financial contribution of 25%. This Programme intervention rate requires a total UK public contribution of €152m. The final financial table which set a UK public sector contribution which allows for prudent financial management, while seeking maximising the impact of the Programme, and this will be dependent upon important contributions from a range of stakeholders including the County Council, the District Councils, National Government Departments including the Department of Trade and Industry and the Department of Transport, English Partnerships. Other potential contributors could include Lottery and HEFC. These contributions will be in addition to support made available by the South West RDA.

Summary Financial Table ERDF (€m)			
	ERDF	UK	Total
1 Innovation and Research & Development	77.000	25.667	102.667
2 Competitiveness and Investment	121.000	40.333	161.333
3 Learning and Skills Infrastructure[1]	55.000	18.333	73.333
4 Placed Based Regeneration	189.000	63.000	252.000
Technical Assistance	15.536	7.208	28.831
Total Convergence	457.536	152.512	610.048
[1] England ESF Operational Programme includes €190m of ESF support for the Cornwall and he isles of Scilly Convergence, under two Priorities.			

The consultation process will involve three important elements with regard to the financial table. These are:

- An assessment of the balance between the Funds and between the Priorities, and the extent to which the proposed portfolio will allow the objectives of the Programme to be realised;
- The scale of contributions and the extent to which financial contributions from all of the public sector stakeholders can be guaranteed; and
- A risk assessment with regard to the prudent management of the financial delivery of the Programme, given n+2 requirements.

This work will help to finales the financial tables and the scale of benefits. Although private sector financial contributions are no longer included in the Programme financial table, the final impact will depend upon the scale of private sector investment resulting from Programme activities. This will require a leading role for the business community in Cornwall and the Isles of Scilly.

7 Alignment

Lisbon Agenda and the Lisbon National Reform Programme

In March 2000 the Lisbon Council established the Lisbon Strategy with the aim of making Europe 'the world's most dynamic and competitive knowledge-based economy', capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010. Due to slow progress made the Strategy was re-launched in March 2005 with a sharper focus on the key priorities of jobs and growth. The reform programme aims to provide a stable macroeconomic environment whilst making markets work more efficiently. The programme can be divided into four broad themes with key targets:

Competition and Enterprise • Liberalise telecom, electricity and gas markets • Liberalise financial markets. • Simplify the regulatory environment • Encourage enterprise and the growth of SMEs • Promote competition and reduce the level of state aids • Create a single European sky	Innovation • Break down barriers to innovation • Create an information society for all
Employment • Create more and better jobs • Focus on education and training	Modernising the European Social Model • Combat social exclusion and modernise social protection

In 2001 the Gothenburg European Council added an environmental dimension to the Lisbon Strategy. It agreed a sustainable development strategy, which completes the European Union's political commitment to economic and social renewal. Priority areas include managing natural resources more responsibly, addressing threats to public health, ensuring sustainable transport and combating climate change.

In October 2006 the European Commission adopted the Community Strategic Guidelines which establish the areas important for the realisation of community priorities, in particular in relation sustainability goals and to the renewed Lisbon Strategy for growth and jobs. The Guidelines provide a framework for delivering the Structural Funds and identify three main priorities for future spending:

- Improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and
- Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

The Community Strategic Guidelines are used as the basis for drafting the UK strategic priorities that are outlined in the National Strategic Reference Framework.

The National Strategic Reference Framework establishes the priorities for Structural Funds Programmes in the UK in 2007-13. The broad objectives for EU Structural Funds are governed by Community Strategic Guidelines. The UK's National Strategic Reference Framework assesses economic strengths and weaknesses, and ensures that national strategies contribute to the priorities of the Community Strategic Guidelines. The central economic objective remains to raise economic performance, increasing employment rates and narrowing the gap with major industrial competitors. In order to achieve this Framework outlines three priorities for the Convergence Programme which provide the framework for determining priority interventions and funding allocations:

- Innovation and knowledge transfer;
- Enterprise and business;
- Improving accessibility and connectivity

The following tables outline the alignment between the European Community Strategic Guidelines, the National Strategic Reference Framework and the Operational Programme.

Alignment between the European Community Strategic Guidelines, the National Strategic Reference Framework and the Operational Programme				
Operational Priorities	Innovation & Knowledge Transfer	Enterprise & Business	Sustainable Development, Production & Consumption	Sustainable Communities
Innovation and research and development	CSG 4.2.1 Increasing and improving investment in RTD (working with SMEs and HEIs) CSG 4.2.2 Facilitating Innovation and Promoting Entrepreneurship (supporting HEI spin outs)	CSG 4.2.2 Facilitating Innovation and Promoting Entrepreneurship (supporting HEI and other new starts) CSG 4.2.4 Improve access to finance (support new HEI and other spin outs and new starts)	CSG 4.1.3 Addressing Europe's intensive use of traditional energy sources CSG 4.1.2 To strengthen the synergies between environmental protection and growth	
Enterprise and investment		CSG 4.2.4 Improve access to finance (working with SMEs to become investor ready) CSG 4.2.2 Facilitating Innovation and Promoting Entrepreneurship (supporting high value added new starts) CSG 4.3.2 Improving adaptability of workers and enterprise and the flexibility of the labour market (supporting management and leadership)	CSG 4.1.3 Addressing Europe's intensive use of traditional energy sources CSG 4.1.2 To strengthen the synergies between environmental protection and growth	CSG 4.3.3Prorote the information society for all (ICT use by business)
Learning and skills		CSG 4.3.2 Improving adaptability of workers and enterprise and the flexibility of the labour market (supporting the up-skilling of the workforce)	CSG 4.1.3 Addressing Europe's intensive use of traditional energy sources	CSG 4.3.3Prorote the information society for all (ICT training)
Economic infrastructure and place based regeneration		CSG 4.1.1 Expand and improve transport infrastructure (better linking business to markets and suppliers)	CSG 4.1.2 To strengthen the synergies between environmental protection and growth (better connectivity between communities and employment centres to reduce travel journeys)	CSG 4.1.1 Expand and improve transport infrastructure (better linking people to jobs) CSG 4.3.3Prorote the information society for all (digital infrastructure) CSG4.3.1 Attract and retain more people in employment and modernize social protection systems (through modern business infrastructure supporting growth on knowledge based industries)

Alignment between the UK Lisbon Reform Programme and the Convergence Operational Programme			
	UK National Lisbon Reform Programme		
Operational Priorities	Macroeconomic Policies for Jobs and Growth	Increasing Productivity Growth	Increased Employment Opportunity for All
Innovation and research and development		High: Supporting SMEs to access specialist research and development support, introduce product and process improvements, and capitalising on research capacity and expertise.	Low: interventions aimed at stimulating R&D activity, developing product and process improvements, and linking HEIs to SMEs.
Enterprise and investment		Very High: focus on SMEs in high value added sectors and with growth potential. Focus on barriers to international trade, and on making companies investor ready. Major focus on knowledge and knowledge management as a key tool for increasing competitiveness.	Medium: Focus of support is on improving productivity and competitiveness, rather than increasing employment (although this will result in more sustainable employment) Work on enterprise culture and some new start work will increase the employment opportunities available and stimulate some people to pursue a self employment route, thus widening their options.
Learning and skills		Very High: Primarily funded by ESF, although ERDF will support necessary infrastructure. Focus on up-skilling the workforce, key constraint on competitiveness. Also a strong focus on higher level skills, graduate and post graduate research. This will contribute to a significant up-skilling of the available workforce	High: ESF led major investment in human capital, with ERDF investment providing the high quality facilities needed to support higher level skills training. ESF actions will also lead on addressing worklessness, a major priority.
Economic infrastructure and placed based regeneration		High: focus on creating the infrastructure to support the move to a high value added economy, with much greater representation of growth sectors. Connectivity theme will allow businesses to increase national and international trade.	Medium: focus on providing the business infrastructure to secure significant new investment and employment, focused on growth sectors. This will increase the quality of jobs available in the wider economy.

Alignment with National Strategies

The Science and Innovation Investment Framework 2004-2014

The Science and Innovation Investment Framework 2004 – 2014 outlines that 'harnessing innovation in Britain is key to improving the country's future wealth creation prospects'. The Framework sets out the Government's ambition for UK science and innovation over the next decade, in particular their contribution to economic growth and public services. The most important and obvious target is to increase UK expenditure on R&D to 2.5% of GDP by 2014. This will require significant additional expenditure by businesses as well as public investments. The Framework highlighted the importance of science and innovation in improving regional economic performance and the need for regional, national and international bodies to coordinate funding and strategies. It describes the key challenge for regions in improving R&D levels; facilitating collaboration between HEIs; strengthening business collaboration with the knowledge base.

The Framework outlines the following ambitions for UK science and innovation:

- World class research at the UK's strongest centres of excellence;
- Greater responsiveness of the publicly-funded research base to the needs of the economy and public services;
- Increased business investment in R&D, and increased business engagement in drawing on the UK science base for ideas and talent;
- A strong supply of scientists, engineers and technologists;
- Sustainable and financially robust universities and public laboratories across the UK; and
- Confidence and increased awareness across UK society in scientific research and its innovative applications.

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
In common with many peripheral rural areas, Cornwall and the Isles of Scilly has lacked the infrastructure necessary for effective knowledge exploitation activities in terms of Higher Education provision and its business base. Substantial developments in HEand the increase in business R&D activity provides the opportunity to increase knowledge exploitation and innovative activity. However, there is a need to introduce specific measures to ensure that more business are able to access R&D funding streams available. Further improvements to the business support infrastructure including technology translation will improve business interaction with the knowledge base and work is underway to increase business expenditure on R&D. CUC and other HE related initiatives will further build robust, sustainable collaborative HE activity. There is a particular opportunity in the emergence of a knowledge base and specialist companies involved in environmental technologies and renewable energy..

Sustainable Development Strategy

The Government's sustainable development strategy 'Securing the Future', published in March 2005, aims 'to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations'. The strategy covers the period up until 2020 and emphasis is placed on the importance of integrated delivery across the shared principles and priorities for sustainable development:

Shared UK Principles:	Shared priorities for UK action:
• Living within environmental limits • Ensuring a strong, healthy and just society • Achieving a sustainable economy • Promoting good governance • Using sound science responsibly	• Sustainable consumption and production • Climate change and energy • Natural resource protection and environmental enhancement • Sustainable communities

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
As outlined in the Regional Economic Strategy, sustainable development underpins economic development in Cornwall and the Isles of Scilly and it is an integral priority of the Operational Programme. By improving business development, enhancing business competitiveness, encouraging innovation and stimulating enterprise in a manner which takes account of sustainability principles it is possible to achieve economic growth in ways that work with the environment and communities in the region. Cornwall and the Isles of Scilly's environment plays a key role in economic and social well-being. With further population and business growth anticipated, there will be a range of issues to be tackled to meet the aspirations and challenges of sustainable development. There are also a range of opportunities to secure greater economic benefits from the growth of the environmental technology and renewable energy.

Sustainable Communities

The Sustainable Communities Plan 'Building for the Future', published in February 2003, sets out a long-term programme of action for delivering sustainable communities in both urban and rural areas. A sustainable community is defined as one 'where people want to live and work, now and in the future'. Priorities for action include:

- Addressing the housing shortage (including overall provision of housing, construction industry skills, affordable housing, including key worker homes and homelessness)
- Addressing low demand and abandonment
- Delivering decent homes (tackling poor housing conditions)
- Liveability (improving local environments through cleaner streets, improved parks and better public spaces)
- Protecting the countryside

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
Sustainable communities is an important priority for the Operational Programme and is particularly relevant to a growing population in Cornwall and the Isles of Scilly which will require both new homes and jobs if economic growth is to be maintained at a high level. A growing and ageing population will generate significant numbers of new households in Cornwall and Scilly over the next 20 years. A failure to meet the housing aspirations of both the resident and incoming population will have social and economic impacts. The Programme will help to bring people back in to work, and also increase household incomes through improving skill levels. This will increase the choices which people can make with regard to housing.

The Skills Strategy

The Skills Strategy, published in July 2003, aims to ensure that employers have the right skills to support the success of their businesses, and individuals have the skills they need to be both employable and personally fulfilled. In 2005 the Government published its second Skills White Paper 'Skills: Getting on in business, getting on at work'. This Paper builds on the first, the main reforms to come out of this Paper are:

- Placing employers' needs at the centre of design and delivery of training
- Supporting individuals in gaining skills and qualifications with a clear ladder of progression upwards in skills; improved IAG and new national entitlements with extra financial support at low skills levels
- Reforming the FE sector, providing young people and adults with the right skills to meet the demands of the economy
- Develop an improved qualification structure to support both 14-19 and adult reforms

The National Skills Alliance has been established to address skills, employment and business priorities within each region and promote fairness of access for all through cross-cutting mechanisms designed to encourage equality of opportunity. In conjunction with the Skills Strategy, the South West Regional Skills Partnership has one vision; "A high skills, high productivity, prosperous South West". The Strategy aims to do this by:

- Creating dynamism and adaptability in the labour market
- Repositioning target businesses and sectors in higher value markets
- Integrating skills into the wider business development agenda
- Raising demand for higher level skills
- Expanding the labour market by engaging those who are currently excluded

- Developing training provision to make it more appropriate, timely and flexible to meet employer and learner needs

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
The Skills Strategy sets a contextual framework in which the learning and skills dimension of the Convergence Operational Programme has been developed. The economic analysis suggests that demand for labour in Cornwall and the Isles of Scilly currently far outweighs supply leading to recruitment difficulties and skills shortages. Overall some 40% of the workforce has low levels of qualifications and given the changing nature of employment, those who do not hold qualifications above the minimum level remain vulnerable to labour market change. There is a need to increase the numbers in the workforce qualified to Levels 3 and 4 as part of the process of moving to knowledge based economy. Encouraging younger people to remain/return continues to be a challenge. Cornwall and the Isles of Scilly needs to build on the strong foundation of basic skills and increase participation in learning as a means of raising skills and qualifications levels above both the South West and national levels.

Regional Economic Strategy

The Regional Economic Strategy (RES) provides a shared vision for the development of the region's economy; *"South West England will have an economy where the aspirations and skills of our people combine with the quality of our physical and cultural environment to provide a high quality of life and sustainable prosperity for everyone".* The RES sets out three economic drivers central to the continued development of a successful and competitive economy in the South West:

- Innovation
- Skills
- Environment

In order to achieve this Vision the RES sets out three strategic objectives:

Successful and Competitive Business	Strong and Inclusive Communities	An Effective and Confident Region
Support business productivity Encourage new enterprise Deliver skills for the economy Compete in the global economy Promote innovation	Improve participation in the economy Regenerate the most disadvantaged areas Plan sustainable and successful communities	Improve transport networks Promote and enhance what is best about the region Improve leadership, influence and partnership

As the table below shows, the Convergence Programme aligns well with the Regional Economic Strategy, with proposed activities across all three RES strategic Objectives.

Alignment between the Regional Economic Strategy and the Convergence Programme			
Convergence Operational Priorities	Successful and Competitive Business	Strong and Inclusive Communities	An Effective and Confident Region
Innovation and research and development	Support business productivity Encourage new enterprise Deliver skills for the economy Compete in the global economy Promote innovation		Promote and enhance what is best about the region
Enterprise and investment	Support business productivity Encourage new enterprise Deliver skills for the economy Compete in the global economy	Regenerate the most disadvantaged areas	Promote and enhance what is best about the region Improve leadership, influence and partnership
Learning and skills for a competitive economy	Deliver skills for the economy Compete in the global economy	Improve participation in the economy Regenerate the most disadvantaged areas	Improve leadership, influence and partnership
Economic infrastructure and place based regeneration	Support business productivity Compete in the global economy	Regenerate the most disadvantaged areas Plan sustainable and successful communities	Promote and enhance what is best about the region Improve leadership, influence and partnership

The Regional Economic Strategy was recently up-dated after a comprehensive review of the extensive evidence and a detailed consultation process with stakeholders and partners. It is being taken forward through a detailed Delivery Framework which sets clear and agreed priorities both regionally and sub-regionally.

Regional Spatial Strategy

The Draft Regional Spatial Strategy sets the regional context for planning in the South West until 2026. The Strategy recognises the diverse needs and potential of different places and parts of the region. Development is planned to meet the needs of all communities and to realise their potential. To deliver more sustainable communities and a more sustainable region, there will be:

- Significant change at a small number of strategically significant cities and towns; and
- Smaller scale change outside of those places to achieve more balanced communities and a better local environment.

In recognition of the diversity of the region, the emphasis for the western part of the peninsular is upon stimulating economic activity and development. The Regional Spatial Strategy prioritises Truro, Camborne Pool Redruth and Falmouth Penryn as areas capable of accommodating significant growth, while recognising that other towns and settlements have an important role to play.

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
The aims outlined in the Spatial Strategy are of direct relevance to the Cornwall and Isles of Scilly Convergence Operational Programme. The need to accommodate significant new employment and population over the next twenty years is a major challenge. There are implications for the spatial distribution of land for development. The major centres have a key role to play in accommodating new jobs and housing, however there is a danger that economic growth will be constrained without significant additional investment in the economic infrastructure.

South West Cohesion Framework

The South West Cohesion Framework identifies key areas where EU policy can best support and add to the ambitions and needs of the South West. It identifies issues and potential around three Priority Areas:

- Environment & Accessibility
- Productivity, Innovation & Enterprise
- Employment & Skills

The Cohesion Framework has also prioritised increasing earnings, the quality of employment and reducing east-west disparities. These align well with the proposed priorities within the Convergence Programme, which will make a major contribution to narrowing the gap between the east and west of the region.

Strategic Environmental Assessment

To be completed.

Alignment to Local Strategies

Strategy and Action

The Cornwall and the Isles of Scilly Economic Forum has produced Strategy and Action as the economic development strategy for Cornwall and the Isles of Scilly. This will be measured against four key framework goals which will provide the ultimate aims for economic success in the area. Two of these framework goals provide the link to the Lisbon agenda for competitiveness and two provide the link to the Gothenburg agenda. Both of these agendas have been set out and agreed by the European Union and all the member states. The four framework goals are as follows:

- Promote knowledge economy and society
- Ensuring environmental sustainability
- Tackle economic and social divides and improve well being
- Establish Cornwall as a place for wealth creators and entrepreneurs to do business and create new economic value in all businesses

Strategy and Action focuses on:

1. Competitiveness – identifying the importance of the business start up and density rates; employment performance at the aggregate and sector level; and focusing on the sectors and the need to develop a high value economy;
2. People – identifying weaknesses in the labour market, such as skills and education issues, unemployment and worklessness, which must be addressed in order to move towards a fully inclusive economy; and
3. Place – focusing on the social, business, and economic infrastructure which underpins the quality of life, the culture, and the economy of Cornwall and the Isles of Scilly.

These areas of intervention are set in the context of developing the knowledge economy and host a series of broad Priorities for Action. The table overleaf shows the alignment between the actions identified in Strategy and Action and the draft Operational Programme.

Relevance to the Cornwall & Isles of Scilly Convergence Operational Programme
The development of a knowledge eEconomy within Cornwall is a central element of the Strategy and Action document, and is essential if the economy is to move towards companies and sectors that are able to deliver higher levels of value added. The low productivity levels in Cornwall and the Isles of Scilly are a major structural weakness of the economy and must be addressed if the area is to improve its level of GVA per head and be a competitive player in the national, and global, economy. Strategy and Action sets the specific context in which the Convergence Programme will take forward and prioritise key areas of intervention. The Programme has a similar structure to Strategy and Action, and has drawn from a similar evidence base. There is therefore, very close alignment and agreement between the two documents.

Alignment between the Strategy and Action Framework and the Draft Operational Programme			
	Strategy and Action		
Priority Axes	Improve Competitiveness	Develop People	Enhance Place and Connectivity
Innovation and research and development	▪ Knowledge networks and clusters ▪ Create R&D capacity ▪ Support new and existing business ▪ Programme of knowledge placements ▪ Innovation / science parks / workspace and infrastructure ▪ Develop HE/FE, entrepreneurship in young people, vocational qual.s / key skills; develop retention / graduate placements ▪ Bring forward sites (including infrastructure) ▪ Delivery a variety of Workspace schemes	▪ Create Research and Development capacity	▪ 'Low-Carbon' competitive economy ▪ Sustainable Energy planning / development ▪ Increase competitiveness and sustainability of local energy generation and use ▪ Create Sustainable Energy Jobs and Industry ▪ Centre of excellence for the environment ▪ Encourage investment in workspace and other employment sites
Enterprise and investment	▪ Assistance to all businesses ▪ Start up and early stage business support ▪ Focussed support to growth businesses ▪ Support businesses creating new demand / losing markets ▪ Support for Third sector businesses ▪ Foster and enhance sector engagement ▪ Structured business support and skills development programme ▪ Encourage high-value inward investment	▪ Continue the development of the HE/FE, develop entrepreneurship in young people raise vocational qualification levels in addition to key skills and develop retention and placement programmes for graduates	
Learning and skills		▪ Prevent unemployment / benefit dependency ▪ Interventions on longer term worklessness ▪ Entitlement to learning for 14-19 learners ▪ Improve participation and success at all ages and levels ▪ Address barriers to access and achievement, support young people who are disengaged, permanently reduce NEET. ▪ Skills to progress into employment, training and FE/HE. ▪ 14-19 Curriculum that addresses skills needs for business ▪ Tailor courses provided by HEIs to needs of local economy ▪ Increase no. of HE students to develop skills for local economy ▪ Pathways out of HE into work ▪ Increase adults qualified to L2, progression/achievement at L3 & L4 ▪ Step change in workplace learning and businesses developing staff ▪ Develop sector and spatially specific workforce skills programmes ▪ Develop community learning centres and infrastructure hubs	
Economic infrastructure and place based regeneration	▪ Leading edge broadband infrastructure / connectivity ▪ Ensure every business gets online ▪ Deliver benefits of eLearning		▪ Improvements to the strategic road system ▪ Develop Newquay Cornwall Airport ▪ Develop, protect, enhance ports as connection points / link to IOS ▪ Improve rural accessibility and reduce social and economic divides ▪ Encourage public transport and modal shift ▪ Town traffic mgt, reduce congestion and open employment space ▪ Assist rural industries & improve transport links ▪ Enhance the physical fabric of towns/villages