Cornwall and the Isles of Scilly Economic Forum

Cornwall and the Isles of Scilly Employment Space Strategic Assessment 2007 - 2017

Summary Paper

Final Report

June 2007

This report was part-funded by the European Union

Cornwall and the Isles of Scilly Economic Forum

Cornwall and the Isles of Scilly Employment Space Strategic Assessment 2007 - 2017

Summary Paper

Final Report

June 2007

Reviewed and approved by:	
Signature(s):	G. P. Russell
Name(s):	Graham Russell
Job Title(s):	Partner
Date:	June 2007

AMION Consulting, Silkhouse Court,
Tithebarn Street, Liverpool L2 2LZ
Tel: 0151 227 5563. Contact: G R Russell
This report contains 17 pages
Ref: GR/BG ESSA June 2007

This project is part-financed by the European Union
Working with Objective One
The Objective One Partnership for Cornwall & the Isles of Scilly
ECONOMIC FORUM
CORNWALL AND ISLES OF SCILLY ECONOMIC FORUM

Contents

1 Introduction

This summary sets out a Strategic Assessment of employment space in Cornwall and the Isles of Scilly for the period 2007 to 2017. It has been prepared on behalf of the Cornwall and Isles of Scilly Economic Forum.

The Strategic Assessment has informed the development of Strategy and Action, the Economic Development Strategy for Cornwall and the Isles of Scilly, and the emerging Convergence Programme in terms of land and property investment. It has also been used to inform planning issues and the preparation of Local Area Agreements (LAAs).

This Executive Summary forms part of a suite of documents comprising the main strategy report and detailed technical report.

2 Context

2.1 Policy and socio-economic context

The Strategic Assessment has been designed to help address the following key policy and socio-economic issues:

Policy context

To achieve consistency with the policy framework the Strategic Assessment must:

- ensure that environmental damage caused by employment land provision is minimised;
- promote the sustainable development of the economy, along with social and environmental sustainability;
- provide employment land in areas which can be accessed by deprived communities;
- ensure suitable provision for a high value knowledge economy, especially amongst SMEs;
- balance demand for employment land with competing pressures, particularly demand for housing (which in turn will increase demand for employment land);
- ensure that the well being of more rural areas is maintained through the provision of business space in these areas;
- respond to a future increase in demand for employment sites;
- help to improve transport provision and access across Cornwall and the Isles of Scilly to increase attractiveness to investors and therefore demand for employment space;
- reflect the important role of the key towns, as well as the spatially distributed economic structure;
- prioritise brownfield land for development.

Socio-economic context

Key socio-economic factors identified were:

- *GVA* - In 2004 GVA per head was 79.2% of the average of the EU27. Average GVA per head was £11,100, compared to £17,700 in the UK (63% of the UK average);
- *Businesses* - Number of businesses in 2004 was 18,345, 560 more than 1999. Businesses tend to be small - 84% having 10 or fewer employees;
- *Income* - The median weekly earnings for all workers in Cornwall was £263.10 (2005) - lower than the regional median of £320.20 and UK median of £349.60;
- *Employment* – Employment has grown significantly over the past decade, including in the sectors that demand employment workspace;
- *Travel-to work* - Distance and reliability of journeys inhibit competitiveness, productivity and accessibility to markets, with lack of transport identified as a barrier by 2 out of 5 jobseekers;
- *Unemployment* – The unemployment rate stood at 1.8% in July 2006, slightly lower than the national average. Pockets of high worklessness exist;
- *Under-employment* – this is a particular issue with a very high proportion of men and women working part-time;
- *Qualifications* - Educational standards are improving rapidly - 23% of the working age population educated to NVQ level 4 by 2003.

This project is part-financed by the European Union
Working with Objective One

2.2 Property market context

Demand has been identified from developers for serviced and remediated sites for the delivery of built floorspace. In addition, there is continued demand from occupiers for smaller properties of 500 sq m or less in most locations across Cornwall and the Isles of Scilly – with demand generally for freehold properties.

Demand for offices has traditionally been focussed on the main commercial centre of Truro. However, in the past three years, there is increasing evidence of demand in other centres, such as St Austell, Redruth, Bodmin and Penzance.

Major developments such as at Newquay Cornwall Airport are likely to further increase demand for nearby employment sites and premises.

There has been a significant increase in value over the past three years, with rentals for offices around £150 per sq m (£14 per sq ft) in Truro and £110 to £120 per sq m (£10 to £11 per sq ft) in other centres. Industrial rentals have now increased to around £65 per sq m (£6 per sq ft) for new units up to 500 sq m.

Despite these increases, current values still do not generally meet costs, resulting in continuing financial deficits on schemes. This has limited the supply of sites and workspace and means there is a continuing requirement for public sector support to assist delivery – either through direct development or through the gap funding of private sector developers.

Much of the existing stock of employment space can be characterised as follows:

- poor environment and access;
- limited supply of freehold units;
- poor design and very intensive use of many units;
- an apparent desire amongst many occupiers for low cost, poorer quality accommodation;
- poor masterplanning and design of overall estate;
- restricted car parking and servicing; and
- limited scope for refurbishment and/or re-use.

The supply of serviced sites is restricted in many cases by ground conditions, such as mining and requirements for remediation and infrastructure works. With remediated land values of £150,000 to £310,000 per hectare (£60,000 to £125,000 per acre), the works are not viable without public sector support. On this basis, public sector organisations such as the South West of England Regional Development Agency and local authorities, have taken the lead role in site assembly and servicing for delivery by the private sector.

2.3 New ways of working

The level of home working and outsourcing are expected to continue to increase and will affect the future demand for employment space. The former will result in a reduction in workspace per worker, but an increase in the demand for small-scale flexible office space available on a short-term or hourly basis. The latter will further increase the demand for smaller space. In addition, demand for live work accommodation is expected to grow.

2.4 Infrastructure

2.4.1 Transport infrastructure

There is a need to improve accessibility through investment in transport infrastructure across Cornwall and the Isles of Scilly to ensure sustainable economic development. Without the appropriate infrastructure in place, economic growth will be constrained. Key transport infrastructure projects that will facilitate economic growth include:

- ***Strategic road network improvements*** – such as dualling the A30 trunk road from Bodmin to Indian Queens, the CPR North-South and East-West Link Road, the Truro Local Distributor Road, the Falmouth A30 Link Road and the A391 St Austell Link Road.
- ***Newquay Cornwall Airport*** - developing new routes and attracting new investment to secure the long term sustainable future of the airport.
- ***Harbour improvements and new ferry*** - Key maritime projects advancing infrastructural connectivity include the dredging of Falmouth Harbour in support of the construction of a new wharf and terminal, and the replacement of the ferry connecting the Isles of Scilly to Cornwall.
- ***Strategic rail links*** - a particular priority being the improvement of the line between Truro and Falmouth.

Reliable and high quality infrastructure can be an important factor affecting the demand for employment space.

2.4.2 Information and communication technology (ICT) infrastructure

Improving ICT linkages is a key component of the economic development of Cornwall and the Isles of Scilly. Investment in ICT infrastructure enables rural and physically disconnected locations to compete within the global economy, the promotion of Cornwall as a location suitable for knowledge-based industries and improved social and environmental sustainability.

3 Future Economic Prospects

3.1 Economic forecasts

(i) Base economic forecasts

Base economic forecasts (assuming 2.8% per annum (p.a.) growth and 3.2% p.a. growth in Gross Value Added (GVA) at the South West regional level) have been prepared by Cambridge Econometrics. These provide a guide to the future possible development of the economy of Cornwall and the Isles of Scilly. Employment (all use classes) is expected to grow by between 21,800 (10%) and 29,100 (13%) between 2007 and 2017 - although employment in the primary and manufacturing sectors is expected to decline, whereas service sector employment is forecast to grow. GVA is forecast to grow by between 34% and 42%. However, GVA per capita would not change significantly compared with the UK average.

(ii) Aspirational economic forecasts

The Convergence Programme for Cornwall and the Isles of Scilly will succeed the current Objective One Programme. A total of €458.1 million has been allocated to the new

Programme for 2007-13, which will be complemented by €196 million of Convergence ESF funding to support learning and skills related activities.

The Programme objective is to establish the momentum for transforming Cornwall and the Isles of Scilly to a high value added economy where knowledge, environment and quality of life underpin sustainable economic growth. Ultimately it aims to deliver the convergence of the economic performance of Cornwall and the Isles of Scilly with stronger performing economic areas.

Under the 2.8% p.a. and 3.2% p.a. scenarios, Cornwall and the Isles of Scilly would not converge with the UK in terms of GVA per capita. Consequently, the unique opportunity provided by this Programme would not be realised if performance was in line with these scenarios. For this reason, an aspirational economic scenario has been developed. This is based upon the assumption that by 2017 a GVA per capita target of 75% of the UK average will be reached. The GVA growth rate is 3.8% p.a..

Under this scenario, employment (all use classes) is forecast to increase by 43,500 (19%) by 2017 and GVA to grow by 50%. The growth rate in jobs is slightly lower than Cornwall and the Isles of Scilly achieved over the last decade. The reduction in manufacturing is anticipated to be less than under the base scenarios. The aspirational scenario results indicate particularly high employment rates in Carrick, but relatively low rates in Kerrier and Caradon (although the latter may be due to out-commuting to Plymouth).

Based upon past trends and the availability of public sector resources, it is considered that the aspirational scenario is achievable. Moreover, if an employment space programme based on the aspirational scenario is not implemented, Cornwall and the Isles of Scilly will not have in place the infrastructure needed to make the transformational change that is required.

3.2 Business surveys

Recent local business surveys indicate that:

- more businesses are expecting to increase employee numbers than reduce the number – for example, 24% of respondents in Kerrier were increasing staff numbers compared to 13% which were reducing numbers;
- about one third of businesses expect staff numbers to increase;
- a range of factors influence property choice – convenience to where key staff live and access to customers are key factors, also availability, price, quality, size and car parking;
- between 10% - 20% of respondents might be looking for new premises in the near future. In the case of Restormel, 37% of respondents stated that their premises were not suitable for their future needs; and
- in terms of relocations, Cornwall is the top 'dream' destination in the UK. The most important factor for relocators choosing a location in Cornwall was 'convenience to where I want to live'.

4 Demand

4.1 Overview

Anticipated demand for employment space has been assessed by: analysing the potential scale of replacement demand; considering the level of net demand for employment space and land; assessing sectoral developments and requirements; and considering the potential impact of strategic assets.

It is important to note that the following analyses are indicative of the expected scale and nature of future demand. In some cases supply side interventions by the public sector may affect demand. In addition, the pattern of demand forecast through the economic models varies from past trends. For example, a lower level of net demand is forecast in North Cornwall than would be expected based on past trends. It will be important to monitor actual changes in demand and supply and to adapt the Strategic Assessment as appropriate.

4.2 Replacement demand

If it was economically viable to do so, there is estimated to be demand for some 11% (273,000 sq m) of the existing commercial stock to be replaced and/or substantially refurbished over the period 2007-2017. This estimate is based upon an analysis of: the freehold/leasehold split of accommodation; the age and quality of existing commercial buildings; and the estimated useful life of buildings.

4.3 Net demand

(i) Trend based forecasts

The past trends in total floorspace by use have been analysed at the Cornwall and the Isles of Scilly level. If the same annual average rate of change per annum were to be applied over the period to 2017 then the net change would be:

Offices	-	+159,000 sq m
Industrial	-	+110,000 sq m
Warehousing	-	+ 10,000 sq m
Total	-	+ 279,000 sq m

(ii) Economic model based forecasts

The base 2.8% p.a. and 3.2% p.a. forecasts prepared by Cambridge Econometrics and the aspirational forecasts have been converted into estimates of future employment space demand by making a series of assumptions and adjustments, as shown in Figure 4.1.

The scale and nature of change in forecast demand for employment space is summarised in Table 4.1. This analysis shows significant variation in forecast demand at the district level. Total net demand for employment space may range from 189,476 to 406,890 sq m.

In overall terms, this range is comparable with the trend-based forecasts.

Figure 4.1: Forecast net employment space demand

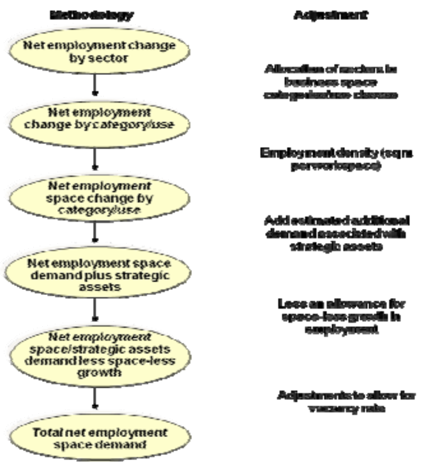


Table 4.1: Forecast employment space change – 2007-2017 (sq m)

	B1a/b offices	B2/B1c general industry	B8 storage and distribution	Total
(i) 2.8% p.a. Growth Scenario	134,630	-25,320	80,166	189,476
(ii) 3.2% p.a. Growth Scenario	157,646	-9,438	91,361	239,568
(iii) Aspirational Growth Scenario	185,660	58,540	162,690	406,890

(ii) Employment land demand

Figure 4.2 shows the methodology used to forecast potential employment land demand.

The estimated total employment land change is shown in Table 4.2. Under the 2.8% p.a. growth scenario, the total employment land demand between 2007 and 2017 is estimated to be 74.7 ha, compared to 92.7 ha under the 3.2% p.a. scenario and 157.4 ha under the aspirational scenario.

Figure 4.2: Forecast net employment land demand

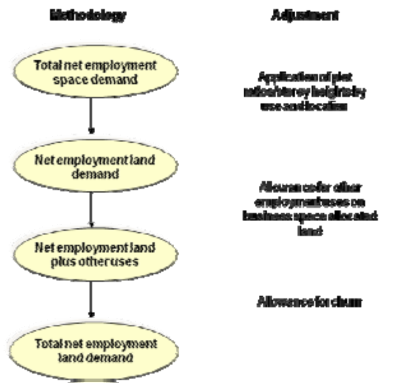


Table 4.2: Forecast employment land change – 2007-2017 (Hectares)				
	B1a/b offices	**B2/B1c general industry**	**B8 storage and distribution**	**Total**
(i) 2.8% p.a. Growth Scenario	47.4	-7.5	34.7	74.7
(ii) 3.2% p.a. Growth Scenario	55.5	-2.3	39.6	92.7
(iii) Aspirational Growth Scenario	65.2	21.7	70.5	157.4

4.4 Demand by sector

The main trends in both the key and broad sectors have been reviewed and, in particular, the location and property market requirements and their implications for the Employment Space Strategic Assessment considered. For example, in manufacturing, the transition from high volume – low value to lower volume – higher value goods has resulted in demand for higher specification and smaller units. Power supply and eaves height can also be important.

4.5 Strategic assets

A number of strategic assets have been identified, which can provide a focal point or stimulus to additional economic development and growth and have the potential to make an impact on a wider Cornwall and the Isles of Scilly scale.

At this stage, these strategic assets are:

- Gateways and infrastructure:
  - Newquay Cornwall Airport – development proposals will need to be subject to sequential testing
  - Ports and harbours
- Physical programmes and projects:
  - CPR Regeneration

    - ❖ Iconic projects - The Wave Hub, Eden Project, West Cornwall Creative
  - o Knowledge and intellectual property
    - ❖ Combined Universities in Cornwall.

Opportunities to create strategic assets in the North and East will be explored as the Strategic Assessment is updated. For example, once the pilot incubation projects have been evaluated, the potential to create facilities of this type in other locations will need to be assessed.

5 Supply

Vacant space of 50 sq m or more within the B1, B2 and B8 use classes has been identified and recorded across Cornwall and the Isles of Scilly and collated in a database.

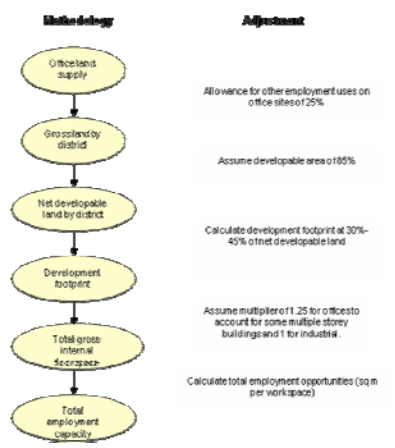
As at October 2006, the total amount of vacant floorspace identified through the study across the whole of Cornwall and the Isles of Scilly amounts to almost 73,000 sq m. This represents an overall vacancy rate of approximately 2.8% in respect of general industry and approximately 3.8% for offices. These rates are lower than would normally be expected for the efficient operation of the property market – typically vacancy rates might range from 5% to 10%.

Overall, 50% of the vacant stock is rated as either poor or very poor. There is a predominance of leasehold properties.

The amount of land available for the development of additional employment floorspace has also been assessed. In total 254 ha of land has been identified as potentially available for employment floorspace, although this may be affected by changes in site allocations, and/or the identification of windfall sites.

The employment floorspace capacity of the available land has been assessed using the approach shown in Figure 5.1.

Figure 5.1: Total employment land capacity



In total it is estimated that the available employment land has the capacity to accommodate 765,119 sq m of employment floorspace and 27,383 jobs (see Table 5.1).

Table 5.1: Employment space capacity of available land					
District	**Hectares**	**Acres**	**Floorspace (sq m)**		**Employees**
			Office	**Industrial**	
Cornwall and the Isles of Scilly	253.54	626.26	370,219	394,900	27,383

However, only 12% of the stock is assessed as being available for development of built employment floorspace within two years.

Furthermore, there are a number of constraints to deliverability which are identified as follows:

- a significant proportion of land is in locations for which there has not been identified demand from either developers or occupiers;
- there are substantial costs of site preparation associated with a significant proportion of vacant allocated employment sites, which results in them being uneconomic to bring forward. Whilst public sector support may be available to support site remediation, this is a limited resource and any public sector investment made would be required to demonstrate value for money. The costs of enabling many of these sites to be brought forward may well not offer value for money; and
- many vacant sites are in multiple ownership where it has not been possible to assemble the land to permit comprehensive development.

Based on market attractiveness, sustainability and value for money criteria, it is assessed that perhaps only 109 hectares of the potential supply of 254 hectares is deliverable within the 10 year time period (see Table 5.2). This has the potential to accommodate some 10,500 jobs.

Table 5.2: Employment space capacity of sites assessed as deliverable within the programme period					
Gross Supply of Sites (ha)	Sites Assessed as Undeliverable 2007 to 2017 (ha)	Net Supply of Deliverable Sites 2007 to 2017 (ha)	Floorspace capacity (sq m)		Employment capacity
			Office	Industrial	
253.54	144.92	108.63	142,003	151,470	10,503

6 Market Balance

The balance between supply and demand has been assessed. At a headline level, supply appears to exceed demand – although in terms of offices the analysis highlights a potential shortage of space in Penwith. **However**, as noted above, much of the allocated land is constrained and when account is taken of its deliverability, then there is anticipated to be inadequate supply of sites to meet assessed demand for both industrial or office uses under the aspirational scenario over the Strategic Assessment period.

Table 6.1 sets out the gap between demand (in each of the three growth scenarios) and net deliverable supply. Net supply comprises both the current vacant premises and the potential floorspace capacity of the deliverable employment sites.

Table 6.1: Comparison of deliverable supply and assessed demand under identified scenarios - 2007 to 2017 (sq m)

	Industrial (sq m)				Offices (sq m)			
Scenario	Demand a	Vacant Premises Supply b	Net Land Supply c	Gap d=a – (b + c)	Demand e	Vacant Premises Supply f	Net Land Supply g	Gap h=e - (f + g)
2.8% growth scenario	54,846	58,867	151,470	155,491	134,630	14,129	142,003	21,502
3.2% growth scenario	81,923	58,867	151,470	128,414	157,646	14,129	142,003	(1,514)
Aspirational Growth Scenario	221,230	58,867	151,470	(10,893)	185,660	14,129	142,003	(29,528)

Note: A positive gap figure indicates an excess of supply over demand and a negative figure indicates an excess of demand over supply.

This analysis shows that, in terms of industrial capacity, supply exceeds demand in both the 2.8% and 3.2% growth scenarios, but fails to meet the predicted demand in the aspirational growth scenario. Under this scenario, there is a deficit of 10,893 sq.m.

In terms of office capacity, supply only meets demand in the 2.8% growth scenario. The 3.2% growth scenario is almost balanced and the aspirational growth scenario shows a deficit of nearly 30,000 sq.m. of office floorspace.

In conclusion, when account is taken of the deliverability of supply of employment sites, then there is expected to be an inadequate supply of sites to meet assessed demand for both industrial or office uses under the aspirational scenario. In total, it is estimated that forecast demand for employment land may extend to 157 hectares over the period compared with a net supply of deliverable sites of 109 hectares.

7 Recommended Approach

7.1 Vision and objectives

The vision for the Strategy is:

To contribute to sustainable prosperity in Cornwall and the Isles of Scilly by ensuring the appropriate supply of employment space that fully meets the changing needs of businesses, helps to transform the economy into one that is high value added and knowledge-based, and provides employment opportunities for all set within a coherent spatial policy context.

To achieve the vision, the objectives are to:

- create the conditions in which the private sector can deliver appropriate employment space with a significantly reduced level of public sector funding;
- develop employment space which fulfils the ambitions of Cornwall and the Isles of Scilly as a knowledge economy;
- facilitate the delivery of market ready employment sites and premises, which meet sectoral and geographical requirements and the needs of businesses and inward investors;
- bring forward sites and premises in locations that are consistent with market demand and spatial priorities;

- facilitate the provision of employment space in areas which can be accessed by rural and deprived communities;
- ensure that employment space is flexible enough to meet the changing needs of businesses;
- realise the employment space opportunities created by existing and new infrastructure, in particular, transport and ICT;
- promote high levels of sustainability (including, where possible, carbon neutrality) and design quality and environmental excellence, including on site renewable energy where appropriate and green travel planning;
- ensure informed and accessible dialogue between the private sector and the various public sector partners; and
- integrate with the natural and built environment and secure adequate mitigation where the need may arise.

7.2 The framework for action

The recommended approach is based on an aspirational economic scenario, which seeks to promote convergence and deliver a higher value added economy for Cornwall and the Isles of Scilly.

The provision of suitable employment space can play a key role in raising business productivity and achieving sustainable economic growth. It can also enable indigenous businesses to compete effectively and expand, attract inward investors and encourage entrepreneurs to set-up and grow their businesses. Furthermore, the creation of employment space can help to diversify and strengthen the economic base by facilitating the growth of key sectors and address issues of deprivation and sustainability.

However, at present, the property market in Cornwall and the Isles of Scilly does not work efficiently because of a number of market failures. These give rise to a number of supply, demand and development issues.

Table 7.1: Keys issues and proposed actions to address them

Issues	Actions
Supply issues	
Shortage of quality floorspace	Facilitate the provision of floorspace of the right type, location and tenure – in particular, smaller units (<500 sq m)
Shortage in supply of available employment land. Much of the allocated land is constrained by poor site conditions, access problems, viability, sustainability and potential value for money	Select, prioritise and facilitate the development of key sites
Poor quality of some of the existing built stock and estates	Facilitate the enhancement and, where appropriate, redevelopment of existing buildings and estates
Limited delivery of floorspace outside of the main towns	Where appropriate, space (including live/work) should be made available within smaller towns/villages to meet local need
Little incubation and quality grow-on space is available	Facilitate the provision of incubation and good quality grow-on space
Changes in working practices (in particular, home-working and flexible working) will in the future affect demand for premises	Promote live/work and other flexible space
A significant number of redundant agricultural buildings in Cornwall and the Isles of Scilly	Re-use of redundant agricultural buildings can help to diversify the rural economy. If the jobs are accessible (in terms of skills as well as physical access) to local people, it can help to reduce the need to travel. However, refurbishing such buildings can involve high costs and therefore potentially significant public sector investment

Demand issues	
Continued restructuring within the economy. Additional demand for offices and warehouses is anticipated, but demand for factory floorspace is expected to be more limited	Ensure that new space is flexible and that, in particular, it is able to accommodate office uses
Significant demand from existing businesses to move to modern accommodation is expected (replacement demand)	Facilitate the re-use or redevelopment of older, outmoded accommodation that becomes vacant
High levels of sustainability will require significant public sector support	Ensure that the location of new development is sustainable and develop a specific support package to increase the environmental sustainability of new and existing space
Strong demand for freehold premises, but few properties available	Facilitate the provision of freehold, as well as leasehold space
Quality of the environment and presence of similar businesses or sectors can help in attracting inward investors	Ensure high quality of design and environment, and facilitate schemes that support clusters/networks
Strategic assets (such as Newquay Cornwall Airport) and iconic projects can be the catalysts for high value added growth	Ensure that the specific sites and premises requirements are met in order to realise the growth potential
Some growth sectors have specific space requirements	Facilitate the provision of space that meets specific sectoral requirements
Quality of transport infrastructure and congestion on the network will affect demand	Support the development of infrastructure through both public and private funding. Locate development so that sustainability is maximised
Market intelligence/knowledge	Ensure research is commissioned as appropriate and that a standard Cornwall and the Isles of Scilly-wide approach to regular business surveys is implemented
Development issues	
High development costs, because of poor site conditions and limited construction industry capacity	Support to address abnormal site costs and to increase the capacity of the construction industry. Construction phase best practice will include incentive-led action for skills and learning within the construction industry
Developer demand for serviced sites	Identification and prioritisation of key sites and a programme of intervention to service and bring these forward on a phased basis
Generally limited private sector development activity	Facilitate greater development activity and promote the interest of developers not currently active in Cornwall
Existing values do not generally meet costs, resulting in a viability gap. However, values have increased significantly over the last three years, which has reduced the financial deficit on schemes	Ensure that interventions are designed to increase market confidence and further increase values
Concerns that the planning process cannot react quickly enough and that delays have occurred due to interventions by the Highways Agency and Environment Agency	Establish constructive dialogue and understanding between planning authorities and businesses and private sector developers to ensure that Cornwall and the Isles of Scilly maintains a business friendly approach. It is recommended that investment is made in planning capacity and in advice for developers and business to improve speed and understanding

7.3 Strategic principles

The strategic principles of the Strategic Assessment are as follows:

(i) Sustainability and design

- to incorporate the principles of sustainable development in the delivery of employment sites and premises. Wherever possible, such development should be made on brownfield land and meet the highest appropriate standards set out in Future Foundations: the Sustainable Construction Charter. The Programme should contribute to the aim of a low carbon economy;
- new or refurbished workspace should be flexible, of high quality design, energy efficient and meet appropriate BREAAM standards. It should be supported by green travel planning. The appropriate, challenging sustainability target should be set on a case-by-case basis;
- the sustainable location of employment space will relate to the settlement Strategy and respond to changing working practices;

- construction phase best practice should include incentive-led skills and learning actions and links to Constructive Cornwall's aims and objectives. This will help to ensure that the construction sector operates efficiently and that high costs do not inhibit development; and
- new employment space should be fitted out with future proof services including ICT connectivity solutions and leading edge energy solutions to the benefit of the end user and the general environment.

(ii) Tackling disadvantage

- ensuring that local people – in particular, those that are disadvantaged – secure the maximum benefits from the opportunities created by the Employment Space Strategic Assessment will be a key issue for the public sector partners.

7.4 Planning system

It is intended that the Strategic Assessment will inform the finalisation of the Local Development Frameworks (LDFs).

There are concerns that the planning process cannot react quickly enough to reduce risks and uncertainty, and delays have occurred due to the intervention of the Highways Agency and Environment Agency on key projects. New efforts will be made to establish constructive dialogue and understanding between planning authorities and businesses and private sector developers to ensure that Cornwall maintains a business friendly approach and is a place where wealth creators can build their business.

It is recommended that investment is made in planning capacity and in advice for developers and business to improve speed and understanding. For example, in developing rural workspace to boost employment, it is important that existing businesses be allowed to extend the way they work in order to upgrade existing employment from seasonal to year-round.

7.5 Spatial focus

Investment will be targeted so that it responds to the spatially diversified nature of the Cornwall and the Isles of Scilly economy.

The spatial focus of the Strategic Assessment has been developed as follows:

- **Towns** – the majority of the employment space is accommodated within the 18 main towns. The Employment Space Strategic Assessment reflects the key role of the towns in Cornwall and the Isles of Scilly, as identified in The Cornwall Towns Study.
- **Rural areas** – the provision of workspace in rural areas can help to reduce the need to travel, makes rural communities more viable, and strengthens the local rural economy. A particular emphasis will be on the restructuring of the rural economy. Employment space development in rural areas will need to be appropriate in terms of its scale, character and location.
- **Strategic assets** – the potential to stimulate further growth by fully realising the economic opportunities of the identified strategic assets means that additional employment space will be needed close to these major assets or iconic projects/programmes.

In addition, the Place-Based Regeneration priority within the emerging Convergence Programme has identified that it will place emphasis on Camborne, Pool and Redruth, Truro, Bodmin and the Clay Area, although not to the exclusion of other areas.

7.6 Target outcomes

Table 7.2 sets out the main outcome targets of the Strategy.

Table 7.2: Main outcome targets

Target indicator	Description	Baseline			Target		
Land and Property values	Increase in values to a level where a greater proportion of development by the private sector can be undertaken without public sector support	Average Intervention rates			Average Intervention rates by 2013		
			Industrial	Office		Industrial	Office
		Caradon	32%	24%	Caradon	20%	12%
		Carrick	21%	19%	Carrick	9%	7%
		Kerrier	24%	27%	Kerrier	12%	15%
		North Cornwall	29%	24%	North Cornwall	17%	12%
		Penwith	32%	24%	Penwith	20%	12%
		Restormel	26%	24%	Restormel	14%	12%
		Isles of Scilly	36%	30%	Isles of Scilly	24%	18%
Stock of employment space	Increase in total stock of employment space	2,483,000 sq m (Valuation Office)			Addition of 406,860 sq m by 2017		
Business satisfaction	Businesses satisfied with the quantity, quality and cost of the available supply of employment space by location	Property agents/business survey			To be confirmed		

The ultimate target is that employment floorspace is delivered by the private sector without public sector funding support. However, it is necessary to recognise that targets to achieve high levels of sustainability in new developments are likely to result in an increase in development costs, which may not be fully supported by increases in project value by the end of the Convergence programme period (2013). Whilst improvements in the commercial property market have seen a reduction in the average intervention levels over the past 3 to 5 years, it is not considered realistic, on the basis of existing evidence and market trends, to set a target of eliminating the requirement for public sector investment within this period. However, as noted, this remains the ultimate objective – potentially supported by a successor programme for Cornwall as a Tier 2 area.

8 Delivery Plan

8.1 Approach to intervention

In order to deliver the vision, a wide range of approaches are recommended, as follows:

(i) ***Local Development Frameworks/Area Action Plans*** – it is envisaged that the Employment Space Strategic Assessment will be reflected within the local planning framework.

(ii) ***Direct development*** – in appropriate circumstances, where there are significant market failures, the public sector partners will reclaim and service sites for development and may also undertake built development as demonstration projects.

(iii) ***Gap funding/negative tendering*** – a key tool will be the gap funding of private sector developments. This tool enables the public sector to outline standards in terms of design and sustainability – within the specified intervention rates. In addition, where public sector owned land is involved (or possibly across a specific local area) a process of negative tendering may be used. This would involve the public sector inviting bids as to the level of financial support required to deliver defined schemes or outputs.

(iv) ***Packaging of developments/remediation to ensure a 'critical mass'*** – the public sector should seek to secure economies of scale by packaging a range of projects or works within a defined sector or location.

(v) ***Compulsory Purchase Order (CPO) powers*** – to support land assembly in order to facilitate the comprehensive development of an area in multiple ownership, the relevant public sector bodies should pro-actively make use of their CPO powers, potentially supported by private sector partners.

(vi) ***Marketing*** – to promote Cornwall and the Isles of Scilly generally to the development and investment markets.

(vii) ***Joint ventures*** – the potential to bring forward projects through joint ventures between public/public and public/private sector partnerships will be another important tool utilising the appropriate assets, finance and expertise.

(viii) ***Public sector assets*** - it is important that the public sector partners utilise their property assets to provide a catalyst for development through appropriate means, including potentially Special Purpose Vehicles or agreements which would embrace the concept of sharing risk and reward and take a long-term view.

(ix) ***Recycling receipts*** – when any assets are realised the potential to recycle or re-use these receipts to fund other elements of the programme should be explored.

(x) ***Cross-subsidisation within a mixed-use development/consent*** – in identified locations the value generated by residential development may be used to subsidise the commercial elements of a project in order to reduce the need for public sector support. In addition, such an approach can potentially be highly sustainable. This type of project may include live/work accommodation.

(xi) ***Infrastructure development incorporating developer contributions*** – the unlocking of sites through the early funding of major infrastructure works by the public sector, some or all of the costs of which is subsequently 'recovered' from the development of sites that benefit from the works.

(xii) ***Planning gain*** - maximising the use of development gain (Section 38, 106 and 278) by the local authorities to promote the delivery of employment sites and floorspace. For example, planning gain from residential schemes might be used to fund highway junction improvements, which facilitate employment space development.

(xiii) ***Prudential borrowing*** – the public sector partners should consider the use of Prudential borrowing to forward fund or cash flow projects, where there is expected to be a positive financial outcome in the longer term.

(xiv) ***Strategic acquisitions*** - the public sector should proactively engage in acquiring key sites in order to control the supply.

(xv) ***Voluntary and community sector*** – where appropriate and if the necessary skills are available, the voluntary and community sector should play a role in the delivery and management of employment space.

8.2 Employment Space Programme

The approach will need to be flexible in responding to changing economic conditions, opportunities and shocks. For example, the opportunities provided by redevelopment in the clay area will need to be assessed and addressed in delivering the Strategic Assessment. More generally, the vision, objectives, principles and, in particular, the delivery plan will need to be regularly reviewed and updated.

An ambitious, market driven programme is proposed that respects the environment. It promotes high design quality and challenging, but appropriate, sustainability. The programme must be responsive to opportunities (and threats). For example, if larger inward investments are targeted by Cornwall Pure Business, the partners will need to ensure that appropriate employment space is available.

On the basis of the employment space implications and issues identified in the earlier sections of the Strategic Assessment, the programme itself has been subdivided into the following programme areas:

- *Sites* **-** a programme of intervention to bring forward serviced sites of strategic and local importance.
- *Employment workspace* - support to ensure that new workspace is provided, in particular, to assist the development of identified economically important and emerging sectors.
- *Knowledge economy and incubation* - to provide incubator and grow-on space to facilitate the development of high technology, high growth businesses, as well as enterprise hubs.
- *Strategic assets* - the development of employment space linked to the identified strategic assets. It is recommended that further work is undertaken to develop and realise the employment space potential of the strategic assets and to identify further assets, in particular, in North and East Cornwall and the Isles of Scilly.
- *Regeneration employment space* - support to the provision of employment space in locations that will assist in securing sustainable, high-value added regeneration of deprived areas. This will mean developing projects to address, where appropriate, specific concentrations of deprivation. However, a sequential approach will need to be taken in developing and appraising projects.
- *Rural employment space* - support to the provision of employment space to support the sustainable development of the rural economy where this is appropriate through adding value to local produce and creating local jobs, accommodating businesses that utilise local skills and providing accommodation that adds value to a local business.
- *Refurbishment/redevelopment of existing employment space* - support to increase the productive efficiency of existing workspace. This will mean addressing areas where the quality of the existing stock is poor and is inhibiting economic development;
- *Feasibility and supporting projects* - feasibility studies and other supporting work, including in relation to sustainability guidance and targets and delivery arrangements.

A ten-year programme has been prepared in order to indicate the level of funding that might be required to deliver the aspirational scenario. The first two years of the programme comprise known projects that are, in many cases, well advanced. For the subsequent period, an aggregate analysis of the public sector support needed, assuming increasing project viability and private sector investment has been undertaken by programme area.

A summary of the gross capital funding requirement by source is set out in Table 8.1.

Table 8.1: Funding by source	
	Gross capital funding (£ million, outturn)
Public sector funding	308
Private sector funding	477
Total capital funding	**785**

8.3 Programme outputs

Table 8.2 shows the forecast outputs for the Programme under the aspirational scenario.

Table 8.2: Forecast total programme outputs	
Outputs	**Total**
Tasking framework outputs	
Jobs created	12,850
Jobs safeguarded	4,900
Private investment levered in support of infrastructure projects (outturn)	£477m
Sq m of floor space – new or upgraded business premises	620,000
Quantity of new floorspace meeting BREEAM very good standard	407,000 or greater
Convergence programme outputs	
Gross increase in GVA (current prices)	£865m
Net additional GVA (current prices)	£529m
Net additional jobs (created and safeguarded)	10,850

9 Delivery Arrangements

Delivering and funding the Programme will involve a wide range of organisations. The scale and nature of the proposed Programme means that significant management resources and skills will be needed, in particular within the public sector. At present these are spread across a number of partners and there is limited capacity to manage a major development programme of the scale required. Consequently, there is a need to establish co-ordinated and focused delivery arrangements.

At this stage it is proposed to establish a major project delivery resource, from which public sector bodies tasked with delivering employment space can draw down expertise and human resources. The delivery of the Strategy would be overseen by the Sites and Premises Sub-Group of the Cornwall and Isles of Scilly Economic Forum. However, it is recommended that further consideration is given to alternative delivery arrangements.

10 Risk

The risks to the proposed programme of activity have been assessed and risk management and mitigation measures identified. The key risks have been identified as:

- funding;

- demand;
- staff resources; and
- project management.

11 Monitoring and Evaluation

Establishing an appropriate framework for the ongoing and ex-post monitoring and evaluation of the strategic assessment will be essential in order to ensure that it remains relevant, achieves its objectives and offers good value for money. Accordingly, an approach composed of two elements is proposed:

- a bottom-up or micro approach based upon the assessment of individual projects; and
- a top-down or macro approach based upon the use of primary and secondary source data. A key focus should be on the changes in intervention rates.

It is recommended that progress is monitored annually and that the Strategy is evaluated and updated every three years, or sooner if there is a fundamental change in the evidence base or the economy that requires more immediate review.

12 Conclusion

The Cornwall and the Isles of Scilly Employment Space Strategic Assessment sets out a comprehensive programme to ensure that the provision of suitable employment space:

- helps to increase sustainable prosperity,
- contributes to the transformation of the economy into one that is high value added and knowledge-based, and
- provides employment opportunities for all.

The Programme has been designed to address market and policy issues.

This project is part-financed by the European Union
Working with Objective One
The Objective One Partnership for Cornwall & the Isles of Scilly
ECONOMIC FORUM
CORNWALL AND ISLES OF SCILLY ECONOMIC FORUM