

Summative Assessment of the Isles of Scilly Voucher Scheme II

Prepared for Council of the Isles of Scilly

Prepared by Southern Horizons (UK) Ltd, Buckman Associates Ltd
and Lorna Bell Research

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Southern Horizons (UK) LTD



Buckman|Associates|Ltd



LORNA BELL
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Executive Summary

This report provides a summative assessment of the Isles of Scilly Voucher Scheme II (IOSVS II) which was part funded through European Regional Development Funds (ERDF) under Priority Axis 3: Enhancing the Competitiveness of SMEs and delivered by Council of the Isles of Scilly (CIOS). IOSVS II is a £2.1 million Scheme which was awarded in April 2019 and, following an extension approval through a Project Change Request (PCR), will be completed by the end of December 2022.

CIOS commissioned independent consultants Southern Horizons (UK) Ltd, Buckman Associates Ltd and Lorna Bell Research to provide a summative assessment of the Scheme. The research followed the Department for Levelling Up Homes and Communities (DLUHC) guidance on completing summative assessments and the report has been structured to conform with the guidance. Underpinned by a 'theory of change' approach, the research included a telephone/zoom survey of 38 participating businesses, the development of five in-depth case studies, qualitative interviews with eleven stakeholders and members of the delivery team alongside a desk-based review.

The summative assessment found that there was a strong rationale for the project which addressed a clear set of market failures. It also had a strong degree of fit with both EU and local policy objectives. The delivery model built on a previous successful scheme with some modifications to the design which were welcome, ensuring that the offer to business was shaped by the local context.

The output targets were developed using a sound evidence-based approach. Whilst the quantum of outputs provided weaker than average value for money, this was justified on the basis of the higher delivery costs associated with the island economy. It is the evaluators view that the targets set were appropriate to the nature of the project and reasonable given the context.

Whilst the changing economic context (reflecting BREXIT and the Covid-19 pandemic) exerted tremendous pressure on delivery, the team worked extremely hard and should be commended on their commitment. They have also developed excellent relationships with other providers, including the Access to Finance project, to support applicants.

At the time of writing this report, the Scheme was behind profile on expenditure and output performance was variable but the team is confident that by project closure over 95.8% of its capital allocation and over 100% of its revenue allocation will have been claimed. There is likely to be a modest shortfall on some of the contracted output indicators but others, including the number of new businesses supported, employment increase in supported businesses and the number of new to the firm products are forecast to be exceeded by project closure.

The summative assessment has shown that the project was well managed with appropriate governance processes having been put in place. Although the Islands Partnership, which was expected to played a key role in the Scheme's governance, did not add value in the way that was originally intended, this does not appear to have significantly impacted on delivery. The team could, however, have been better supported internally with increased visibility across CIOS through more direct engagement with other teams who work with businesses.

Learning from the previous Scheme, along with additional training for team members, resulted in systems and processes being tightened to aid compliance which was a positive development. It is clear that activities were delivered to a high standard and the support provided by the team was held in high regard by both

businesses and stakeholders alike, although there was some suggestion that further improvements could, nevertheless, have been made to the application form and underpinning processes.

Importantly, the Scheme was successful in stimulating businesses and individuals to commence new activities that had a positive impact on their bottom-line as well as achieving a range of softer benefits both for them and for the islands more generally. Good progress was also made towards achieving the outcome and impacts set out in the Scheme's logic model.

By the time of its closure the Scheme is expected to create 19 FTE jobs leading to a gross increase of £2,357,505 GVA. There is also evidence of Strategic Added Value being derived from leveraging other providers, influencing the shape of the investments and aligning them with other sources of funding for maximum benefit. Investments in the cultural and heritage offer, in particular, have underpinned wider bids to access other funding, for example, from the Arts Council England for a new museum.

For the island partners, long term sustainable growth is a key indicator of the Scheme's success and evidence from the business survey interviews indicate that the majority of beneficiaries expect growth to be sustained and even to increase in the future. The nature of the investments means that the island business base has been diversified as a result as well as supporting the tourism offer and there have been specific investments in projects with environmental objectives. The Voucher Scheme has delivered a range of benefits that will help community resilience.

Key learning points from the project are as follows:

- **For policy makers** - grant schemes can be a really valuable tool for stimulating sustainable business growth on island economies like this;
- **For those designing and implementing similar interventions** - there are positive lessons to be learned from the IOSVS delivery team and their approach to working with applicants which was vital to the success of the Scheme, as was the positive relationship with the Access to Finance project;
- **For the team** – consideration could be given to the following for any future grant schemes
 - Making further improvements to the application form and underpinning processes. In an ideal world would be achieved through development of an online form which, if well designed, could make the process easier for clients to engage with. And, if integrated with an effective client management system could also provide a powerful back-office management tool. This would require a significant investment of time and money which would need to be weighed against the benefits. However, some smaller adjustments could be considered such as developing a glossary of terms for applicants;
 - Clarifying the role of the Island Future Board, so that everyone understands its remit within the process. If the Panel is to be used for any future grant funding Schemes, members would benefit from some dedicated training to support their decision-making. Consideration could also be given to extending the group to include an external perspective;
 - Ensuring integration across the Council – to support the team to identify and engage with businesses that other CIOs teams are working with who may be able to benefit from the offer.

Introduction to the Report

This report provides a summative assessment of the Isles of Scilly Voucher Scheme II (IOSVS II) which was part funded through European Regional Development Funds (ERDF) under Priority Axis 3: Enhancing the Competitiveness of SMEs. IOSVS II is a £2.1 million Scheme which was awarded in April 2019 and, following an extension approval through a Project Change Request (PCR), will be completed by the end of December 2022. It was delivered across the Isles of Scilly which lie within the Cornwall and Isles of Scilly less developed category of region. Its main aim was to aid the transformation of the Isles of Scilly economy by offering investments of between £1,000 and £100,000 to SMEs located on the Islands through a managed Voucher Scheme. Delivered by Council of the Isles of Scilly (CIOS), it followed on from a previous Voucher Scheme which ran between February 2016 and December 2018 and had no other delivery partners.

CIOS commissioned independent consultants Southern Horizons (UK) Ltd, Buckman Associates Ltd and Lorna Bell Research to provide a summative assessment of the Scheme. The research followed the Department for Levelling Up Homes and Communities (DLUHC) guidance on completing summative assessments and the report has been structured to conform with the guidance. However, it also provides local insights for local stakeholders who were keen to understand how it built on the previous Voucher Scheme and what the lessons are for an island economy. This final draft follows on from an earlier report produced in August 2022 and provides an updated position as at the end of Quarter 3 2022.

1.1 Methodological Note

The summative assessment was underpinned by a ‘theory of change’ approach which is consistent with the DLUHC guidance, building on the project logic model and the questions identified in the brief. It has not included a control group to establish the counterfactual which is arguably the most technically robust, or ‘gold standard’ approach to this sort of assessment because this would have required planning in advance of the evaluation being commissioned. Such an approach would have been impractical within the timeline of the study and would, in any case, have raised a number of methodological challenges within the local context including finding suitable comparators for an island economy. As an alternative approach, theory of change has enabled the assessment to focus on ‘what works for who and in what circumstances’ which adds value to our understanding of these sorts of initiatives. The assessment has also explored what might have happened in the absence of the intervention in a qualitative sense through the research consultations.

A set of research questions was developed for the summative assessment and is shown in Figure One overleaf.

Figure 1: Evaluation Questions and Methods

Focus	Summary of DLUHC Requirements	Local Priorities	Sources of Evidence
Project Context	<ul style="list-style-type: none"> What was the project seeking to do? What was the economic and policy context at the time that the project was designed? What were the specific market failures that the project was seeking to address? Was there a strong rationale for the project? Was it appropriately designed to achieve its objectives? Was the delivery model appropriate? Were the targets set for the project realistic and achievable? How did the context change as the project was delivered and did this exert any particular pressures on project delivery? Bearing in mind any changes in context or weaknesses in the project design / logic model, can the project reasonably be expected to perform well against its targets? 	<ul style="list-style-type: none"> How has the island economy shaped the Scheme? To what extent has Brexit and Covid impacted on individual projects as well as the overall Scheme How has it built on the previous IOSVS? 	<ul style="list-style-type: none"> Desk based review of project documentation Wider contextual review Business survey (to explore perceptions of the design) Stakeholder interviews Delivery team interviews
Project Progress	<ul style="list-style-type: none"> Has the project delivered what it expected to in terms of spend and outputs? What are the factors which explain this performance? When the project draws to a close, is it expected to have achieved what it set out to? 	<ul style="list-style-type: none"> How does performance compare with the previous IOSVS? 	<ul style="list-style-type: none"> Desk based review of core monitoring data and quarterly reports Delivery team interviews
Project Delivery and Management	<ul style="list-style-type: none"> Was the project well managed? Were the right governance and management structures in place and did they operate in the way they were expected to? Has the project delivered its intended activities to a high standard? Could the delivery of the project have been improved in any way? Did the project engage with and select the right beneficiaries? Were the right procedures and criteria in place to ensure the project focused on the right beneficiaries? How are project activities perceived by stakeholders and beneficiaries? What are their perceptions of the quality of activities / delivery? To what extent have the horizontal principles been integrated into and shaped delivery 	<ul style="list-style-type: none"> How does the Scheme compare to the previous IOSVS from both a delivery and beneficiary perspective – have improvements been made (including the application process and due diligence)? How well has the team worked alongside the Growth Hub to guide applicants to access other business support and create a credible growth strategy? How have businesses been supported to recognise the importance of sustainable development? 	<ul style="list-style-type: none"> Review of business engagement documentation/ templates Review of promotional strategies and materials Business survey Case studies Stakeholder interviews Delivery team interviews

Focus	Summary of DLUHC Requirements	Local Priorities	Sources of Evidence
Outcomes/ Impacts	<ul style="list-style-type: none"> What progress has the project made towards achieving the outcome and impacts set out in its logic model? To what extent are the changes in relevant impact and outcome indicators attributable to project activities? What are the gross and net additional economic, social and environmental benefits of the project (where relevant and applicable to project activities)? Can these benefits be quantified and attributed to the project in a statistically robust way? To what extent has / will the project contribute to the achievement of ERDF programme result indicators? What are the main sources of Strategic Added Value that the project has created? 	<ul style="list-style-type: none"> Has it led to/will it lead to long term sustainable growth? To what extent has the island business base been diversified as a result? To what extent has it led to wider benefits for the island economy and the environment? 	<ul style="list-style-type: none"> Desk review of core monitoring data, applying additionality calculations Business survey and case studies Stakeholder interviews Delivery team interviews
Value for Money	<ul style="list-style-type: none"> Was the Scheme good value for money? How does it compare with other interventions? 	N/A	<ul style="list-style-type: none"> Desk review of core monitoring data Benchmarked against Regeneris/other unit costs
Conclusions and Lessons Learned	<ul style="list-style-type: none"> What are the key conclusions? What are the key learning points in relation to the above for: <ul style="list-style-type: none"> The grant recipient/funding body Those designing and implementing similar interventions Policy makers 	<ul style="list-style-type: none"> What are the lessons from this sort of intervention for an island economy? 	<ul style="list-style-type: none"> Analysis and synthesis of all findings

The summative assessment process has included both primary and secondary research methods. A desk-based review of key documentation was undertaken alongside:

- A telephone/zoom survey of participating businesses. A total of 33 people were interviewed representing 35 businesses and 38 Voucher Scheme projects.¹ At the time of the summative assessment fieldwork the Scheme had awarded 53 Vouchers (the population). Therefore, the survey achieved a response rate of 72% and at the 95% confidence level, the margin of error is 8.54%;
- In-depth qualitative conversations with five supported businesses in order to develop a set of case studies; and,
- In-depth qualitative interviews with eleven people in both individual and small group settings, including members of the delivery team, the CIOS, the Island Futures Board, the Islands' Partnership, the Growth Hub, the Skills Hub and the Access to Finance project.

The evaluators believe that the summative assessment methodology and research methods were appropriate and as robust as possible within the parameters of the Scheme.

¹ It was possible for businesses to receive more than one Voucher and equally for an individual to own more than one business

Section Two: Project Context

2.1 Introduction

This section of the report provides a commentary on what the Scheme was seeking to do and what the policy context was when it was designed. It reflects on the market failures that it sought to address, its core design features, targets and contextual changes that have impacted on delivery.

2.2 Aim of the Project

The aim was to aid transformation of the Isles of Scilly economy by offering investments of between £1,000 and £100,000 to SMEs through a managed Voucher Scheme in order to support business growth and higher paid jobs on the Islands.

It had the following ERDF output targets:

- C1: Number of enterprises receiving support – 55
- C2: Number of enterprises receiving grants – 55
- C5: Number of new enterprises supported - 10
- C6: Private investment matching public support to enterprises - £829,686
- C8: Employment increase in supported enterprises - 12²
- C28: Number of enterprises supported to introduce new to the market products - 1
- C29: Number of enterprises supported to introduce new to the firm products – 35
- P2: Public or Commercial building build or renovated- 500m2

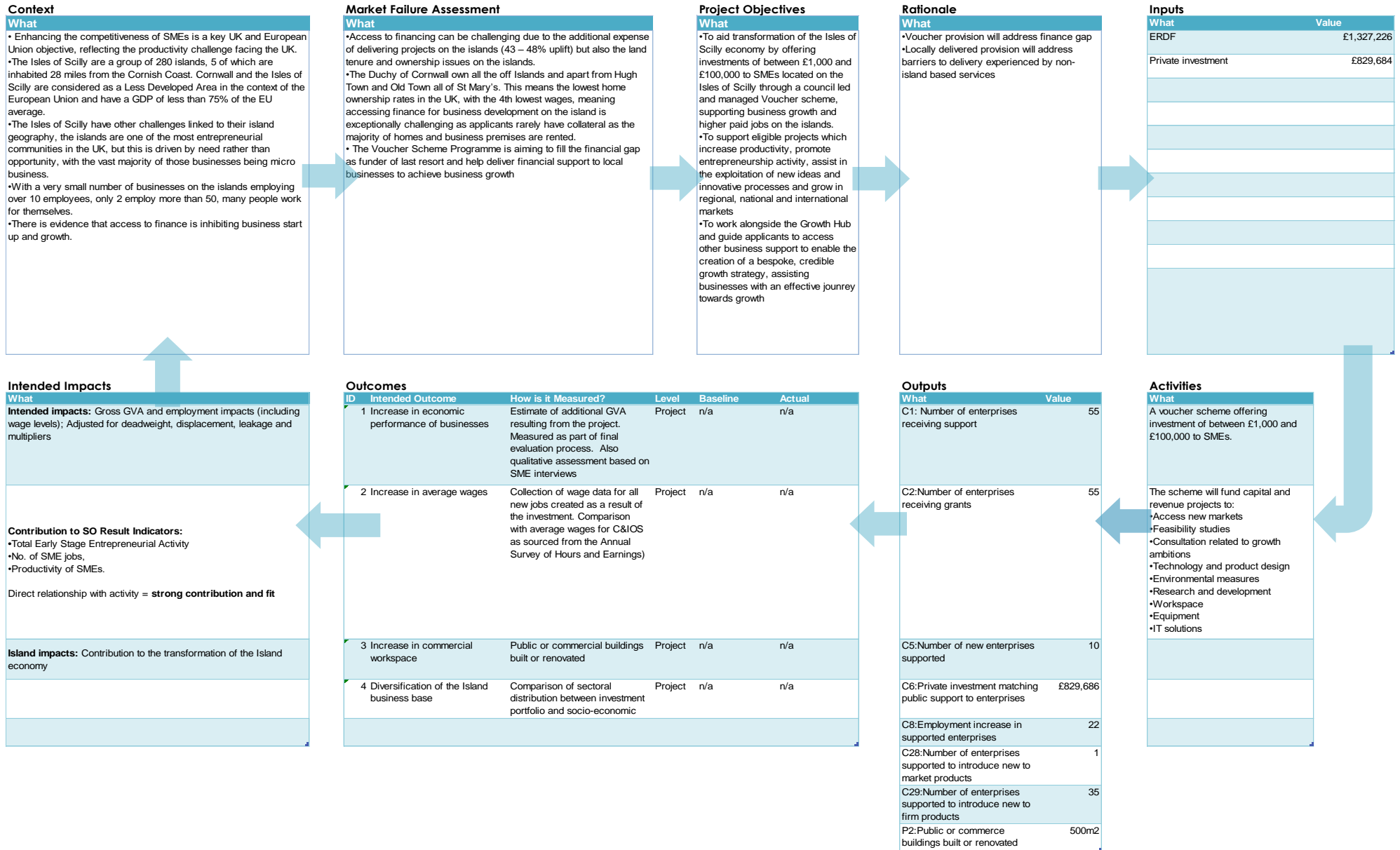
Expected outcomes and impacts were varied, as shown in Figure Two (overleaf). Outcomes focused on an increase in economic performance and average wages as well as an increase in commercial workspace, ultimately supporting diversification of the island business base. These were expected to lead to GVA and employment impacts, contributing to the transformation of the island economy.

The logic model shows a strong contribution and fit to the following SO result indicators:

- Total early-stage entrepreneurial activity;
- Number of SME jobs; and,
- Productivity of SMEs.

² This figure was adjusted down from 22 to 12 following a PCR approval in response to the impact of the Covid-19 pandemic

Figure 2: Logic Model



2.3 Rationale for the Project

The IOSVS II Scheme was developed within the context of C&IoS having been identified as a less developed category of region with a GDP of less than 75% of the EU average. Within the LEP area, the Isles of Scilly are a group of 280 islands, five of which are inhabited. Located 28 miles from the Cornish Coast, they experience a number of additional challenges linked to their geography. The vast majority of island businesses are micros and the economy is heavily reliant on the tourism industry which has been the main source of income and employment for many years. Tourism accounted for 80% of employment and 85% of the islands' economy at the time the ERDF application was made. However, whilst affording a good living for many people on the islands, there was evidence that the sector had started to decline; and the islands' farming and fishing industries had also contracted, making communities very vulnerable.³ There was therefore a recognised need to diversify the business base.

2.3.1 Addressing Market Failures

With the islands being one of the most entrepreneurial communities in the UK there was potential for diversification but, as described in the application form, with project/asset/capital costs averaging 40% more on the islands due to freight and limited access to services, many commercial and business ambitions tend not to be pursued. Access to finance has been identified as a specific issue for the islands, not just because of the additional cost of delivery, but also because of land tenure. The Duchy of Cornwall owns significant proportions of the islands resulting in them having the lowest home ownership rates in the UK, which, coupled with the fourth lowest wages, makes accessing finance for business development exceptionally challenging as applicants rarely have the collateral.⁴ Island businesses are therefore considered a high risk for lenders.

Experience has also shown that accessing business support can be very challenging, resulting in further market failure. Though not explicitly stated in the logic model, this would be considered 'imperfect information' for the businesses. As noted in the application, the Cornwall Development Company (CDC) Voucher Scheme operating on the mainland delivered no vouchers on the islands at all due to the associated challenges although businesses had been signposted to it and had expressed interest.

The previous Isles of Scilly Voucher Scheme addressed these market failures, helping to fill the financial gap as funder of last resort and demonstrating what could be achieved through this sort of investment. The new Scheme was expected to build further on this, leading to long-term, sustainable business growth including higher value job creation and an increase in GVA by addressing the additional costs island businesses face in delivering projects.

Additionally, the new Scheme sought to capitalise on the Smart Islands Programme. Smart Islands intended to use technological innovations to sustainably and affordably tackle some of the Isles of Scilly's main infrastructure and utilities issues, whilst providing a model for how other communities could profit from the transition to a low carbon footprint.⁵ It was expected that Smart Islands would create further opportunities for business growth, products, and services by opening up new markets for the islands that Voucher Scheme applicants could tap in to, though the summative assessment interviews suggested that the policy focus has

³ <http://www.scilly.gov.uk/sites/default/files/document/policy-documents/Island%20Futures%20final.pdf>

⁴ IOSVS I: ERDF Full Application Form

⁵ <https://smartislands.org/about>

somewhat shifted away from this ambition. The technological innovations were not as advanced as had been anticipated and there has been a subsequent reorientation towards the climate emergency response.

2.3.2 Policy Fit

The Scheme aligned well with **the England Operational Programme**. IOSVS II responded directly to Priority 3 which aims to improve the competitiveness of SMEs by increasing their capacity and capability and also by promoting entrepreneurship. In recognition of the fact that the Isles of Scilly have some of the highest levels of entrepreneurship in the UK but also some of the least competitive businesses, the Voucher Scheme specifically addressed all three aims through the following activities:

- *Priority 3A: promoting entrepreneurship* - by providing grants to support productive investment; proof of concept funds; and, the provision of land and premises for employment sites;
- *Priority 3C: supporting the creation and the extension of advanced capacities for products, services and development* - by increasing grant finance for businesses to invest in product, process and service improvements as well as the provision of land and premises for employment sites; and,
- *Priority 3D: supporting the capacity of SMEs to grow in regional, national and international markets and to engage in innovation processes* - by providing an efficient local referral route to ensure that SMEs are able to identify and access the most appropriate and tailored support for their needs.

Locally, there was also a strong degree of fit with:

- **The C&IoS European Structural and Investment Fund Strategy (ESIF)** – which identified the particular challenges facing the islands and the need for bespoke delivery that addresses their geographical and market isolation. The Scheme directly delivered against a number of ESIF investment priorities in terms of supporting key sectors, delivering quality workspace and developing communities that are economically and socially resilient, sustainable and inclusive;
- **The C&IoS Vision** – which pinpoints ten opportunities for growth including renewable energy, marine and digital as well as creative and tourism sectors, all of which can be supported by IOSVS II. Given that the islands' economy is heavily reliant upon tourism, the Scheme was, unusually, open to the tourism sector (excluding accommodation businesses), provided that the investments avoid displacement and would lead to long term and sustainable business growth;
- **The Island Futures Plan** – specifically supporting the Plan's aim to grow the economy – bringing more wealth and value to the islands - not just for its own sake, but to help maintain the conditions for healthy communities and healthy businesses. The Plan also recognised that whilst there is a need to focus on economic diversification, tourism will always be the largest part of the economy, so tourism-based businesses need to be ready to continually improve their offer; and,
- **The Islands' Partnership Destination Management Plan (DMP)** – which, amongst other things, encouraged businesses to expand their trading season and this had proved to be fertile ground for the original Voucher Scheme.

2.3.3 Assessment

The evaluators conclude that there was a strong rationale for the Scheme and this was reinforced through the stakeholder interviews where comments indicated that:

“Businesses really struggle to attract investment on Scilly and projects like this make a huge difference. It gives them the confidence to invest and it de-risks the process”

“Island businesses are at a disadvantage in terms of support, infrastructure and suppliers. It’s particularly the case for new starts. This programme was vital for Scilly as businesses face so many more barriers than other places even like West Cornwall...”

“Small investments go a long way on islands like this – they go way beyond the individual businesses that get the funding – there are multiplier effects that you don’t see in the same way elsewhere”

“Not all of the other grant funding that Cornish businesses can access is available to those on Scilly and some of the Schemes are difficult for Scilly’s businesses to access. Plus, they wouldn’t typically fund some of the projects that the Voucher Scheme has been able to fund”

The interviews with stakeholders – both on and off Scilly - also emphasised the importance of having a dedicated funding programme that is separate from mainland provision:

“It just wouldn’t have worked if it had been run from Cornwall”

“A Scheme that was run from the mainland would have missed the nuances of the islands that only a local Scheme could pick up”

“Everywhere thinks that it’s special and different but the island economy is very particular and Schemes like this need to be run by people who understand that. People from the mainland think they do but the reality is often different when you live and breathe it”

2.4 Project Design

2.4.1 The Business Offer

The Scheme offered (capital and revenue) grants of between £1,000 to £100,000 with flexible intervention rates from 35-70%. Potential beneficiaries were individuals who wanted to become self-employed or set up a company/partnership to start trading; as well as existing eligible SMEs with an investable idea for growth, focusing primarily but not exclusively on:

- Access to new markets;
- Feasibility studies;
- Consultancy related to growth ambitions;
- Technology and product design;
- Environmental measures;
- Research and development activities;
- Workspace;
- Equipment; and,
- IT solutions.

Support was also provided to the applicants to understand and engage with the Voucher Scheme process and its compliance requirements, both at application stage and throughout delivery (e.g. when submitting claims and evidencing outputs). This was offered by members of the core team as well as by signposting to organisations such as Oxford Innovation which runs the ERDF Access to Finance project that provides growth planning and application support. The team also signposted beneficiaries to the C&IoS Growth Hub and other providers as required for wider business support needs.

In reflecting on the design, stakeholders indicated that the size of the Vouchers available was an important feature of the Scheme and worked well for the island context. Several interviewees commented that the ability to offer small grants was especially helpful for the business demographic, particularly as not all mainland funding programmes could provide investment at those lower levels:

“The smaller pots are especially helpful...the Scheme was able to support some projects that would have been considered too small on the mainland but make a huge difference here”

“It funded lots of small Schemes which are really needed when people just need a little help”

There was some suggestion that the Scheme could have considered offering grants at an even lower threshold given the nature of some potential applicants.

At the other end of the spectrum, stakeholders felt that the upper limit was ‘about right’ for the type of businesses on Scilly and were keen to point out the impact of those higher levels of investment for the economy.

The ability to offer a higher intervention rate than typical mainland grant Schemes was also commented on positively and was felt to be appropriate for the island context.

The support offered to businesses was universally considered to be a crucial part of the design as illustrated by the following comments:

“The one-to-one help on offer was absolutely vital and essential that it was done by people who understood the island context”

“The advice and guidance to applicants was a vital part of the process to steer people through it”

“Helping with the application process is essential because a lot of people just want to follow their dream rather than doing the business end of things and can really struggle with form filling and understanding the rules”

The positive relationship with the Access to Finance project was singled out by several stakeholders and businesses as a very welcome addition to this Scheme. However, one stakeholder in particular felt that the availability of more direct island-based business support for the beneficiaries would have been beneficial.

2.4.2 Organisational Design

Organisationally, the key components of the Scheme were the employment of: a full-time Project Manager; a full-time Engagement Officer; and, a part-time Finance Assistant whose roles are described in more detail in Section Four, with a management structure that is funded outside of the Scheme. Following some challenges within the original Voucher Scheme which exposed the potential for irregularities to occur, these

roles were intentionally delineated in order to create checks and balances so that the team could maintain objectivity and manage any potential conflicts of interest throughout the process. Effort was put into defining the parameters of each role and the relationship between the roles at the outset and evidence from the summative assessment process indicates that this paid dividends, resulting in an effective organisational structure with the right resources/checks and balances in place to deliver the Scheme.

As discussed more fully in Section Four, based on the experience of delivering the original Scheme, findings from the summative assessment⁶ and a pre-contract condition to review the application and approval processes, the team participated in training delivered by Cornwall Development (CDC). This resulted in key supporting paperwork being redesigned and this is discussed in more detail elsewhere in the report. As part of that process, thresholds for decision making on grant applications were also revised. The Scheme was structured around a dual track process in which decisions about applications requiring less than £20,000 of ERDF investment were made internally, facilitated through the additional scrutiny that was built into the process. Following an initial detailed assessment by the Project Manager, the appraisal and first sign-off was undertaken outside of the immediate team by the Senior Officer for Capital Development and Procurement with final sign-off by the Senior Manager for Strategic Development or Section 151 Officer. The exception here is any applications made by CIOS staff. Decisions on applications above £20,000 and those submitted by CIOS staff were made by the Island Futures Investment Panel but again ultimately signed off by the Senior Manager for Strategic Development or Section 151 Officer.⁷ Whilst the role of the Panel itself has received mixed feedback from stakeholders (see section 4.2.2) increasing the threshold to £20,000 for Panel approval has been a welcome change to the overall design. From an internal perspective this was made possible by the changes made to the process which protected the team and increased the Council's confidence that decision-making was upheld by robust scrutiny. It also resulted in quicker decision making for applications below the £20,000 investment threshold.

The Scheme also offered a 'fast-track' application for investments of under £3,500 which involved a lighter touch application process and a quicker decision.

2.4.3 Assessment

The evaluators conclude that IOSVS II was predicated on a well-designed offer to businesses that reflected the local island context. Consideration could have been given to offering grants at a lower threshold on a case-by-case basis but this would need to be balanced against the ability of the business/project in question to deliver outputs from the investment.

Organisationally, it is clear that lessons from delivery of the original Voucher Scheme were incorporated into this successor. The tightening up of internal mechanisms not only supported project compliance but also provided a more streamlined and faster process for applications under the £20,000 investment threshold. Given the seasonal nature of the economy, there is a smaller window (over the winter months) for many Scilly businesses to implement their projects meaning that quick decisions for applicants are even more essential. This modification to the original design was especially welcome.

⁶<https://www.scilly.gov.uk/sites/default/files/document/planning/6.2.1%20IoS%20Voucher%20Scheme%20Summative%20Assessment%20Report.pdf>

⁷ The original Voucher Scheme differentiated between project values above and below £10,000

2.5 Output Targets

In considering the appropriateness of the output targets as a specific element of the Scheme design, the evaluation team considered the extent to which they aligned with the proposed activities as well as the value of the investment.

It is the evaluators' view that the outputs selected were relevant and appropriate to the nature of the intervention. The evaluators also note that the team has been successful in capturing employment outputs associated with self-employment and seasonal work. This is relatively unusual in an ERDF context and demonstrates that the Scheme has been well designed for the island economy, where self-employment, portfolio careers and seasonal work are common place.

Some stakeholders suggested that the outputs were too narrow and felt that indicators relating to efficiency and profitability would have been more appropriate, especially within the context of a weaker growth environment due to the pandemic. It was also suggested by some interviewees that the ERDF eligibility criteria should have been relaxed so that any business could be supported. This would not have been possible within the circumstances: only ERDF eligible businesses could be supported and the Scheme was limited to selecting outputs from the list defined at a programme level. However, consideration could potentially be given to other types of indicators in any future funding streams, subject to guidance.

In terms of volumes, targets were based on:

- The team's experience of delivering the previous Voucher Scheme; and,
- An analysis of a pipeline of 28 Expressions of Interest (EOIs) received prior to the submission of the ERDF application form.

These sources of evidence represent a strong basis on which to forecast outputs.

The evaluators assessed the proposed unit costs against benchmarks from the 2007-2014 programme⁸ produced by Regeneris Research and the full analysis is included as an annex to the report. This shows that the unit costs for the majority of indicators fall towards the high end of the range set out by Regeneris.

During the application process the Managing Authority identified that the outputs represented 'weak value for money' and required the applicant to demonstrate that the public funds would be used to maximise the economic impact. The full application responded to this condition by highlighting:

- That the purchase of assets on the islands is always more expensive than on the mainland due to freight costs – which add in excess of 40% into the cost of purchases;
- 'Off the shelf' solutions often do not suit the requirements of local businesses due to the unique setting; and,
- That in addition to the primary (business assist) output, value for money must consider the wider basket of target outputs (e.g. jobs created, floorspace, new to the firm products etc.).

It is the evaluators view that when these factors are taken into account, the forecast value for money would fall into the 'acceptable' category.⁹

⁸ England ERDF programme 2014-2020: Output Unit Costs and Definitions. A final report by Regeneris Consulting

⁹ The DCLG Appraisal Guide, December 2016

2.6 Contextual Changes

It is clear that the Scheme operated during an incredibly challenging period of time. As with similar projects across the country, the UK's departure from the European Union (BREXIT) and the Covid-19 pandemic combined to create an unprecedented and extended period of turmoil and uncertainty for businesses. As discussed in Section Two, given its heavy reliance on the tourism industry, the pandemic initially hit the islands very hard and had a significant negative impact on the pipeline of projects coming forward for Vouchers. The team also noted that a small number of projects which had already been contracted chose not to move forward because their business idea had been affected by Covid. However, the pause in trading also provided some businesses and entrepreneurs with an opportunity to focus on developing new ideas and, particularly after the launch of the national Covid grant Schemes, the team saw new projects coming forward that may not otherwise have happened.

These issues were explored with the businesses during the summative assessment interviews which found that, although the loss of visitors in the early stages of the pandemic had a negative effect on the majority of them, others described how Covid had created an opportunity. For example, one business interviewee lost their job during Covid and went onto to start up their own company and the loss of customers led another to set up a new company offering a different product. For a few others, the Covid restrictions led to an increase in online sales or enabled them to deliver services that would not be possible with large numbers of visitors on the islands.

However, there is clear evidence that the combined effects of BREXIT and Covid on supply chains and contractors impacted negatively on the delivery of many ISOVS II funded projects and this also impacted on the work of the team. As described within the stakeholder interviews:

“There have been huge challenges getting equipment over to the islands and that has delayed a number of funded projects”

“The biggest challenges have been around supplier and contractor availability. It's affected the whole country but Scilly is at the long end of the chain”

“Delivery has been a huge challenge – there is a shortage of contractors”

“The supply chain is broken – that's been the biggest challenge of all”

Similarly, many business interviewees reported a delay in receiving the goods purchased with the Voucher; although they were often unable to identify an exact cause, they typically attributed this to the effects of BREXIT and Covid:

“Is that [delay in receiving goods] because of Brexit? Either Brexit, Covid or Putin”

Few of the businesses interviewed were exporters, but those that were reported either a drop off or pause in activity because of BREXIT:

“Started exporting before Brexit, that's a key market... but Brexit made things complex and expensive. Therefore, wise to take a step back temporarily to let the system establish itself properly. Lots of costs seemed to change significantly and incremental fees being added which made it cost prohibitive. So stepped back temporarily until cost structure in place, just starting to re-explore that now...”

“We send [our products] to Spain. Used to be straightforward, but [the products] have been in customs for three months. It's been a complete nightmare. Because we had Covid and Brexit, we've not had the volume of international visitors. We can get stuff to America within three days, but Europe not a chance...”

A small number of business interviewees identified the war in Ukraine and the cost-of-living crisis as additional challenges; these factors, alongside BREXIT and Covid, were perceived to compound the market:

“There is a long impaction of Covid, Brexit, Ukraine that does impact on materials. Difficult now getting [XXX], feel that it is going to affect cost of materials. I use a company on the mainland for pre-finishing work, their costs have doubled”

“In some ways we're still dealing with consequences [of Covid and Brexit]. Now there's a cost-of-living crisis, this might be more difficult”

“But not been as busy during Covid/Brexit. Even now, people are being careful because of the cost-of-living crisis so don't know how it's affected us yet. Need a year or two of normal trade. Freight costs have gone through the roof, that's an added cost on everyday costs. This could be our most difficult year, especially as bills keep coming in”

Many projects had to adapt their plans post the funding award in response to these issues – to change the scope, supplier or timeline – and in some cases this involved a request for additional funding as prices have gone up (see Section 4.3.4 for further discussion). This also impacted on the work of the team in making post award adjustments which is discussed in Section Three.

A further – though less significant - contextual change was around the Smart Island Programme. Whereas this was intended to provide fertile ground and new markets for Voucher Scheme applicants, the technological innovations proved to be less advanced than was anticipated and the policy focus shifted towards a climate emergency response. This provided fewer opportunities for the Scheme.

Finally, the team did not have a consistent Case Officer from MHCLG/DLUH for the duration of the Scheme which they may have benefitted from. In the words of one team member:

“We have been working in a bit of a vacuum – it would have been nice to have that consistency to make sure we were getting it right”

2.7 Contextual Assessment

The output targets were stretching but the prudent consideration of the island context at the application stage and the subsequent reduction of the job creation target in response to the pandemic, meant that they were not excessive. Whilst the changing economic context has undoubtedly exerted tremendous pressure on delivery, creating a challenging environment in which to manage the Voucher Scheme, it would nevertheless be reasonable to expect the team to achieve the majority of their targets, especially given their experience of delivering a similar scheme and their proven work ethic. The team's hard work and dedication to the Scheme has been evident throughout and in the evaluators view, a key factor in successful delivery.

PROJECT CONTEXT: SUMMARY OF KEY POINTS ADDRESSING THE EVALUATION QUESTIONS

- The Scheme sought to aid transformation of the Isles of Scilly economy by offering investments of between £1,000 and £100,000 to SMEs through a managed Voucher Scheme in order to support business growth and higher paid jobs on the Islands;
- It was developed within the context of C&IoS as a whole having been identified as a less developed category of region with a GDP of less than 75% of the EU average, with the islands experiencing a number of additional challenges linked to their geography. With project/asset/capital costs averaging 40% more on the islands due to freight and limited access to services, many commercial and business ambitions tend not to be pursued;
- Access to finance had – and continues to be - identified as a specific issue for the islands, not just because of the additional cost of delivery, but also because of land tenure. Island businesses are therefore considered a high risk for lenders;
- Experience has also shown that accessing business support can also be very challenging, resulting in further market failure (imperfect information for the businesses);
- The evaluators therefore conclude that there was a strong rationale for the Scheme. It addressed a clear set of market failures;
- It also had a strong degree of policy fit – responding directly to both EU and local policy imperatives;
- Evidence suggests that it was particularly important for the Scheme to be run locally and tailored to the context;
- The delivery model built on the original scheme but made some modifications to the design which were welcome;
- The offer to business was also well designed and shaped by the local context, affording a range of grant values and intervention rates that were appropriate for the islands, though consideration could have been given to lowering the threshold for grants subject to the business/project being able to deliver outputs from the investment;
- The output targets were developed using a sound evidence-based approach. Whilst the quantum of outputs provided weaker than average value for money, this was justified on the basis of the higher delivery costs associated with the island economy. It is the evaluators view that the targets set were appropriate to the nature of the project and reasonable given the context;
- BREXIT and Covid have undoubtedly impacted on delivery. As well as slowing the pipeline of businesses coming forward for Vouchers, the resulting supply chain and contractor challenges have impacted on the delivery of the funded projects and caused additional work for the team in dealing with project variations;
- Whilst the changing economic context has undoubtedly exerted tremendous pressure on delivery, creating a challenging environment in which to manage the Voucher Scheme, it would nevertheless be reasonable to expect the team to perform well against their targets; and,
- The team's hard work and dedication in this regard has been evident throughout.

Section Three: Project Progress

3.1 Introduction

This section of the report provides an independent assessment of the Scheme's progress. It focuses on progress in relation to milestones and contract conditions as well as the achievements against contracted targets for outputs and spend. There were no specific contract conditions or targets in relation to horizontal principles so these are discussed in Section Four.

3.2 Milestones

Figure Three sets out progress against the Scheme's milestones (as described in the application) and their achievement, noting any deviations from the plan. Initial progress against milestones was slower than expected as a result of the delay in signing the Grant Funding Agreement (GFA) with the Scheme officially launching just ahead of the summer season in 2019. Then, by Quarter 1 2020 the country was experiencing the first effects of the Covid-19 lockdowns which significantly impacted not only on the projects coming forward but also on some of the projects that had already been awarded. This continued over a prolonged period of time, compounded by the fact that the islands were cut off from the mainland by a further 'essential deliveries only' policy on the part of the local freight company for periods of time.

During the pandemic the team regularly contacted applicants to assess their plans and adjust the pipeline as necessary as well as actively engaging with business support providers on the mainland to understand how best to support businesses during this period. Despite these efforts the cumulative impact was significant.

The team submitted three PCRs over its lifetime:

- The first PCR re-profiled expenditure to reflect the later than expected start date. The notification letter was received in December 2018 but included a number of pre-contract and contract conditions including a requirement for the team to undertake additional training prior to payment of the first claim (see more below). This meant that the Scheme was launched later than planned at peak summer season resulting in fewer expressions of interest than had been expected in year one, ultimately leading to delays in spend and output delivery. This PCR was approved in March 2020;
- The second PCR extended the delivery period and financial completion to June 2022, with practical completion scheduled for September as a result of the Covid-19 pandemic. It also reduced the employment increase targets from 22 to 12 reflecting the challenges on the islands arising from the pandemic. This PCR was approved in December 2021 with the condition that a comprehensive progress report was submitted including evidence of the project pipeline to ensure that the Scheme remained on target to meet revised profiles in light of any further impacts of the Covid-19 lockdown. The condition was met; and,
- The third PCR was triggered by the DLUHC case officer who advised the team to separate activity from financial and practical completion dates, allowing activity to continue until the end of September 2022 with practical and financial completion on 31st December 2022. This PCR was approved in May 2022.

Figure 3: Project Milestones - Original

	Planned	Actual
Outline application approved	5 May 2018	Outline application submitted 10/11/2017, approved 04/05/2018
Detailed business plan developed	29 Jun 2018	Full application approved (successful notification letter received) 03/12/2018
Full Application approved, conditions met, GFA signed	Sep 2018	GFA signed by both sides on 04/04/2019
First information event held on islands	Jan 2019	Achieved 16/05/2019 due to delays
Vouchers available to businesses	Jan 2019	Achieved 05/04/2019 due to delays
Islands Future Board meet to endorse application	Jan 2019	Held Feb 2019
First IoS Voucher approved and contracted	28 Mar 2019	Achieved 22/08/2019 due to delays
First claim submitted to DCLG	20 Apr 2019	Achieved 13/06/2019 due to delays
First project monitoring meeting	30 Jun 2019	Achieved 10/09/2019 due to delays
£400,000 investments supported	31 Dec 2019	Achieved 30/09/2020 due to delays and the impact of Covid
Annual review meeting held	12 Jan 2020	Achieved on target
£2.1m project spend	31 Dec 2021	Not yet achieved
Independent evaluation commissioned	30 Jun 2021	Achieved (later than planned)
Financial Completion	31 Dec 2021	PCR approved to extend until 31/12/2022
Project completion inc. outputs evidenced (GVA, jobs created)	31 Dec 2021	PCR approved to extend until 31/12/2022

3.3 Contract Conditions

As highlighted above, the Offer Letter included a number of pre contract and contract conditions:

Pre-contract Conditions

- To review financial and output forecasts to ensure deliverability; and,
- To provide an updated listed of Island Futures Panel members and Terms of Reference, alongside copies of conflict-of-interest documentation, counter fraud policies and guidance for staff undertaking checks on applications to ensure that policies remained up to date and provided assurance that segregation of duties and eligibility of expenditure were suitably managed.

Contract Conditions

- To update MOUs/SLAs prior to the first claim to ensure they remained up to date - discharged in March 2019 through the development of an MOU with the C&IoS Growth Hub;
- To provide analysis specifically on capital/revenue match profile and pipeline updates as well as reviewing risk register entries with the submission of each claim to ensure that the profile remained on track – actively being discharged through each grant claim;
- To provide training for staff on state aid, procurement and eligibility prior to the first claim to ensure a compliant project and that grants were only disbursed to eligible beneficiaries - discharged through receipt of training by CDC in Quarter 2 2019; and,
- To agree 1720 or flat rate methodology for the Finance Assistant prior to the first claim to ensure accurate and complaint claims - discharged in April 2019 through confirmation that the Finance Assistant's salary is calculated as a fixed percentage (0.6) of their gross employment costs, in line with a fixed percentage of time working on the project per month, with no requirement to complete time sheets.

3.4 Spend and Output Performance

Figure Four shows the Scheme's spend and output performance as at the end of Quarter 3 2022 as well as the projected performance by the point of closure.

Figure 4: Spend and Output Performance as the End of Quarter 3 2022

Indicator	Targets		Performance at Time of Evaluation		Projected Performance at Project Closure	
	Final	Revised (if changed through PCR)	No.	% of target	No.	% of target
Total Capital Expenditure (£m)	£1,429,295	£1,528,922	£1,346,218	88.1%	£1,464,268	95.8%
Total ERDF Capital Expenditure (£m)	£762,816	£815,984	£718,477	88.1%	£781,479	95.8%
Total Revenue Expenditure (£m)	£727,617	£627,989	£611,580	97.4%	£627,989	100.0%
Total ERDF revenue expenditure (£m)	£564,410	£510,439	£485,280	95.1%	£510,439	100.0%
C1: Number of enterprises receiving support	55	N/A	52	94.5%	52	94.5%
C2: Number of enterprises receiving grants	55	N/A	47	85.5%	52	94.5%
C5: Number of new enterprises supported	10	N/A	10	100.0%	11	110.0%
C6: Private investment matching public support to enterprises	£829,686	£830,488	£776,562	93.5%	£813,114	97.9%
C8: Employment increase in supported enterprises	22	11.9	14.7	123.5%	19	159.7%
C28: Number of enterprises supported to introduce new to the market products	1	N/A	1	100.0%	100%	100.0%
C29: Number of enterprises supported to introduce new to firm products	35	N/A	35	100.0%	43	122.9%
P2: Public or Commercial building build or renovated	500m2	N/A	447	89.4%	473.36	94.7%

Source: Monitoring data Key: Red = less than 85%, Amber = between 85% and 95% and Green = greater than 95

In terms of financial performance, as of the end of Quarter 3 2022, the Scheme had claimed £1,346,218 of its capital allocation. This represents 88.1% of the total allocation and the underspend reflects the fact that some projects have been delayed by supply chain challenges and Covid related issues. However, the team is confident that by its closure the Scheme will have spent £1,464,268 or 95.8% of its capital target. As the Scheme is now closed to new applications, the final expenditure is expected to be delivered through the final claims from existing committed projects.

The Scheme has claimed £718,477 (97.4%) of its revenue allocation. By Scheme closure the team anticipates that it will have spent 100% of the total allocation. The decision to extend the Scheme's financial end date through the third PCR was an important factor in mitigating the risk of under expenditure. This extended delivery timetable allowed more time for projects to complete and submit their paperwork in what has been a challenging delivery environment.

In terms of outputs, progress as of Quarter 3 2022 was mixed reflecting the delivery challenges highlighted above. However, by Scheme closure, the team expects to achieve the majority of their targets and exceed the target position for the number of new businesses supported, employment increases and new to the firm products. This is an excellent achievement and demonstrates impact, especially given the challenging delivery context. However, despite recent progress, three indicators fall just short of the 'green' category (C1, C2 and P2). Given the contextual situation and excellent performance on other indicators, this is a reasonable position.

When output performance is compared with the original IOSVS scheme and adjusted for their relative size, IOSVS II performs better in terms of the number of businesses supported and new to the firm products, but not as well in terms of employment increase and new businesses created.

3.5 Profile of Investment

It is also interesting to consider the profile of the investments made through the Scheme using the monitoring data which details:

- The size of Vouchers awarded;
- The intervention rate of the awards; and,
- The geographical location of businesses supported.

In total, the Scheme had supported 55 investments (awarded to 52 businesses). Figure Five below shows that the number of Vouchers awarded in each size band is similar to that forecast by the team.

Figure 5: The Number of Vouchers Awarded by Size Band

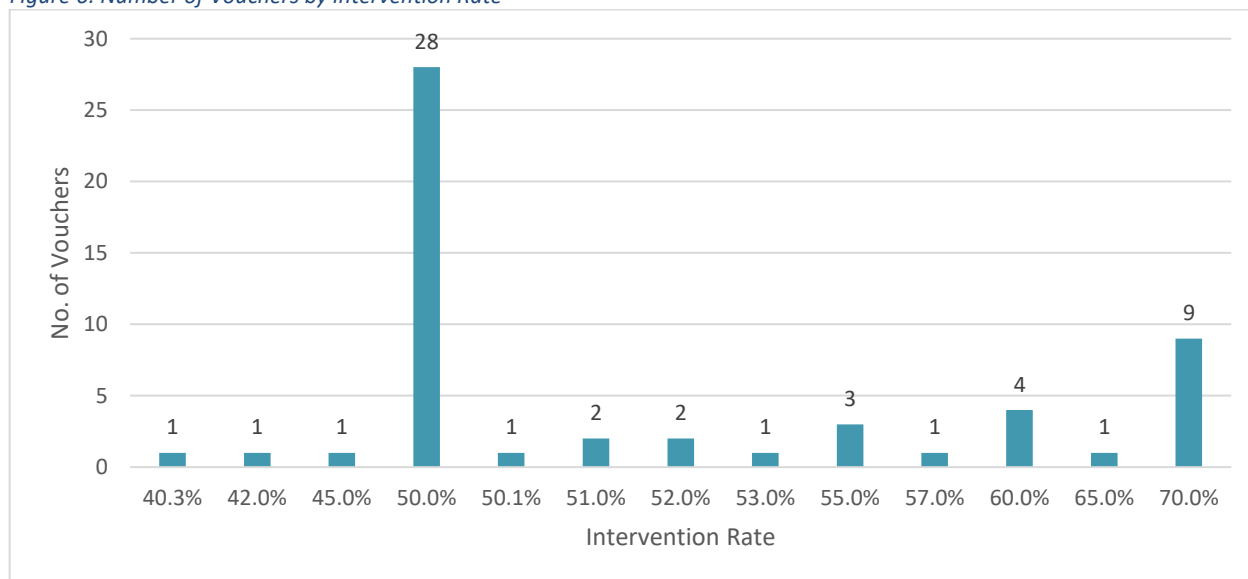
Size Bracket	Number of Vouchers Awarded	Forecast
Under £3,500	16	15
Between £3,500 and £10,000	14	15
Between £10,001 and £20,000	9	8
Greater than £20,000	16	17
Total	55	55

Source: IOSVS II Monitoring Data, October 2022

Figure Six shows that the majority of the Vouchers (28) were awarded at an intervention rate of 50%. Nine received the maximum intervention rate of 70% and three received an intervention rate of less than 50%. The three projects which received an intervention rate of less than 50% were all construction projects which received aid under the GBER 2 – Article 14 state aid route. The remainder of projects received aid under the De Minimis state aid route.

The average intervention rate across the projects was 50.3%, which is lower than the forecast expected of 61%. This lower rate stemmed from the need to maintain the contracted Scheme level intervention rate despite the increase in management and administration costs as a result of the delayed start and the effects of Covid-19.

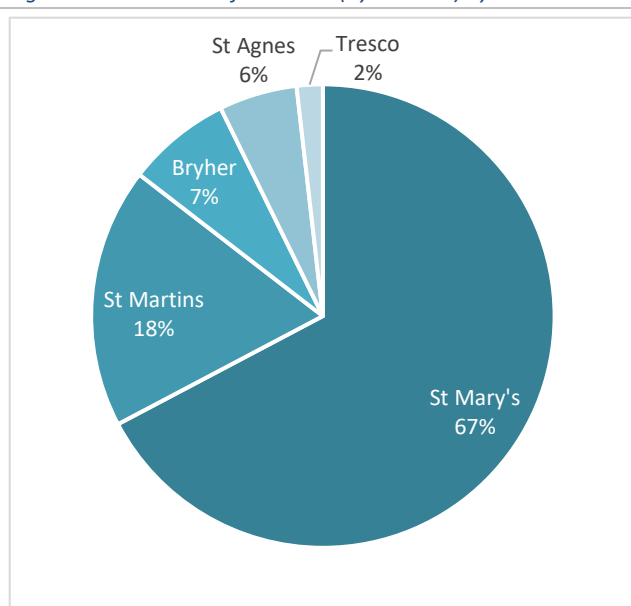
Figure 6: Number of Vouchers by Intervention Rate



Source: IOSVS II Monitoring Data, August 2022

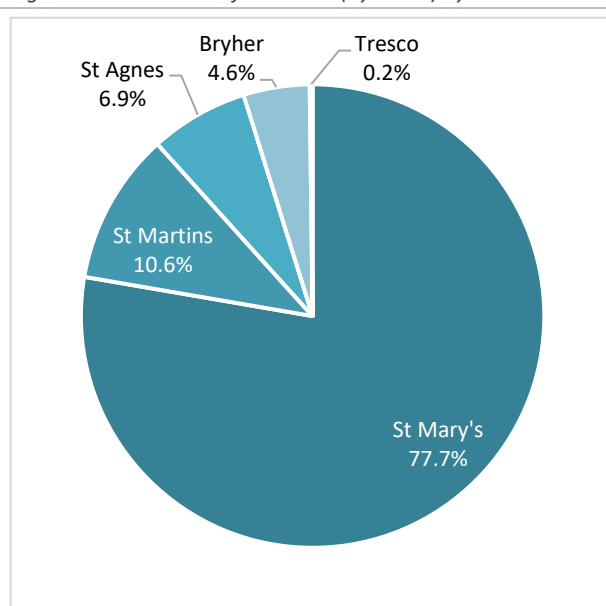
In considering the geographical distribution of the Vouchers, Figure Seven shows that 67% of the projects were located on St Mary's, with the remainder (33%) on the 'off-islands.' This is a similar distribution to that seen in previous Scheme (where the ratio was 68%:32%). In terms of distribution by value, Figure Eight shows that 77.8% of the ERDF funding was spent on St Mary's and 22.2% on the 'off islands.' This reflects the fact that the five largest investments were on St Mary's.

Figure 7: Distribution of Vouchers (by Number) by Location



Source: IOSVS II Monitoring Data, August 2022

Figure 8: Distribution of Vouchers (by Value) by Location



CASE STUDY: Sound Recording and Music Workshop

Mark Bothwick trained and worked as a sound engineer in London before moving to Bryher where he has been running the island's shop with his wife for the last three and a half years. With a passion for sound and recording Mark was registered with HMRC as a self-employed sound engineer but found that opportunities for him to pursue this line of work, alongside running the shop, were limited from the islands.



He had an idea for a venture that would allow him to pursue his passion from home whilst providing a new service for the islands, but this required the purchase of new equipment and he did not have the funding to invest in it.

When Mark heard about the Voucher Scheme from other people that had successfully applied for funding he wondered if it could help him too. He met with the Voucher Scheme team to discuss his ideas which were initially centred around setting up participatory recording workshops for residents and visitors. Mark explained:

“I wanted to enable people to record sounds they hear on the islands and then edit them in my studio to take away as an audio postcard”

He described how supportive the Voucher Scheme team was in exploring his ideas and helping him to complete the application:

“They were fantastic and really helpful. The whole world of grant funding is quite daunting and there were lots of forms to fill in but when we got into it, things weren’t as bad as I feared and they helped me through it”

The team also encouraged him to ‘think bigger.’ As a result, the project expanded to include a new music production service and tuition for local people.

Unfortunately, there have been some delays to the timetable. Some of the equipment that was ordered arrived late and was damaged and other items of equipment have been out of stock. Because of these delays Mark has not yet been able to offer the service commercially. However, he has had some early interest and is feeling confident for the future. When up and running he knows that the venture will provide a unique offer for visitors as well as providing a valuable service for local people. In Mark's words:

“Everything about it has been amazing. The Voucher has given me the opportunity to develop something that I love into a business with longevity. I’ve got lots of ideas to grow and expand it over time. Being able to get the right equipment has given me the confidence to take this forward and I would have never been able to do it without the Scheme”

PROJECT PROGRESS: SUMMARY OF KEY POINTS ADDRESSING THE EVALUATION QUESTIONS

- At the time of the evaluation the Scheme was behind profile on expenditure and output performance was variable;
- The underperformance reflects the very challenging conditions in which the Scheme was delivered as a result of BREXIT and Covid;
- These were compounded by the fact that the islands were cut off from the mainland by an 'essential deliveries only' policy on the part of the local freight company for periods of time;
- The team is, however, confident that it will have claimed over 95.8% of its capital allocation and 100% of its revenue allocation by Scheme closure;
- The decision to extend the Scheme's financial end date through the third PCR was an important factor in mitigating the risk of under expenditure. This extended delivery timetable allowed more time for projects to complete and submit their paperwork in what has been a challenging delivery environment;
- By project closure the team expects to achieve the majority of project targets
 - Target positions for the number of new businesses supported, employment increases and new to the firm products are expected to be exceeded. This is an excellent achievement and demonstrates impact
 - Three indicators fall just short of the 'green' category (C1, C2 and P2). Given the contextual situation and excellent performance on other indicators, this is a reasonable position.
- When compared with the original IOSVS scheme, IOSVS II performs better on some indicators and worse on others.

Section Four: Project Delivery and Management

4.1 Introduction

This section of the report provides an analysis of the implementation of the Scheme. It covers the key delivery arrangements including governance and management as well as the underpinning systems and processes, horizontal principles and external relations. It also reflects on the quality of support.

4.2 Governance, Management and Delivery Structures

Overall responsibility for the Scheme lay with the Chief Executive Officer (CEO) of the CIOS and it was delivered through the Council's Strategic Development team.

4.2.1 The Delivery Team

On a day-to-day basis the Scheme had three dedicated members of staff whose roles, as highlighted earlier in the report, had been clearly demarcated with:

- **The Project Manager** – being responsible for the Scheme and ensuring that management and control systems are in place and adhered to as well-being responsible for the initial investment appraisal (before passing to the Senior Officer for Capital Development and Procurement full appraisal and approval), claim authorisation and audit processes;
- **The Engagement Officer** – being responsible for investment development and supporting applicants with their project proposals. The Engagement Officer is also responsible for referring applicants to the Growth Hub and others for further support. According to the application, this role was to be based within the Island Partnership offices; and,
- **The Finance Officer** – being responsible for ensuring that all Voucher claims are eligible, accurate and compliant with regard to costs, defrayal, procurement, funding profile, planned expenditure and achieved outputs. This includes post award visits to projects with an investment of more than £3,500. The Finance Officer is required to authorise each claim before passing to the Project Manager for a second check and authorisation.

As highlighted in the introduction, team members received training through CDC at the start of the Scheme's delivery period and additional sign-off procedures were built into the process utilising wider CIOS resources including the Senior Officer for Capital Development and Procurement, the Senior Manager for Strategic Development and the Section 151 Officer as required. This ensured that final appraisal is undertaken by people who have no relationship with the project in question. Weekly team meetings support workflows.

The summative assessment interviews indicated that the team roles worked well overall, though there was some suggestion that the demarcation between the Project Management and Engagement functions could have gone even further, with the Engagement Officer empowered to do more work with businesses in a coaching capacity. There was unanimous agreement that the Engagement role was essential in supporting applicants to develop their proposals. Given the lack of dedicated island-based business support and the historical challenges for businesses in accessing mainstream provision, this could have been helpful (although there may have been resource/capacity implications). The Engagement Officer was not based with the Island Partnership as evidence from the previous Scheme indicated that the environment did not afford sufficient privacy for applicants to discuss their ideas and the Partnership itself was in a period of change with the arrival of a new Executive Director. However, this did not appear to have been to the detriment of the Scheme and in any case remote working became the norm during the pandemic.

The additional training provided by CDC appears to have been beneficial in up-skilling team members and they were able to tap into on-going advice and guidance from CDC and others throughout delivery on a range of issues from eligibility to procurement. Importantly, evidence shows that the team has not been afraid to question and challenge the advice that has been provided – especially around eligibility criteria - which was necessary, given the very different context of the island economy. There have been some robust challenges around Annex 1 definitions for example and also around displacement which manifests differently on Scilly than it does on the mainland. It is to the credit of the team that they have pushed the boundaries (within eligibility criteria) to enable the Scheme to fund projects which mainland providers would have been unlikely to even consider, including for the tourism sector which is so vital for the islands. Although they are yet to be audited, at the time of writing this report, no claims have been rejected and the team keeps detailed records of all decisions reached should there be a future challenge.

The evaluators conclude that the roles and functions within the core team are appropriate for the Scheme and provide the right level of resources for its delivery, though agree that consideration could have been given to further empowering the Engagement Officer to provide additional business coaching given how vital that role has been.

4.2.2 The Investment Panel

The Island Futures Investment Panel also played a role in the Scheme's governance for applications with a value of over £20,000 ERDF investment and/or applications submitted by CIOS staff. The Investment Panel was a sub-group of the Island Futures Board (IFB) which is a public-private partnership designed to deliver investments and actions identified in the Island Futures Strategic Economic Plan. Given the nature of the island economy each applicant was required to declare any conflicts of interest with the CIOS and the IFB and there was an option for any commercially sensitive information to be withheld from the IFB when the application was reviewed.

It was expected that the IFB would also support continuous improvement through monitoring the Scheme (at quarterly intervals) with regard to performance, outputs, spend, business applications, successful applications, cross cutting themes and type of business supported. This process of review was built in to allow for the successful, efficient and inclusive delivery of the Scheme, identifying any requirements for improvement in performance, gaps in delivery and training needs.

The added value provided by the IFB as part of the governance structure is not entirely clear, though this may have in part reflected the period of flux in which the Board has found itself. Having initially been drawn together as a 'forum of forums' for the islands, several stakeholders indicated that its purpose had become less clear over time, with some going as far as to say that it had become dominated by the Voucher Scheme and seemed to do little other business.

Whilst the IFB provided an important function conceptually as a decision-making Panel for investments over £20,000, views about how well it worked in practice were quite polarised. On the one hand, some stakeholders felt that the feedback and questions on the proposals was very beneficial:

“The Board can ask questions and provide greeter objectivity and challenge”

“They have given constructive feedback on projects”

“The Panel asks good questions and it helps to make sure that projects are as good as they can be”

Examples were also given of Panel members being able to offer suggestions to help applicants avoid potential delivery problems through their knowledge and expertise.

Others, however, suggested that the core team have done such a thorough assessment during the due diligence and appraisal process that there was little left for the Panel to discuss.

Mixed views were also expressed about how the Panel ensured that investments aligned with island objectives. Some stakeholders indicated that this was a core – and indeed vital - part of its role whereas others felt that it had no clear criteria on which to judge applications and called for the introduction of mechanisms to facilitate greater strategic alignment. This could have helped to ensure that the ‘right’ beneficiaries were selected.

Additionally, whilst conflict of interest processes were tightened for the Panel, which was a welcome development, it did at times create challenges for the Panel in being quorate and it was pointed out that because of the nature of the island economy, there was always going to be ‘tacit knowledge’ about proposals coming forward:

“There is a level of intimacy here that doesn’t happen elsewhere. Everyone knows each other and you are passing judgement on businesses that you know well”

“The tacit knowledge that people have – or sometimes think they have - on everyone else’s business can get in the way sometimes. It’s also been a bit of an issue for some applicants who have been anxious about their project going to the Panel precisely because of who sits on it, though the team has been good at managing that”

“There is a quirk on Scilly – which is the fine line between personal activities and business activities which can be challenging”

One stakeholder felt that the function could actually have been performed better by the Council’s Scrutiny Panel.

The IFB’s broader role in the Scheme’s governance as articulated in the application was also unclear. Although the Project Manager prepared progress reports for the Panel meetings, there is no evidence that the Board played an active role in supporting continuous improvement and one Panel member in particular felt that the Board should have had greater oversight of the whole process. Although the Scheme functioned well without this, indicating that it was perhaps not necessary, there was some suggestion that the IFB could have usefully input into strategic decisions, for example around the submission of PCRs. The evaluators are aware that the purpose of the IFB as a whole is currently under consideration with a view to revitalising the group and we would suggest that this review includes its potential role in any future grant funding Schemes. The evaluators also suggest that if the Panel is to be used for any future grant funding Schemes, members would benefit from some dedicated training to support their decision-making. Consideration could also be given to extending the group to include an external perspective - i.e. through the co-option of some non-island based members into the process.

4.3 Underpinning Systems and Processes

There is evidence that improvements have been made to the Scheme's underpinning systems and processes for IOSVS II which have supported better project management. Anecdotal evidence through the stakeholder interviews indicates that there were fewer complaints about the process than was the case for the previous Scheme which indicates that changes may also have resulted in a better beneficiary experience. However, the team was also aware of a relatively high drop-out rate for applicants, particularly for the larger investments and it is important to understand what (if anything) could have been done to minimise this.

The difference between the two Schemes was explored within the business interviews but only six interviewees had received a Voucher from both Schemes and their experiences were mixed:

- One felt that there were no differences;
- Two felt that IOSVS II was more straightforward but questioned whether this was because they were more familiar with the process;
- Two others perceived the application to be more complex in the second iteration of the Scheme. The need for a more developed business plan was cited as one of the additional requirements that increased the complexity of the IOSVS II process. However, they also perceived the involvement of Access to Finance project as a positive change; and,
- One commented on the additional validation checks that were required in IOSVS II (e.g. submitting evidence of the receipt of the purchased goods).

Each element of the Voucher Scheme process is taken in turn below, setting out how it was managed and how businesses and stakeholders have perceived it.

4.3.1 Business Engagement and Recruitment

The team started with a strong pipeline already in place from the previous Scheme but worked hard to generate new interest and evidence from the summative assessment interviews indicates that the IOSVS II offer was well promoted. A website had been created for the original Voucher Scheme and a small budget for website modification and the development of new promotional material was built into the IOSVS II costs. The team reflected on the role of Facebook within the process which appears to have been particularly effective on Scilly. The team made use of their own Facebook page as well as the Council's. They also used other media channels such as the radio and adverts in local publications as well as the Island Partnership's mailing list.

Prior to the pandemic the team held a series of events with open days and drop-ins across the islands, some of which were delivered in conjunction with the Access to Finance team. These were heavily promoted using Facebook and the team also found that 'word of mouth' played an important role in generating interest. Inquiries sometimes came on the back of events by people who had not attended themselves but had heard about it afterwards from a friend or another business.

In quieter periods the team knocked on doors and endeavoured to start conversations with people who could benefit and case studies were developed, shining a spotlight on successful projects to stimulate interest. External stakeholders spontaneously commented on how effective and useful the case studies had been.

More generally, stakeholders were of the view that there was widespread awareness of the Scheme, though not necessarily a good understanding of what it offered. In reflecting on anything that could have been done

better, from an internal perspective a suggestion was made that increasing its visibility across CLOS could have helped so that other teams who engage with businesses could have promoted it more effectively. The team did recognise this in Year 2 and released regular updates about the Scheme via email to all staff. However, it was felt that more targeted engagement with teams that specifically work with businesses could have increased awareness, perhaps by using more direct methods such as presenting at meetings. From an external perspective there was also a question mark about its branding: one stakeholder felt that a simpler description, explicitly using the word 'grant' with associated imagery would have been beneficial.

The summative assessment interviews asked how businesses first heard about IOSVS II and, reflecting the views of the Voucher team, word of mouth emerged as a particularly important channel. Although business interviewees had seen information publicised on local communication channels (e.g. Facebook), islanders themselves were reported to have spread word quickly about the Scheme and, by doing so, were the initial source of awareness for many:

"I think my wife told me, it's quite well known on IoS. I think they were promoting on Facebook and my wife said I should I do that"

"It was well publicised - the people that run it are just down the road from us. But word soon gets around on IoS"

"Word travels fast on Scilly - team did various roadshows, saw posters, social media. It was well advertised"

A smaller number reported attending an event about the Scheme (two interviewees) or being directly approached by a team member (four interviewees) and six business interviewees reported being a beneficiary of IOSVS I and therefore received more direct communication. Overall, the findings from the business interviews suggest that the IOSVS II team accessed and utilised local communication channels well to raise awareness of the Scheme.

4.3.2 The Application Process

The previous evaluation report suggested that the process for applicants could be streamlined. There is evidence that consideration has been given to this, with both the Expressions of Interest (EOIs) and full applications forms having been reviewed, though the evaluators note that there is a limit to what can be achieved in an excel spreadsheet format. A set of guidance documents was also prepared for applicants, tailored to the size of investment, including sample answers to each question, with support available from the Voucher Scheme Engagement Officer and/or from the Access to Finance Programme to help businesses complete the forms.

CASE STUDY – Troytown Farm Ice Cream

Troytown Farm ice cream has been produced on St Agnes since 2006 when Sam and his wife Laura bought their first ice cream maker. The ice cream is made in small batches in the farm's tiny Environmental Health Officer compliant dairy with milk from the farm's 11 Jersey cows. As the ice cream has become known for its luxurious taste and creamy texture, they struggle to keep up with demand. Ice cream sales have grown from strength to strength and the farm now supplies over 50 trade customers (including one on the mainland) as well as selling directly to visitors to their farm. In Sam's words:

“We can sell everything we produce – we can't keep up with demand”

However, their ice cream machine was too small, so staff (and the machine!) had to work longer hours. Their fridges and freezers were also bursting at the seams, and they needed more space to store materials. They therefore applied for a Voucher to purchase a new, larger ice cream maker, additional fridges and freezers, a new shed and solar panels.

The new ice cream maker had arrived in time for the 2022 summer season and is already boosting production by approximately 50%. Equally, as the dairy can utilise 100% of the energy output from the solar panels, the panels are already helping to reduce the dairy's energy costs and carbon emissions. At the time of writing, the new shed had yet to arrive, but when it does, Sam hopes that the additional storage space provided by the shed, fridges and freezers will help to smooth out production pinch points and enable them to maximise their output as well as operate more efficiently.



Without the Voucher, the family would have struggled to raise the funds to make such a comprehensive package of investments and would, most likely have undertaken a smaller project. In Sam's words:

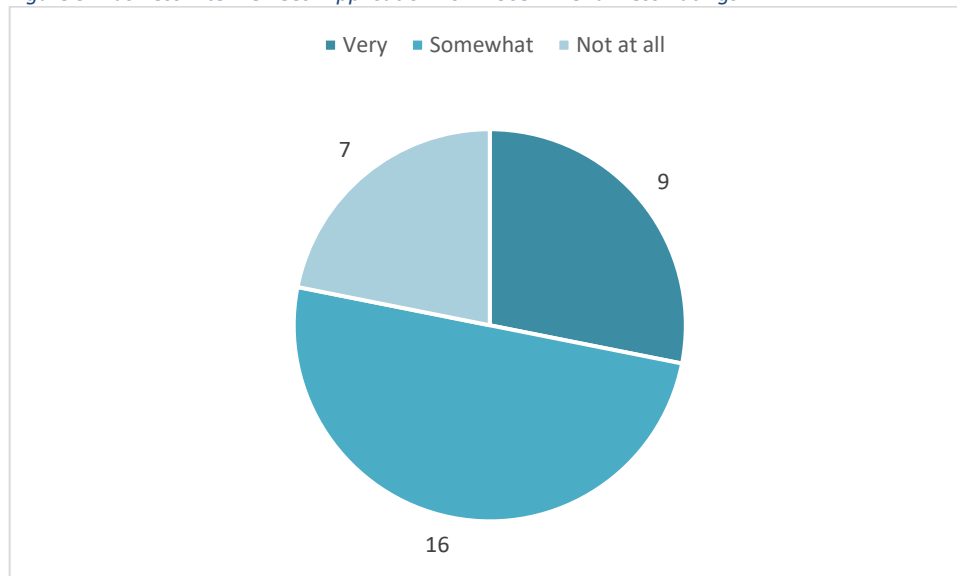
“We are now much more confident about the future of the business; we will have ironed out key production pinch points and should be able to meet the demand we have as well as taking on new trade customers”

Whilst Sam found the paperwork associated with the Voucher Scheme challenging at times, the support he received from the team helped him to get through it and get it right. Sam said:

“Whilst I would tell them to brace themselves for paperwork, I would definitely recommend the Voucher Scheme to other businesses on the islands”

The business interviews explored in some depth how user-friendly beneficiaries found the application process and the responses were varied. As shown in Figure Nine, nine interviewees gave a ‘very’ user-friendly rating, 16 a ‘somewhat’ rating and seven felt that it was ‘not at all’ user-friendly.¹⁰

Figure 9: Business Interviewees’ Application Form User-Friendliness Ratings



Source: IOSVS II Summative Assessment Business Interviews, 2022

For some interviewees, the application process was relatively straightforward:

“We didn't struggle too much with it.”

However, a few of these commented that although the process was simple enough for them as experienced applicants, it was likely to challenge others:

“We've got experience between my wife and I of running a business, lots of work experience. So for us it was very manageable and relatively straight forward as a process. For those with less experience, I think it might be daunting and they'd need some help on finance side. But they know assistance is available”

“Pretty user friendly, I'd say the support I've had has been pretty seamless. The personnel have been very helpful. I think if you're not familiar with excel, it's a bit whoa”

Others who provided a ‘somewhat’ or ‘not at all’ rating felt that the paperwork was detailed, complicated or onerous and as result felt overwhelmed or confused by the application requirements. Some of them questioned whether the process was proportionate to the investment value, especially at the lower levels:

“Need to have compliance, good to have to put together a proper business plan. But my Voucher was quite small, so it was a big hoop to go through”

¹⁰ One of the 33 business interviewees had joined their company after the application had been submitted and therefore was unable to provide a rating

“It was really onerous, I felt I had to jump through hoops. Maybe it's because I haven't applied for this sort of thing before, but I just felt they kept coming back for more and more information. Not hard to understand, but there was just a lot of it. It got to the point where I almost pulled out. It wasn't quick and easy even though I was asking for a small amount of money. It wasn't that I didn't understand, just that a lot of things were being asked for. I got a bit fed up with the to-ing and fro-ing”

Further analysis shows that six of the seven businesses giving a ‘not at all’ user-friendly rating were start-ups. Although the specific reasons for their difficulties varied, they commonly related to the complexity of the form or the depth of information required:

“Some of the paperwork was very long winded. Again, everyone who helped me out was amazing but felt it was unnecessarily confusing at times. It did seem very long winded to be able to understand the wording, could have been simplified with common sense wording”

“[name redacted] was amazing, it would not be possible for me to interpret it without her. She helped with all of it, the whole thing is on excel - I don't know how they work. There were so many things you had to do.... It was completely beyond me”

“Difficult and complicated process almost to the point of being off-putting.”

This was also echoed within the stakeholder interviews where the functionality of the application form itself was highlighted as an area for improvement. There is a limit to what can be achieved in an excel format as noted earlier in the report. An alternative approach would be to develop an online form which, if well designed, could make the process easier for clients to engage with. If integrated with an effective client management system this could also provide a powerful back-office management tool. However, it would require a significant investment of time and money which would need to be weighed against the benefits.

Most interviewees reported receiving application support from at least one source: the majority from the Voucher team (24) and just over half from Access to Finance (17). Both sources of support were described extremely positively, for example:

“They [Voucher team] were really helpful - fantastic. They came and dropped into the shop every now and then and to see if I needed help. A really personal service”

“We had various questions, they [Voucher team] were always really good. They always came back to us. Couldn't be more helpful”

“We went back to Voucher Scheme numerous times to make sure we were completing it properly. And we did get help from Access to Finance and they were brilliant. My only criticism is that we didn't know about them [Access to Finance] until just before the deadline, so we had a frantic week where they were guiding us. Access to Finance were brilliant, they went into detail about cash flow and projections, that was very helpful. Having someone experienced in putting claims in made sure that I'd worded things correctly”

“Spoke to [name redacted] and to another guy who did the financial side, they were brilliant, really helpful. I'd ask questions and they'd respond straight away”

“Went to a presentation by Access to Finance, they were there as a support right from the beginning. You knew they were there. There was lots of encouragement and reassurance that even a small organisation like mine could get over those hurdles. They were very helpful”

A small number even commented that they might not have completed their application in the absence of this support:

“Helped by [name redacted], that made it very user friendly. Would have been daunting on its own though”

“Without Access to Finance it would have been a pain. Would have been tricky to do the financial parts of application without them. Lots of questions felt redundant or a lot of work to explain a very simple situation. It wasn't friendly for small businesses, small simple businesses”

Support with financial planning was particularly welcomed by those engaging with Access for Finance and, for some newer businesses, this helped them to prepare financial forecasts or cost/price analyses:

“[Name redacted] was my saviour, she was a wonderful lady. Don't know if I would have done the application without her. And she was amazing, she couldn't have been more helpful. So good at the tender process. She helped with the whole process and putting the tender out - to be honest, she became my go-to, every time I was a bit confused, I'd contact her. Because it was start-up, I had to do a three-year forecast and she gave me a template to do it to produce the comprehensive forecast. What I had wasn't robust enough”

“Access to Finance were very useful, helped me go through the cost inputs. Because of that, you're starting to look at things more on a systematic level - I want to create this project, how much time will it take, how much will it cost and how much can I sell it for”

Reflecting this, a small number of businesses interviewees felt that this support had wider benefits for them:

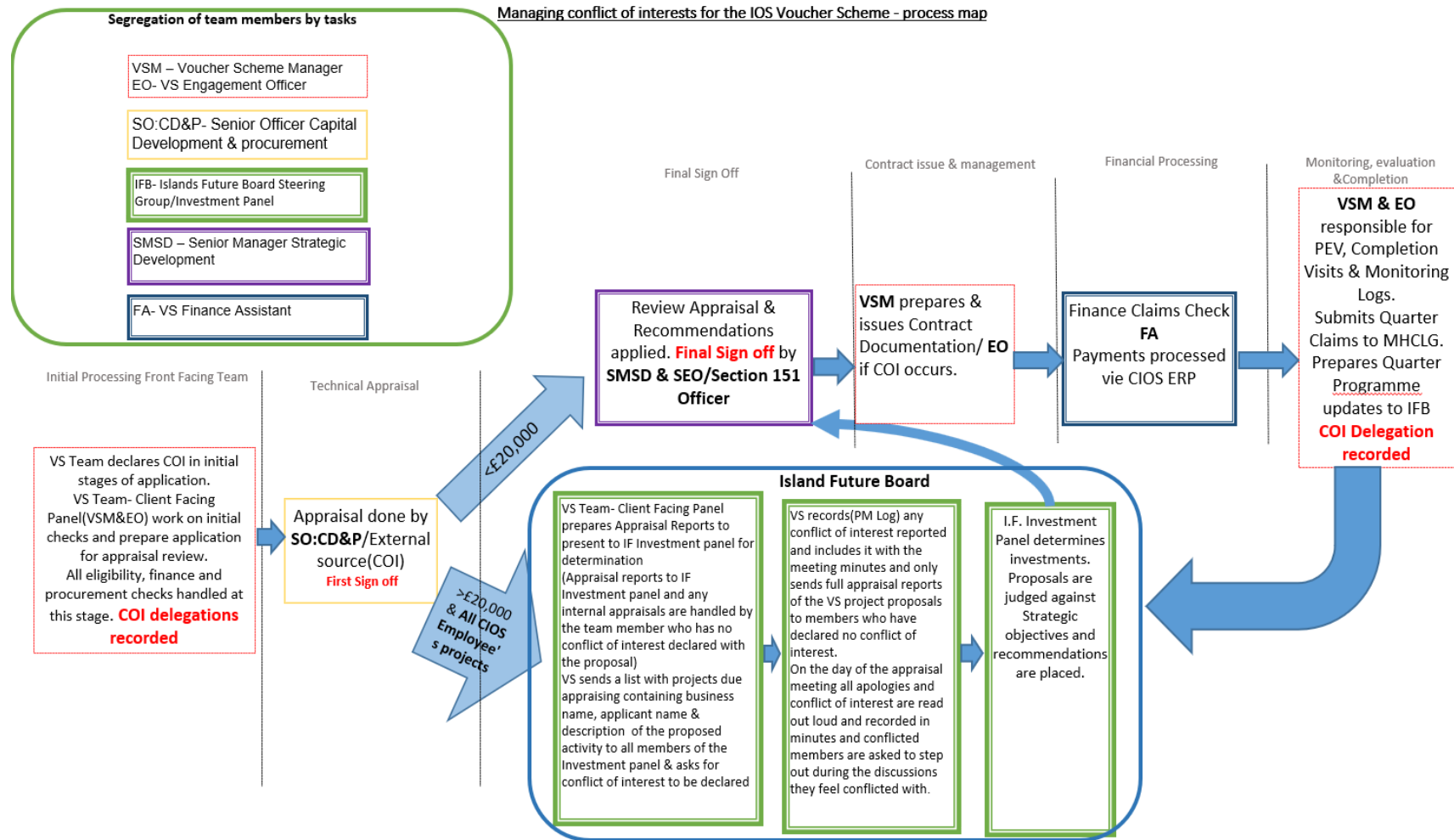
“The application actually made me sit down and fully realise the business planning, what I wanted to achieve and where I wanted to be. It's had a greater role than just the funding. It's actually been quite useful”

“But there's some not so obvious benefits - like the framing of your business and thinking through things like environmental health, etc”

4.3.3 Appraisal and Award Notification

As highlighted elsewhere, the IOSVS II team tightened up a number of project management procedures as a result of the additional training they undertook which resulted in greater emphasis being placed on due diligence and managing conflicts of interest. Their internal processes are described in Figure Ten.

Figure 10: CIOVS II Application and Appraisal Process



A fast-track process for applications of under £3,500 ERDF investment involved a lighter touch application and a quicker decision. For investments over that level the application required a fuller description of the project along with additional financial information including cashflow forecasts and a clear articulation of project risks with supporting evidence and documentation. Those above the £20,000 threshold went through the Investment Panel.

Irrespective of the size of grant, project appraisal was a key part of this process and this helped to ensure that the Scheme selected the right beneficiaries. Each applicant was provided with a unique reference number on receipt of their EOI and a spreadsheet was completed with input from different members of the team which initially required them to declare any conflicts of interest. The spreadsheet recorded the eligibility checks that had been undertaken which covered alignment with the Scheme aims and core deliverables including eligibility of spend, state aid checks and a sustainable development score along with a technical appraisal.

Initial eligibility for the technical appraisal required evidence that the applicant:

- Was based on or intended to operate from the Isles of Scilly;
- Had a business registration output with linked enterprises identified (if already established);
- Was an SME according to Companies House (if already established);
- Was not an Annex 1 producer;
- Was not counted as an 'undertaking in difficulty';
- Would not displace other existing provision on the Isles of Scilly through their proposed project; and,
- Would not use the funding for working capital (i.e. not delivering 'business as usual').

For the full appraisal the spreadsheet included a checklist to ensure that the company details and project plan were accurately described and that the supporting documentation had been supplied including a risk register; set of realistic milestones; compliant procurement paperwork; financial information (including annual accounts, recent bank statement, realistic cash flow and evidence of match funding); and, copies of Equality and Diversity and Environmental policies to support horizontal principles. Appraisal decisions were recorded with additional details provided for any potentially contentious decisions.

External stakeholders commented positively on the speed of the appraisal process which was considered to be much faster than comparable Schemes and this was particularly important given the small window available outside of the summer months for many businesses to deliver their projects. Most of the business interviewees also felt that they had received a timely decision on their application although some struggled to recollect the timeline between the submission and notification of the outcome:

“From recollection, it was within a few weeks so felt reasonable”

“Quite quick turnaround for both, don't remember waiting - seemed quite quick”

“It seemed to snowball once everyone was in, don't remember how long though. Once it was in, they checked a few things, it happened very quickly”

A small number of interviewees (four) were, however, frustrated by the length of time it took to receive a decision. Whilst one interviewee indicated that the delay was understandable given the homeworking arrangements brought about by Covid, the other three described how the delayed decision had adversely affected their plans:

“Ended up being complicated in the end, I understood the complexity but it took longer than I would I have liked. It was touch and go up until the final days whether I was going to be awarded the money [because of an eligibility query]. I believe there's a board that decided whether or not I get it, I know the local politics over here – I felt there was a bit of that going on, which wouldn't happen on the mainland. So in short, I'd say to no [the decision wasn't timely] - it caused stress... To wait all those months to find out whether I could buy the [redacted name of product], it made it all incredibly stressful”

“It took time, it was frustrating. You get impatient, wanted to start for the winter”

“It took a long time, there were three months [to purchase the good while they were on] sale and we still didn't complete it. We were lucky that the company could hold them and store them until we completed the application. They get stuff sent in and shipped off, so we were lucky. It took too long”

The evaluation team is aware that expected timelines for different steps in the process were outlined on the Frequently Asked Questions (FAQ) section of the IOSVS II website with the expectation of competing the process for smaller projects in four weeks and larger (20K+ funding) projects in eight weeks. These expectations were confirmed with applicants in the initial stages of engagement and the team has also integrated a time monitor in their internal project log, recording the time between full application submission and issuing of contract to try and manage any delays. Most projects were completed before the quoted deadlines.

4.3.4 Claims Process

As highlighted above, the Finance Officer was responsible for individual project claims as well as preparing the Scheme's claims to the Managing Authority. All Voucher recipients above the £3,500 threshold received an engagement visit once their offer letter had been issued (initially conducted in person but subsequently completed remotely) to run through all of the relevant ERDF regulations, supporting the business to deliver their projects compliantly. This also included support to complete their claims and evidence outputs. Given the difficulties mentioned earlier in the report with contractors and suppliers, the Officer was also heavily involved in facilitating and documenting post award adjustments which, evidence suggests, has at times been a challenging and time-consuming process. Although the need to obtain prior authorisation for any project changes is clearly written into the offer letter, not all recipients have understood the requirement which necessitated intervention from the team.

Based on the experience of the original Voucher Scheme there has also been an increased emphasis for IOSVS II beneficiaries to evidence their outputs prior to the final claim which is a welcome development.

At the time of the fieldwork, all but three business interviewees had submitted a claim and a further three were in the process of preparing one. Most (18 interviewees) had completed the claims process some time ago, which meant that some had forgotten the details of it. However, there was broad consensus that despite having to itemise all purchased goods and photograph them when in-situ, the process was straightforward. As with the application process, the support provided by the Voucher team helped interviewees to navigate claims:

“They were very good at sending the stuff you needed. [name redacted] was worth her weight in gold, she basically checks, double checks and tells you exactly what you need to send. On previous funding applications I'd been involved with, hadn't had to show money gone out of bank account. She was really

clear and told me what I needed to photograph. Had to show that it had arrived and in position, she was very detailed and specific about what I had to provide”

“Once I had someone explain it, it was very much like the rest of it, it was ok with someone helping me”

“[name redacted] was always there to help you, you never felt alone. A really efficient process”

Delays in the receipt of goods because of Covid or wider supply chain issues were the most commonly reported challenges and meant that some business interviewees had to liaise with the Voucher team to discuss variations from their original application. Although interviewees welcomed the flexibility with the delivery timescale, the inability to accommodate price variations was a source of frustration for some. For example, one business reported that price increases meant they had to compromise on the quality of the purchased items to ensure they remained within budget and another had to cover the increased costs themselves. A third business reported that had been told they could not change supplier even though they no longer stocked one item:

“In the time it took to get all the right quotes, the price of the [items] had increased and then it turned out we had to reapply. When there were little changes, e.g. costs, I sort of felt that there was little flexibility to make small changes”

“There were a few delays in getting equipment because of supply chain issues, so I had to ask for an extension. They were fine with that”

“We had to buy time on the Scheme, the original timescale - we didn't stick to it because of Covid and delays in the supply chain... Eventually the company said that they couldn't deliver, so had to go back to the team and rework the budget and delivery timeline. Had to fill in a change form. [name redacted] and team were helpful with that, we met and discussed the problems. There were some things that I couldn't claim for that I wanted to”

4.3.5 Record Keeping

Client records were held centrally by the Project Manager in various files which fed into a ‘master spreadsheet.’ This was used as key project management tool, containing core information about both successful and unsuccessful applicants from which data could also be extracted for reporting to DLUCH. The team should be commended on their record keeping, though the evaluators are aware of the complex web of spreadsheets sitting within the files. This could potentially be improved through moving to an integrated client management system but such a development would be costly and its benefits would need to be weighed against the investment required.

IOSVS II passed it's On the Spot Verification (OTSV) Visit in December 2020 (conducted remotely) with a single recommendation for applications for support to allow the declaration of both Sterling and Euro values in relation to State Aid received in the previous two years.

4.4 Integration of Horizontal Principles

As an Area of Outstanding Natural Beauty (AONB) sustainable development and environmental sustainability are central to the Island Futures Plan.¹¹ The IOSVS II application made a commitment to guiding, assisting, and supporting potential Voucher applicants to:

- Ensure the protection of the environment, the impact on biodiversity and local ecosystems;
- Reduce inefficient resource allocation; and,
- Promote the shift towards a low carbon economy.

Applicants were required to have both an Environmental Sustainability and Equal Opportunities Policy in place in order to access the funding. A sustainable development assessment was incorporated into the project appraisal and the process also specifically required the applicant to explain their Equality & Diversity (E&D) policies and indicate how the Voucher will be used to deliver benefits. Of note, the Council has a checklist for all new buildings to ensure they are as DDA compliant as possible and investments made through the Scheme are expected to deliver against the same standards.

Business interviewees were invited to reflect on if and how IOSVS II had prompted them to think about their approach to the environment and sustainability and their responses commonly referred to a pre-existing commitment to these issues. For these businesses, living on the Islands meant that they had to look for environmentally sensitive ways to operate. For example, the limited recycling facilities meant that one interviewee had a long-standing commitment to minimising their use of plastics and another two interviewees described how they would choose to purchase rechargeable resources or use local suppliers more generally:

“Over here it's a little bit different, less easy to get rid of [materials]. I try all the time, use less plastic - I was doing this anyway”

“Yes, but it's in the forefront of our minds here anyway, the council really pushes it anyway. Looking at getting the best options on the equipment e.g. like getting rechargeable resources”

“Something I'm aware of anyway, I'd always make sure products are environmentally friendly. e.g. purchasing locally”

These businesses therefore felt that although the application required them to consider the environment and sustainability, their approach was largely unchanged:

“Already considered environment/sustainability issues - it's a strong driver of what we do here. We'd done a lot on our environmental thinking, it was to the fore of our minds”

“No more than already doing. Always cognisant of need to be mindful of environment. We have to be cautious on the island, e.g. water use”

For some of the business interviewees though, the IOSVS II had enabled them to investment in new equipment or resources to reduce their environmental impact or that of the islands more broadly:

¹¹ Island Futures: A Strategic Economic Plan for the Isles of Scilly, May 2014

“A lot of it [our Voucher] is to do with management of waste, we're hoping to reduce the amount of waste on the Island. If we can reduce waste, it's great”

“Set up the plumbing to allow it to work with rainwater harvesting. This is important because bore hole water is expensive on the island. The other grant will pay for water tanks and the rest of the grey water system”

“The application included solar panels”

Additionally, the team actively encouraged applicants to think about green measures. Most of the buildings that have been funded have solar panels, for example, and not all of the applicants had thought about that previously. Stakeholders commented positively on the number of environmentally sustainable projects that had been funded.

There was perhaps less of a spotlight on E&D but stakeholders felt that the requirement to have an E&D policy in place to access the funding will at the least have encouraged applicants to consider the issues and that view was reflected by a small number of business interviews. More commonly, however, the business interviews highlighted the challenges of increasing diversity:

“It's a tricky one, it's just the two of us. Pool of opportunity is who is on the island, 120 people”

“We're on a small island, hard to expand on a great deal of things”

“It's a small island, there's not a massive amount we can change anyway”

Other responses echoed those made in relation to environmental and sustainability issues:

“Didn't make me think about E&D, always considered that anyway”

“Somethings like diversity and being accessible to all - I felt that I already was accessible. It's just me”

However, for one interviewee who ran their business alone, the impact was not on their employees but on how they engage with their customers. They chose to offer group as well as one-to-one lessons to increase the accessibility of their service to lower income families:

“We do have a lot of low-income families here, so always wanted to do this. I would have done this anyway, but the application made me build this in as a conscious policy”

Equally, the St Mary's cycle hire business used the Voucher to purchase two mobility scooters and an electric tricycle to help visitors with mobility problems get around the island, which has proven to be very successful (see case study overleaf).

CASE STUDY: St Mary's Bike Hire

Chris Evans bought St Mary's bike hire in 2016 and started the process of upgrading the stock of bikes. Initially he invested in conventional road and mountain bikes, but then he bought five or six electric bikes to test the market. They 'flew out the door' and he knew this was the way to go. Investment from the original Voucher Scheme helped him to purchase five e-bikes and with subsequent investment of his own over time, he now has a stock of 17 e-bikes as well as 90 conventional bikes for hire. With his increasing stock, he was starting to run out of space in his workshop in Hugh Town.



More recently the Tourist Board approached him and suggested that he supply mobility scooters for visitors with mobility problems, who wanted to get out and see the island. At this point, he started to explore the possibility of investment from the current Voucher Scheme, and after successfully completing the application process, secured a Voucher to purchase 2 mobility scooters, an electric tricycle and a separate garage for storing bikes and equipment. The Voucher also included solar panels for re-charging bike batteries – helping to make the business truly sustainable.

The mobility scooters and the tricycle have proven to be particularly successful and are opening up St. Mary's to people who through age or disability would normally struggle to get around. In Chris's words:

"I had a 96-year-old gentleman who hired the e-trike the other day to go out with his son. His son could hardly keep up and he was absolutely delighted"

With the global supply chain challenges, delivery of the project took slightly longer than they hoped as the solar panels in particular took longer to arrive than expected. However, the Voucher Scheme team were supportive throughout the application and delivery process. In Chris's words:

"They were constantly popping in and asking if everything was OK and whether I needed any help"

As a result of the investment, both turnover and employment have increased within the business. Without support from the Voucher Scheme, Chris believes he would have invested more slowly in the business and would probably not have purchased the mobility scooters or the garage.

He also believes that the Voucher Scheme investments in his business are benefitting other businesses on St. Mary's as his business helps to re-distribute visitors (especially those from cruise ships) across the whole island. Each visitor is sent off with a map which includes adverts for other businesses along the routes (e.g. galleries, cafes etc) and they spend money within these businesses.

Chris has already recommended the Voucher Scheme to other businesses on the islands and in his words:

"It certainly helps, it is a no brainer!"

4.5 External Relations

One of the features of this Scheme has been the team's role in signposting applicants to other business support where useful which was important given the historical market failures in this regard. It is clear that the team has worked hard to develop relationships with other providers so that they can achieve this. The positive relationship with the Access to Finance project has already been mentioned, enabling businesses to access support with their application as well as providing growth planning advice.

Evidence suggests that the relationship with the C&IoS Growth Hub was perhaps less fruitful. Although there have been some cross referrals, stakeholders were of the view that island businesses still struggle to engage with the offer, sometimes because of eligibility issues and sometimes because of misunderstanding. The Growth Hub itself has also revised its operating model, partly in response to government's emphasis on supporting scale-ups and partly in response to funding cuts which saw the team move to a 'tiered' approach with more remote delivery. The pandemic accelerated this move. However, there is evidence the team worked more closely with the Skills Hub element of the Growth Hub which has a different operating model and includes a 0.4 FTE member of staff dedicated to, and based on, Scilly. There are good examples of joint working between IOSVS II and the Skills Hub where the Skills Hub was able to pick up the training needs of Voucher applicants and the Voucher Scheme was able to provide funding for business growth on the back of skills developments. This appears to have been enabled by the Skills Hub having a local Scilly footprint.

The team has also supported applicants to access support from some other ERDF funded sector specific projects on the mainland including Cultivator, which supports creative industries and Tevi which support environmental business growth.

Stakeholders commented positively on how well the team has developed these external relationships.

4.6 Overall Quality of Support

Although mixed views were expressed about parts of the process as described above, the business interviewees were generally positive about the Scheme overall. Indeed, all were likely to recommend it to another business: based on a ten-point scale, where 10 is extremely likely and 0 not at all, the average recommendation score was 9.75 (32 business interviewees answered this question). Some went on to describe a recommendation that they had already made to a friend, family member, colleague or another type of acquaintance. For these interviewees, the benefits of the Scheme outweighed the burdens of the application process (although for one interviewee, this view applied to investments over £1,000 only):

"I have recommended it - as long as you're happy to do paperwork. Over here, businesses are pretty simple and if you're not used to doing spreadsheets and in-depth business plans, then it could be quite challenging. That would be my only clause. I think the benefit of being given 50% funding, you can't argue with that. It's amazing"

"Have recommended it to other people - my advice, if going to go for it - make sure you are applying for enough because of paperwork. However good a Scheme is, there's still paperwork and takes time. Don't do it for £1,000 - it's not worth it"

The final comments made in the closing section of the interview support the conclusion that overall, the Voucher Scheme was experienced positively by business interviewees and the invitation to make any other comments was used by some to express their gratitude or praise for the Scheme, for example:

“Overall, a great experience”

“Thank you very much for it, very grateful. Always great when there's support for start-ups, there's a lot of self-employment on the island”

External stakeholders were likewise overwhelmingly positive about the team:

“The staff have just been great”

“The team is very professional and very supportive”

“The team is so helpful – can't fault them”

“What's great about them is that they are never afraid to ask questions and get second opinions – but then they have the confidence to form their own view. They always put the needs of the business first which is refreshing...”

It's all good. It would be a pity if we don't have further EU funding. I'm very grateful for the funding and to the people that helped me.

However, challenges with the bureaucracy and paperwork were noted by some stakeholders and it was suggested that the process could be made simpler for applicants – for example, with less technical jargon. Having a glossary of key terms was recommended by one stakeholder.

PROJECT DELIVERY AND MANAGEMENT: SUMMARY OF KEY POINTS ADDRESSING THE EVALUATION QUESTIONS

- The evaluators conclude that the right governance and management structures were in place, though arguably the Island Futures Partnership did not function in the way that was intended. However, this does not appear to have significantly impacted on delivery and overall, the Scheme was well managed;
- The team could, however, have been better supported with increased visibility across CIOS through more direct engagement with other teams who work with businesses;
- There was some suggestion that the demarcation between the Project Management and Engagement functions could have gone even further, with the Engagement Officer empowered to do more work with businesses in a coaching capacity;
- It is evident that learning from the previous Scheme and the additional training that was put in place was valuable with systems and processes having been tightened to aid compliance;
- Activities were delivered to a high standard and the support provided by the team was held in high regard by both businesses and stakeholders alike;
- Further improvements could have been made to the application form and underpinning processes but the evaluators appreciate that developing a fully integrated system would have been costly;
- Some smaller adjustments could, however, have been useful such as developing a glossary of terms for applicants;
- Notwithstanding the above, the heightened focus on compliance has helped to ensure that eligible beneficiaries were supported and there is evidence that those beneficiaries aligned well with Scheme objectives. In different circumstances it may have been possible for the applications to be judged against clearer local criteria to ensure that they delivered the best outcomes for the islands but given the challenge attracting applicants within a challenging environment, this would have been counter-productive;
- The stakeholder and business interviews indicated that the Scheme had been well received, delivering quality outcomes and the team's relationship with aligned projects, especially the ERDF Access to Finance project was singled out as being especially helpful;
- The relationship with the Growth Hub was perhaps less fruitful for a variety of reasons but the positive relationship with the Skills Hub was valuable, facilitated by the fact that there was a dedicated on-island resource;
- There is evidence that horizontal principles were integrated into and shaped delivery. Businesses were certainly supported to recognise the importance of sustainable development and encouraged to think about the inclusion of things like solar panels into their development which is an excellent outcome;
- Many businesses indicated that they already had a strong focus on these issues, however, and also commented on the challenges of ensuring equality and diversity on the islands; and,
- It is, in many ways difficult to compare the Scheme to the previous IOSVS project from a beneficiary perspective as few applicants had experienced both and those that did expressed mixed views. However, the increased focus on due diligence was welcomed by stakeholders.

Section Five: Project Outcomes and Impact

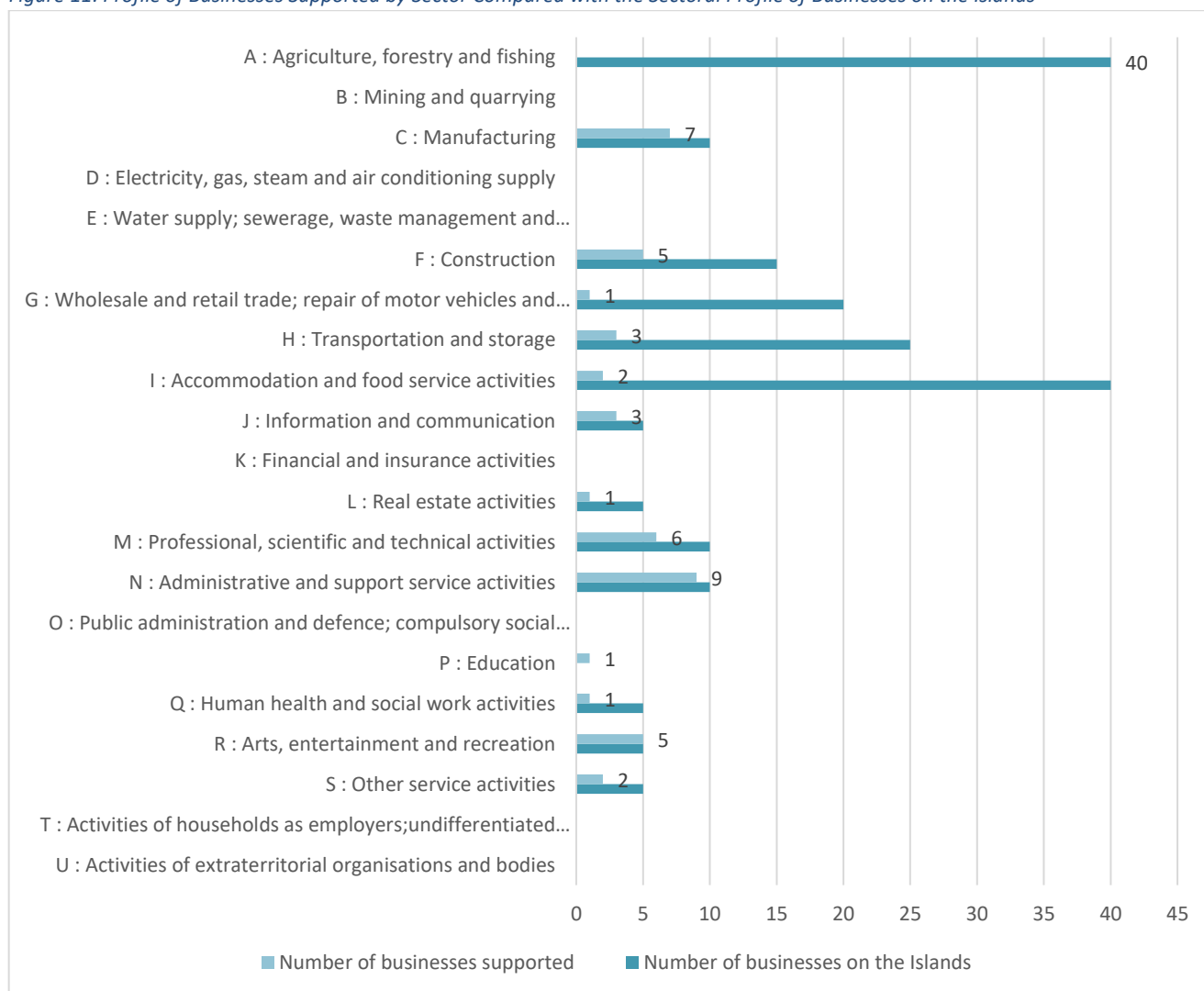
5.1 Introduction

Having provided an overview of progress and outputs in Section Two, this section of the report focuses on the Scheme's wider outcomes and impacts. It provides a profile of the businesses supported and includes a review of impacts for participating business as well as the economic impact and outcomes of the Scheme as a whole. It also provides a commentary on the progress made towards the project logic model as well as the programme wide objectives, concluding with an assessment of Strategic Added Value.

5.2 Profile of Businesses Supported

In total, the Scheme supported 52 individual businesses. Of these, 11 met the definition of a newly started business. Figure Eleven shows the sectoral distribution of the 46 businesses where SIC code information had been collected.¹² For comparison purposes, the graph also shows the sectoral distribution of businesses on the islands according to the latest data from ONS.

Figure 11: Profile of Businesses Supported by Sector Compared with the Sectoral Profile of Businesses on the Islands



Source: IOSVS II Monitoring Data, October 2022 and UK Business Counts, 2021 (nomis)

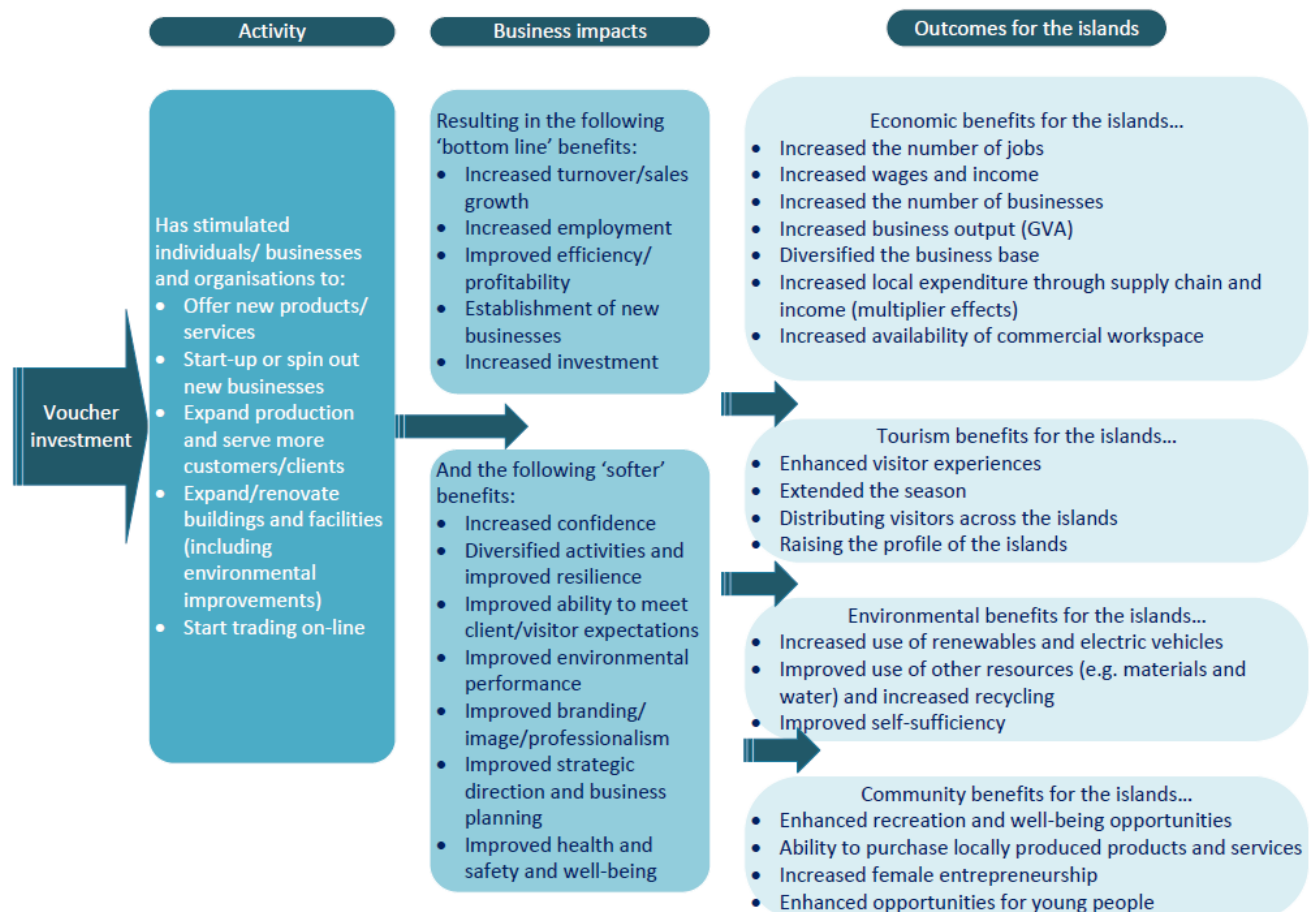
¹² Missing IOSVS II monitoring data was supplemented with information from the summative assessment business survey for two of the businesses

The chart shows that the Scheme supported a significant number of businesses in sectors which appear to be under-represented on the islands such as ‘administrative and support services’, ‘manufacturing’ and ‘professional, scientific and technical activities’ and fewer businesses in sectors which were already well represented on the islands (e.g. accommodation and food services, wholesale and retail etc.). This provides some evidence that the Scheme has supported economic diversification. However, whilst the Scheme supported businesses in the marine sector, there is less evidence of it supporting businesses in the renewable energy and digital sectors, which the Scheme aimed to support. This may reflect the fact that the Smart Island’s Programme did not provide the fertile ground and new markets for Voucher Scheme projects that was expected at the application stage.

5.3 Impact of the Investment

The benefits map at Figure Twelve below summarises the relationship between the investment activity and the outcomes for the islands.

Figure 12: Benefits Map



5.3.1 Activity

The Voucher investment was used by beneficiaries to:

- **Offer new products/services** – nearly all of the businesses used the Voucher to develop a new to the firm product or service to address perceived market opportunities or niches. In particular, several sought to use the grant to provide products or services not currently provided on the islands (e.g. carpet cleaning, filming, physiotherapy, consultancy services amongst others), whilst others sought

to expand their existing range or portfolio (e.g. new food product lines, mobile services and visitor experiences);

- **Start-up or spin out new businesses** – of the businesses interviewed, 16¹³ highlighted how the Voucher had helped them to start-up a business or spin out a new business from an existing business. The majority indicated that the Scheme had enabled them to buy the equipment needed to start their business and allowed them to invest in:
 - Better quality equipment that would last longer or help them to provide a better service; and,
 - More equipment that would allow them to offer a wider range of services.

Examples included: consultancy businesses, food and drink producers, boat operators, creative and digital businesses, construction and trade businesses and health and lifestyle businesses amongst others. Several highlighted that this put them in an excellent position to start their business, as the comments below illustrate:

“We were allowed to buy every bit equipment we could possibly want. No one starts out like that – we can offer a fully comprehensive service! Without the investment, we would not have been able to buy all of the equipment or we would have had to use domestic equipment”

“I have the ability to expand the scope of what I can do, exponentially. It's really made life a lot easier. My skills are better because my tools are better which means my products are better”

“It's meant that I could get all the equipment I needed from the word go and that I had everything I needed to start. I can be more efficient because of this”

“Getting this vehicle opens up a lot more opportunities for us in terms of shifting heavy items, delivery, stuff that you can't do by hand. Basically, it's opened up a whole heap of stuff that we wouldn't have been able to do otherwise”

- **Expand production and serve more customers/clients** – several businesses purchased equipment or renovated buildings to enable them to expand production or serve more customers/clients. Examples include: waste and environmental services, food and drink producers and hospitality businesses;
- **Expand/renovate buildings and facilities (including environmental improvements)** – several businesses also used the Voucher to build or renovate buildings and facilities to expand their businesses which sometimes included solar panels and other environmental features. Examples include: food and drink producers (see Troytown Ice cream case study), hospitality businesses (see Seven Stones Inn), wholesalers/retailers and haulage and logistics operators;
- **Start trading online** - several businesses used the Voucher to develop or improve their ability to trade online. For the majority of these businesses, the ability to trade online (or do so better) was pivotal in helping them to respond to the pandemic as the following comments illustrate:

¹³ Note: not all of these have necessarily met the ERDF C5 output definition and been counted towards this target

“Having the capability for online sale was a game changer – getting this in place before the pandemic was fortuitous”

‘I always intended to start online as I knew online trading had the potential to take businesses to the next level. Covid had a positive as people were looking to buy small treats for themselves and friends’

5.3.2 Business Impacts

As a result of the investments, businesses reported a number of bottom-line benefits including:

- **Increased turnover/sales** – of the 35 businesses interviewed, 20 businesses reported that their turnover had increased, but few could quantify the scale of the increase. Of the remainder, all except one indicated that they expect to see an increase in the future;
- **Increased employment** - 24 businesses indicated that they had created at least one part-time job. The total number of jobs reported by this group was at least 16 FTE.¹⁴ This is slightly higher than the number of jobs formally claimed by the Scheme and the difference most likely reflects the challenges associated with capturing formal output data (which requires businesses to provide the necessary evidential paperwork). Of the nine businesses which indicated that they had not yet created any jobs, five indicated that they expected to increase employment in the future. Further, twelve of the businesses which had already created a job indicated that they expect to see further increases in employment in the future. The business survey provides compelling evidence that the Scheme is and will continue to support employment growth on the islands;
- **Improved efficiency/profitability** – whilst the survey did not ask about efficiency and profitability explicitly, several businesses indicated that the Voucher has helped the business become more profitable or efficient by streamlining their operations, enabling them to reach a critical mass, reducing costs (e.g. energy costs) and by maximising their labour input (through the use of machinery). Alongside this, the owners of several newly started businesses highlighted how their new business would provide them with a more reliable or higher income. Several highlighted how their new business opportunity would reduce the seasonality of their household income, an important outcome in such a seasonal economy:

“The equipment has made things easier, quicker and more efficient”

“The equipment has helped us to increase production by 50%”

- **Establishment of new businesses** – of the newly started businesses that took part in the interviews, all had survived to the point they were interviewed and were optimistic about the future of their businesses. Several highlighted that the grant provided them with a firmer foundation on which to start by enabling them to buy higher quality equipment that would last longer and others highlighted their plans for growth:

“I see this business continuing for many, many years here. I was worried the work would be inconsistent, but we've realised the demand and we're meeting it. I have to bring my wife in and also my son helps when he's home from college”

¹⁴ Several businesses found it difficult to quantify the scale of the increase due to factors such as irregular working hours

“The business is properly established now. I have sent over 2,000 orders online as well as supplying wholesale. The next phase of growth will be to invest in premises”

“The benefits will be sustained over the long term because the equipment we bought is future proofed. We could have gone for interim sized stuff, but the Voucher allowed us to future proof it”

- **Further investment** – several respondents highlighted how their business growth has encouraged them to make further investments in their business outside of the grant Scheme.

Respondents also reported a range of ‘softer’ impacts for their businesses and themselves including:

- **Improved confidence** – nearly all the businesses highlighted that the Voucher had improved their confidence as the following selection of comments illustrate:

“We're confident now that for the next 5 years, we don't need any more big investments”

“I'm confident with what I'm doing, it's been a real benefit to me”

“It's given us a real buzz, and we feel more secure on the island”

“I feel very confident about my business. The amount of work I've got has amazed me, I wasn't expecting as much”

- **Diversified activities and improved resilience** – many businesses highlighted that the Voucher enabled them to diversify their operations either within the same business (by adding a new product or service) or by establishing a new business. Several of those establishing new businesses had an existing business which they intended to continue operating – highlighting how the new and existing businesses could provide complementary incomes for their household (e.g. a summer business and a winter business):

“My husband runs a [redacted] which is busiest in the summer, my new business gives us some seasonal balance”

This diversification has helped businesses to become more resilient. Similarly, other businesses highlighted that improving the quality of their equipment had helped them to become more resilient:

“I've got reliable equipment, I didn't have a vehicle before so had to borrow an old quad bike that kept breaking down, I had to pay to fix it and couldn't do work. There was down time. Now I have a fleet of equipment that I can trust. The vehicle is my own now, I use it all the time for work”

“We now have back-up equipment, if one fails, we can use the other”

- **Improved ability to meet client/visitor expectations** – many businesses identified how the Voucher has helped them better meet client and visitor expectations. In particular, businesses operating in the visitor economy have been able to provide new experiences (e.g. tours, tastings etc.) and facilities (e.g. the boat bothy – see case study). Similarly, businesses operating in the trade

environment have indicated that new and better equipment purchased with the Voucher means they can provide new services or better-quality outputs.

“It is allowing us to upgrade and meet more modern expectations, improve the offering to visitors in a much quicker timeframe than if we funded it on our own”

“My new equipment saves time and I can do a better job”

“My skills are better because my tools are better and therefore my products are better”

- **Improved environmental performance** – as part of their wider growth projects, many businesses integrated environmental improvements such as electric vehicles, photovoltaic panels, water saving devices etc. As well as supporting growth plans, these environmental elements should reduce their environmental impact as well as operating costs.
- **Improved branding/image/professionalism** – several businesses indicated that the Voucher enabled them to improve their business branding through investment in design work, photography, websites as well as labels and packaging. They felt that this allowed them to present a more professional image to the outside world. This was particularly important for businesses looking to trade online:

“The brand is really important in this industry, so I wanted it to be really professional. I would not have been able to afford design and branding work without the grant”

“Fundamentally, the Voucher has made it possible for us to start the business and facilitated the creation of a grant that we've been able to grow significantly despite the challenges of Covid”

- **Improved strategic direction and business planning** – a small number of businesses highlighted how the process of applying for the Voucher had helped them to consider the strategic direction of their business and plan better for the future. This was in part due to the wider support provided through initiatives such as Access to Finance. In addition, one business utilised the Voucher to pay for consultancy support to inform the strategic direction of the business:

“The value of consultancy has been in building our general understanding of where we needed to go and how to get there!”

- **Improved health and safety and well-being** – finally, a small number of businesses highlighted that their project has contributed to their personal well-being or the health and safety of their work environment.

5.4 Outcomes for the Islands

5.4.1 Economic Benefits

As illustrated on Figure Twelve above, the economic benefits for the islands are significant and include an increase in:

- **The number of jobs** – as of Quarter 3 2022, the IOSVS II had claimed 14.7 jobs created and this is expected to increase to 19 by Scheme closure. The business survey indicates that the number of new jobs created is expected to continue to increase after Scheme closure. As the Scheme has mainly supported micro businesses and sole traders, much of this job growth has been evidenced through an increase in the hours worked of the business owner as well as including seasonal workers

(pro-rated accordingly). Whilst this is relatively unusual in an ERDF context, it reflects the nature of the island where portfolio careers and high levels of seasonal work are the norm. The fact that the Scheme has supported this sort of jobs growth shows that it has been well designed for the economic context;

- **Wages and income** – whilst the business survey did not attempt to capture the value of wage/income increases, it is clear from the interviews with beneficiaries that the investment has or will increase their earning potential;
- **The number of businesses** – as of Quarter 3, 2022, IOSVS II had supported 10 new start businesses. These businesses had largely addressed perceived gaps in the market which has led to social benefits as both residents and visitors have been able to access products and services that were not previously available on the islands;
- **Business output (GVA)** – the IOSVS II team does not collect GVA data directly from beneficiaries. Therefore, to calculate the GVA arising from the business growth it is necessary to use proxy indicators. As the majority of businesses struggled to quantify their turnover increase, it has not been possible to quantify GVA through this method. Therefore, job creation figures have been used as a proxy. This method involves multiplying the number of new jobs created by the GVA/filled job¹⁵ figure for C&IoS (£41,465). Therefore, the gross GVA per year associated with the 14.7 jobs claimed up to the end of Quarter 3 2022 was £609,536 and by Scheme closure the annual GVA is expected to be £787,835. If it is assumed that the jobs and associated GVA will persist for 3 years¹⁶, then the gross GVA equates to £1,828,608 at the time of the summative assessment and will be £2,357,505 by Scheme closure;
- **Diversification** – as discussed in Section 5.2, the creation of new businesses in under-represented sectors helps to diversify the economy and reduce seasonality within the economy. Stakeholders also highlighted how by supporting businesses in trade related industries such as cleaning, construction and decorating, other businesses and residents are less reliant on mainland provision which in turn reduces costs and improves reliability;
- **Local expenditure through supply chain and income (multiplier effects)** – many businesses highlighted the importance they place on using local suppliers where they can and the multiplier effects of spending in the local economy. Further, several businesses and stakeholders described how the islands have quite a ‘co-operative’ business culture, where people look to develop complementary opportunities and cross promote each other’s businesses. In some instances, businesses go further and establish more formal co-operative arrangements (see the honesty shop in the Thrown by Ty case study). In the words of stakeholders:

“The breadth of applications has been excellent...and benefits have gone way beyond the people who got the funding”

“It’s been good for the community as people come together on these things and add their skills to one another”

¹⁵ ONS Subregional Productivity – July 2022 Release

¹⁶ As benchmarked in RDA Evaluation: Practical guidance on implementing the evaluation framework, December 2009

- **Commercial workspace** – as of Quarter 3 2022, IOSVS II had created 447m2 of public or commercial buildings and by Scheme closure this is expected to reach 473m2. This has addressed an important economic priority for the islands by allowing businesses to grow into bigger premises.

CASE STUDY: Thrown by Ty

Ty is a self-taught potter who set up a wheel in his living room and starting throwing pots three years ago. Learning from online videos, he quickly got the hang of it, but the lack of studio space and equipment meant that he was not in a position to earn a living from it.

Encouraged by the Voucher Scheme team, he applied for funding to buy a kiln and other pieces of equipment that enabled him to fit out his own studio. Ever mindful of his environmental impact, he used recycled and reclaimed materials to convert the granite outbuildings of his cottage into a studio, ready for the kit that he purchased through the Scheme.



The team supported him through the application process and referred him to other sources of advice and assistance. Support from the ERDF Access to Finance project in particular helped him to think about the price he should be selling his pots for as well as how to forecast his cash flow which he found invaluable. He was also referred to the Cultivator Cornwall project which is an ERDF funded project designed to provide business support for the creative sector. Through Cultivator Cornwall he benefitted from workshops on topics such as marketing, business leadership and finance, but most importantly he was able to receive some training from the Leach Pottery in St Ives. This training has made him re-think all aspects of his creative process and he is excited to start experimenting with the new techniques he has recently learned.

As a result of the Voucher, Ty has been able to set up a fully functioning studio and establish his business. He now sells enough pots to be able to work full time as a potter. The Voucher Scheme was instrumental in this growth and in Ty's words:

"I would not be where I am now without the Scheme, the team were a driving force and really encouraged me to go for it"

He sells his pots online as well as to people visiting St Martins. As he needed a retail outlet for his pots, he worked with seven other artists and makers on St Martins to set up the Middletown Barn, an 'honesty shop' where passers-by can purchase his pots and other crafts on a self-service basis. As well as benefitting Ty, the shop supports the wider creative community on the island and enhances the visitor experience.

Ty is keen to minimise the impact of his business on the environment and the equipment purchased by the Voucher allows him to recycle clay that would otherwise be wasted during the process. He also re-uses packaging materials (such as cardboard and bubble wrap) from other local businesses to minimise packaging waste going to landfill.

Ty is really excited about the future of his business. Whilst the training from the Leach Pottery means that he wants to re-think some aspects of his creative process, he firmly believes that this will enable him to take great steps forward in his work. As well as developing his creative techniques, Ty is also considering diversification of his business by offering pottery taster sessions to visitors. If successful, this will further enhance the visitor experience on St Martins.

5.4.2 Tourism Benefits

The Island Futures Plan recognises the importance of tourism to the islands, but also identifies that:

- There had been a steady decline in the number of visitors with consequences for the economy; and,
- Expectations of visitors have become more demanding and some businesses have struggled to change fast enough.

Reflecting this evidence, the Plan has objectives to improve the quality and value of the tourism offer and to promote the Isles of Scilly more effectively.

As illustrated in the benefits map, IOSVS II has made investments which are:

- **Enhancing visitor experiences** – several businesses used their Voucher to develop new products and services for visitors such as tours, events, creative workshops, studios, outdoor sports and shops. Others have developed technical services (e.g. sound/lighting/photography etc.) which support the quality of the services offered by hotels. Stakeholders also highlighted that projects to improve the island's recreational offer by their very nature have a knock-on benefit for the economy by, in the words of one stakeholder:

“Increasing the quality of what we have here and enabling the islands to compete as a European destination”

- **Extending the season** – by extending the range of visitor experiences and activities (particularly those in the cultural and heritage sector) which can take place year-round, the investments were felt to offer opportunities to extend the trading season;
- **Distributing visitors across the islands** – businesses located on the off-islands felt that collectively, the Voucher Scheme had enhanced the offer to visitors to the 'off-islands', which in turn would encourage more people to visit these islands (see Seven Stones case study). Equally, investment in cycle hire equipment in Hugh Town (see St Mary's Cycle Hire case study) has helped to distribute visitors better across St Mary's;
- **Raising the profile of the islands** – many businesses and in particular businesses which sell their products via mail order to the mainland, felt that their products help to 'show case' the islands:

“People discover the islands through my products, I often have comments from customers telling me that the Islands are on their holiday wish list and asking me where to go”

“Our newsletters remind people how much they love the Islands and perhaps they will have another holiday”

CASE STUDY: Seven Stones Inn

Dom and Emily took over the Seven Stones pub, the only pub on St Martin's, around eight years ago and began to transform it into a successful, family run free house frequented by both tourists and the local community. Taking pride in serving a good pint and high-quality affordable food they also developed the space as a venue for live music, comedy, theatre and film screenings. With demand for space and facilities increasing year on year they secured funding through the original Voucher Scheme to part fund an extension of their premises to cater for larger scale events and weddings. This project was completed in summer 2018 and is proving to be a fantastic success.

Whilst building the extension the pair came up with the idea for a 'boat bothy', so when the current Voucher Scheme opened, they were quick to express an interest. When complete the boat bothy will provide toilets, 'pay as you go' showers, washing machines and dryers as well as a laundry shop for visiting sailors. The Voucher also included the purchase of a second-hand electric vehicle to pick up and drop off laundry loads and water containers from the quay. This was supported by a ground mounted solar array funded separately through the Business



Energy Efficiency Scheme run by the IoS Council. Aligned with this environmental ethos, the project has also been designed to use rainwater/grey water harvesting systems and benefits from ERDF funded Climate Adaption Scilly Fund which covered the cost of the water tanks.

Completing the project over the last year has not been without its challenges. Global supply chain issues were further exacerbated on the islands and Dom and Emily struggled to secure the necessary parts, materials and skills. Furthermore, rapidly escalating costs meant the pair had to invest more of their own funds and time than expected. They also had to compromise on some aspects of their design as well as adopt unconventional approaches to securing contractors, with Dom offering to provide a week's labour for to a roofer in exchange for roofing the bothy! Throughout these challenges, the Voucher Scheme team were helpful and supportive. In Dom's words:

"The Voucher Scheme team were brilliant throughout the project – they were great at explaining what we could apply for as well as supporting us throughout the process"

The project is now in its final stages and has even had its first few informal customers. It is already creating a buzz on the yachting scene and attracting more yachts to St Martins. As well as using the facilities, Dom hopes that their visitors will stop to eat and drink with them as well as enjoying all that St Martin's has to offer. The team hopes to attract national and international sailing visitors and recently hosted a film crew from Germany who featured the bothy in their programme. In Dom's words:

"Together with the extension, the Bothy is helping to make St Martin's a destination. When we got here, the Pub and the hotel had both been closed for two years and the island was dying. It is now starting to thrive again and we are proud of what we have achieved"

5.4.3 Environmental Benefits

The Isles of Scilly is a unique and special environment, protected by an Area of Outstanding Natural Beauty (AONB) status. The Island Futures Plan confirms that the natural environment is at the heart of what is special about Scilly and that the environment has been the mainstay of its economy. It therefore includes objectives to:

- Improve the water, waste and sewage infrastructure so that it is sustainable into the future; and,
- Manage the environment to maintain and provide that special ingredient that is key to the economy.

Whilst the Scheme was not a dedicated environmental project, it has nonetheless achieved environmental benefits for the islands through:

- Investing in projects with environmental objectives; and,
- Encouraging projects to consider and mitigate their environmental impacts.

The business interviews showed that many investments incorporated features to minimise environmental impact such as: photo voltaic cells and vehicles, rainwater/grey water recycling, reducing waste, re-using materials and sourcing locally. Indeed, in some instances it was possible to align IOSVS II investments with other environmental funding streams (e.g. BEIS efficiency funding, and the ERDF funded Climate Adaption Scilly Fund) run by the CIOS to maximise the benefits.

In addition, several projects had a specific environmental focus, with the investment used to address environmental challenges faced by the islands (e.g. waste management, looking after nature) or provided other environmental services to residents and other businesses. Many investments have helped businesses produce products or services that were not previously available on the islands, therefore improving the island's self-sufficiency and reducing carbon emissions associated with transport.

5.4.4 Community Benefits

As well as supporting economic and environmental benefits, the Voucher Scheme has delivered benefits for the Island community, such as:

- **Enhanced recreational and well-being opportunities** - investment in businesses which provide recreational, cultural and well-being services to both visitors and residents has the potential to improve the quality of life for residents;
- **Ability to purchase locally produced products and services** - the ability to purchase locally sourced products and services provides greater choice for residents, allowing them to save money and improve resilience;
- **Stimulating female entrepreneurship** - a significant proportion of the new businesses were started by women;
- **Enhanced opportunities for young people** – stakeholders and businesses highlighted that the Scheme has enabled people and especially young people to stay or return to the islands because there are opportunities for them which would not otherwise have existed. There are examples of young people being able to set up new businesses as well as being employed in family businesses and/or taking on businesses from those who would have retired. In the words of one stakeholder:

“It has helped to keep families here that may otherwise have had to leave”

One business also highlighted that they hoped to be able to provide work experience or internships for young people.

Together, these benefits contribute towards the Scheme’s aim to maintain conditions for healthy communities - the available evidence suggests that the funded projects are helping to make the islands a better place to live and work.

5.5 Additionality and Net Impacts

Additionality refers to the extent to which the benefits achieved are ‘additional’ to the benefits that would have been achieved in the absence of support. This is a complex concept because cause and effect are inevitably difficult to disentangle, particularly where a business may have multiple interactions with different support providers.

Summative assessment guidance requires the evaluation to consider and make adjustment in the economic impact to account for the following factors:

- **Deadweight** – i.e. would the outcome have happened anyway (for example, would the business have achieved the same benefits without the IOSVS II Voucher);
- **Displacement** – i.e. has the intervention taken market share from elsewhere in the Programme area (for example, has another business been disadvantaged);
- **Leakage** -i.e. have any benefits accrued to non-target beneficiaries (for example, has the support benefitted businesses outside of the programme area); and,
- **Multiplier effects** – i.e. has further economic activity been stimulated by the direct benefits of an intervention associated with income and supply chains.

Figure Thirteen provides a summary of findings from the fieldwork, as well as wider contextual benchmarks to provide adjustment figures to allow net impacts to be calculated.

Figure 13: Gross Jobs and GVA Arising from Benefits

Findings from Business Interviews		Benchmarks ¹⁷	Overall Assessment
Deadweight	<p>Evidence from the primary research shows low levels of deadweight. Of the 35 businesses</p> <ul style="list-style-type: none"> Seven (20%) would not have undertaken the project(s) at all (no deadweight) Nine (25.7%) would have undertaken a smaller project (partial deadweight) Ten (28.6%) would have undertaken their project more slowly (partial deadweight) Eight (22.8%) would have undertaken a smaller project more slowly (partial deadweight) <p>One (2.8%) respondent indicated that they might have proceeded by using a bank loan</p>	<p>Sub Regional median benchmark of 50% Mean = 50.7% (+/- 6.4% @95% confidence level)</p>	<p>In order to estimate the level of displacement, it is necessary to apply some assumptions to the survey findings. These are:</p> <ul style="list-style-type: none"> Would not have undertaken the project – 0% deadweight Smaller project = 50% deadweight Slower project = 33% deadweight (assumes the Voucher brings forward the benefits by 2 years and the benefits will persist for 3 years) Smaller and slower = 67% deadweight <p>Applying these assumptions to the survey findings gives an estimated deadweight of 41%</p>
Displacement	<p>Product displacement is usually measured using a formula which explores the relationship between sales and competition. In the summative assessment of the previous Scheme, respondents struggled to answer these questions in the standard format, therefore these questions were not included in these business interviews. However, conversations with businesses revealed that:</p> <ul style="list-style-type: none"> Businesses were often the sole supplier of a given product or service New businesses were often set up to fill a perceived gap in the market <p>On this basis, there is evidence that displacement is lower than average</p>	<p>Sub-regional median benchmark of 7%. Mean = 16.5% (+/- 5.4% @95% confidence level)</p>	<p>As evidence from the fieldwork suggests displacement is low, the sub-regional benchmark of 7% has been used</p>
Leakage	<p>The business survey interviews found no evidence of leakage</p>	<p>Sub regional median benchmark of 16.1%. Mean = 16.1% (+/- 19.1% @95 confidence level)</p>	<p>As evidence from the business survey interviews found no evidence of leakage, it is assumed that leakage is 0%</p>
Multiplier effects	<p>It is not possible, without rigorous analysis of supply chains to gain an empirical understanding of multiplier effects</p>	<p>Sub-Regional benchmark of 1.2</p>	<p>Apply sub-regional benchmark of 1.2</p>

¹⁷ BIS Occasional Paper No 1. Research to improve the assessment of additionality, October 2009

Figure Fourteen shows how these adjustments are applied to the gross impacts identified earlier in this chapter, along with the resulting net impacts at the time of the evaluation and at its closure. This analysis shows that at the time of writing the report, the Scheme had resulted in 9.7 net additional jobs and £1,204,029 net additional GVA. By closure this is expected to increase to 12.5 net additional jobs and £1,552,276 net additional GVA.

Figure 14: Net Economic Impacts

Impact Indicator		Impact Area: C&IoS		Impact Area: C&IoS	
		Performance at Time of Evaluation		Projected Performance at Project Closure	
		Measure	Weighted Adjustment	Measure	Weighted Adjustment
Employment (Unit = FTEs)	Gross impact	14.7		19	
	Deadweight/reference case	8.7	41%	11.2	41%
	Displacement/substitution	8.1	7%	10.4	7%
	Leakage	8.1	0%	10.4	0%
	Multiplier effects	9.7	1.2	12.5	1.2
	Net additional employment	9.7		12.5	
GVA (Unit = £m)	Gross impact	£1,828,608		£2,357,505	
	Deadweight/reference case	£1,078,879	41%	£1,390,928	41%
	Displacement/substitution	£1,003,357	7%	£1,293,563	7%
	Leakage	£1,003,357	0%	£1,293,563	0%
	Multiplier effects	£1,204,029	1.2	£1,552,276	1.2
	Net additional GVA	£1,204,029		£1,552,276	

5.6 Progress Towards the Project Logic Model and SO Indicators

5.6.1 Progress towards the Project Logic Model

Figure Fifteen summarises the progress that has been made towards the outcomes and intended impacts identified in the logic model.

Figure 15: Progress Towards Outcomes and Intended Impacts from the Logic Model

Figure 15: Progress Towards Outcomes and Intended Impacts from the Logic Model

Outcomes and Impacts		Progress	
Intended Outcomes			
✓	Increase in economic performance of businesses	✓	The business survey found that 28 of the 35 businesses interviewed had already experienced either an increase in turnover and or an increase in jobs. Of the seven that had not yet experienced an increase, all except one expected to see an increase in the future
		✓	All of the businesses expected the investment to have a long-term impact on their business
		✓	There is also evidence that the Voucher has driven improved efficiency/profitability as well as encouraging businesses to re-invest
✓	Increase in average wages	✓	The IOSVS II monitoring data forecasts that by its closure the Scheme will have created 19 FTE jobs
		✓	Whilst the summative assessment has not attempted to capture the value of wage/income increases, it is clear from the interviews with beneficiaries that the investment has or will increase their earning potential
✓	Increase in commercial workspace	✓	By the time of its closure, the Scheme is expected to have delivered 473m2 of new or refurbished commercial buildings
✓	Diversification of the Island business base	✓	The portfolio of projects that have been supported through the Scheme are diverse in nature

Outcomes and Impacts	Progress
	<ul style="list-style-type: none"> ✓ By the time of its closure the Scheme is expected to have supported 43 new to the firm products/services as well as 11 new start businesses. Evidence from the business survey indicates that many of the projects were aiming to fill a perceived gap in the market ✓ The sectoral profile also indicates that the Scheme has successfully supported under-represented sectors of the economy
Intended Impacts	
✓ GVA and employment impacts	By the time of its closure the Scheme is expected to create 19 FTE jobs leading to a gross increase of £2,357,505 GVA
✓ Contribution to SO result indicators	See Section 5.6.2 below
✓ Contribution to the transformation of the Island economy	<p>There is strong evidence that the Scheme has contributed to the transformation of the island economy by:</p> <ul style="list-style-type: none"> ✓ Diversifying the business base ✓ Supporting businesses to be able to trade year round ✓ Improving the self-sufficiency of the islands which enables businesses and residents to access products and services more quickly and at a lower cost ✓ Enhancing the quality of the offer to businesses

5.6.2 Progress towards the Specific Indicators

The ERDF Operational Programme for England sets out a number of Specific Result Indicators that are linked to individual investment priorities. Each ERDF project is expected to contribute towards the overall result targets. The contribution of the Scheme is shown in Figure Sixteen below.

Figure 16: Contribution to Programme Specific Result Indicators

Priority Objective	Programme Specific SOs	Evidence from the Summative Assessment
3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	Total early-stage Entrepreneurial Activity (TEA), represented by the proportion of adults of working age (18-64) in the process of starting a business or running a business less than 42 months old	<ul style="list-style-type: none"> ✓ 17 Vouchers and 14% of ERDF investment ✓ IOSVS II has contributed to the programme's TEA rate by supporting 11 new businesses by project closure
3c - Supporting the creation and the extension of advanced capacities for products, services and development	<p>Number of small and medium sized jobs</p> <p>Gap in productivity between SMEs and large companies' productivity measured in terms of gross value added per employee</p>	<ul style="list-style-type: none"> ✓ 32 Vouchers and 79% of the ERDF investment ✓ Investments have contributed to the programme's job creation targets for England with the expectation that it will have delivered an employment increase of 19 FTE jobs by the time of its closure
3d - Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes		<ul style="list-style-type: none"> ✓ 6 Vouchers and 7% of the ERDF investment ✓ The Scheme has contributed to reducing the productivity gap by increasing the turnover and efficiency of participating businesses

Source: IOSVS II Monitoring Data, October 2022 and Summative Assessment Business Survey

5.7 Strategic Added Value

Strategic Added Value (SAV) typically includes the following functions: strategic leadership and catalyst; strategic influence; leverage; synergy; engagement; and, innovation.¹⁸ As a Scheme which was established to deliver business investments, there was perhaps less scope for the team to play a strategic role. However, they have effectively leveraged other organisations such as Access to Finance to support and enhance delivery and it is clear that they have been able to influence the shape of the investments to deliver good outcomes for the islands that will deliver economic, environmental and community benefits, as highlighted above. The team has encouraged applicants to ‘think bigger’ in some cases and include aspects such as environmental enhancements to their projects. And there has been synergy by aligning some of the investments with other funding streams such as the BEIS efficiency funding, and the ERDF funded Climate Adaption Scilly Fund run by the CIOS to maximise the benefits.

Stakeholders also highlighted that Voucher investments in the cultural and heritage offer have underpinned wider bids to access other funding, or examples from the Arts Council England for a new museum, which is an excellent example of SAV.

Informally, it is hoped that learning from the Scheme will also feed into future funding streams such as the UK Shared Prosperity Fund (UKSPF).

¹⁸ DTI 2006 Evaluating the Impact of England's RDAs: Developing a Methodology and Evaluation Framework

PROJECT OUTCOMES AND IMPACT: SUMMARY OF KEY POINTS ADDRESSING THE EVALUATION QUESTIONS

- It is clear that the Voucher Scheme investments have stimulated businesses and individuals to commence new activities that have had a positive impact on their bottom-line as well as achieving a range of softer benefits both for them and for the islands more generally;
- Good progress has been made towards achieving the outcomes and impacts set out in the Scheme's logic model;
- By the time of its closure the Scheme is expected to create 19 FTE jobs leading to a gross increase of £2,357,505 GVA;
- Although the evaluation interviews indicate that some of the economic benefits may have happened anyway, there is strong evidence that the Scheme has brought those forward quicker or more comprehensively than would have otherwise been the case;
- Evidence from the fieldwork combined with benchmark indicators enabled an assessment of additionality to be modelled;
- At the time of writing the report, the Scheme had resulted in 9.7 net additional jobs and £1,204,029 net additional GVA. By closure this is expected to increase to 12.8 net additional jobs and £1,552,276 net additional GVA;
- These outcomes will contribute to the achievement of ERDF programme result indicators;
- Strategic Added Value has been derived from leveraging other providers, influencing the shape of the investments and aligning them with other sources of funding for maximum benefit. Investments in the cultural and heritage offer have underpinned wider bids to access other funding, for example, from the Arts Council England for a new museum;
- For the island partners, long term sustainable growth is a key indicator of the Scheme's success and evidence from the business survey interviews indicate that the majority of beneficiaries expect growth to be sustained and even to increase in the future;
- The nature of the investments means that the island business base has been diversified as a result as well as supporting the tourism offer;
- There have also been specific investments in projects with environmental objectives, with many others having been encouraged to consider and mitigate their environmental impacts; and,
- As well as supporting economic and environmental benefits, the Voucher Scheme has delivered a range of benefits for the Island community, such as: enhanced recreational and well-being opportunities; the ability to purchase locally produced products and services; stimulation of female entrepreneurship; and, crucially, enhanced opportunities for young people. These have all contributed to ensuring that the islands remain a viable and resilient community.

Section Six: Value for Money

6.1 Introduction

Value for money is normally assessed with reference to outputs and impacts, benchmarked against other similar interventions, as well as calculating a Return on Investment (RoI).

6.2 Benchmarking

As with all European grants, the funder effectively agrees to 'buy' a number of outputs. In the case of IOSVS II this was focused on eight different indicators. Figure Seventeen overleaf shows the relative value for money of IOSVS II in terms of the unit costs for the key outputs, based on the numbers that have been delivered to date, compared with two recognised benchmarks:

- National research conducted by Regeneris Consulting on behalf of DCLG (as was) which developed a series of benchmarks for the proposed 2014-2020 programme, based on DCLG data from the 2007 to 2014 programme¹⁹; and,
- The Cornwall and Isles of Scilly Convergence Programme evaluation²⁰ to provide some local context.

The analysis presented overleaf is based on public sector costs and benefits at the time of the evaluation. SME match funding has been excluded to allow fair comparisons. The analysis focuses on the four indicators where relevant benchmarks are available (C1, C8, C28 and C29). The unit costs comparison for each of the indicators is shown below.

- **C1: Enterprises supported** - the unit cost of £23,149 is comparable with national benchmarks, but slightly higher than local benchmarks. However, comparisons need to be treated with caution as in this instance the unit cost is directly correlated with the intensity of support;
- **C5: Number of new enterprises receiving support** - when the unit cost is calculated by dividing all public sector costs by the number of new businesses, the unit cost of £120,375 is well in excess of national and local benchmarks. However, as start-ups were a sub-set of the businesses supported, this method over-estimates the unit cost of supporting start-ups. A more appropriate analysis is to isolate the costs associated with new start businesses by calculating the average ERDF grant provided to new starts. This method produces a unit cost of £3,558 which compares favourably with both national and local benchmarks (although this method under-estimates unit costs as it does not include the Scheme overheads);
- **C8: Employment increase in supported enterprises** - the unit cost of £81,888 is significantly higher than national and local benchmarks; and,
- **C29: New to the firm products** - the unit cost of £34,393 compares favourably with national and local benchmarks.

Whilst unit costs can be informative, in highlighting areas of particularly good/poor value for money, it is also important to reflect on the value for money of the Scheme as whole, considering the basket of indicators. In the view of the evaluators, when all the outputs are considered, including private sector funding levered, the Scheme represents acceptable value for money, given the context of the island economy.

¹⁹ England ERDF programme 2014-2020: Output Unit Costs and Definitions. A final report by Regeneris Consulting

²⁰ Cornwall and Isles of Scilly Convergence Programme Evaluation. May 2015

Figure 17: Value for Money – Benchmarking Analysis

Indicator	Actual Performance	Regeneris Research (based on DCLG database of projects funded through the 2007-2014 programmes)	Cornwall Programme Evaluation	Conclusion
C1: Number of enterprises receiving support	£23,149	<p>The study highlights that this unit cost is particularly prone to variability, reflecting the variation in intensity of support. Across the 623 projects:</p> <ul style="list-style-type: none"> • The mean unit cost was £34,000 • The median was £10,200 and • The lower quartile £4,700 <p>However, the report points out that much higher unit costs can be used if the intention is for a smaller number of businesses to be supported intensively</p>	The evaluation of the Convergence programme found that average cost/business assist across Priority was £15,752, but for projects provided with grant /loan via an intermediary, the unit costs were £16,970	The unit cost of £23,149 is comparable with national benchmarks, but slightly higher than local benchmarks. However, comparisons need to be treated with caution as in this instance the unit cost is directly correlated with the intensity of support
C5: Number of new enterprises receiving support	£120,375 (based on whole project cost) £3,558 (based on average grant provided to start-ups)	<p>The study highlights that the benchmarking exercise is based on a small number of projects. Across the 24 projects analysed:</p> <ul style="list-style-type: none"> • The mean cost was well over £200,000 • The median cost was £24,000 • The lower quartile was £3,500 <p>Regeneris suggest that the higher figures are likely to reflect projects providing substantial financial start-up support (via Venture Capital and Loan Schemes). Regeneris suggest that the lower quartile figure of £3,500 per business start-up is used unless a financial grant or loan Scheme is included</p>	The evaluation of the Convergence programme found that average cost per business assist for start-up support was £10,963	When the unit cost is calculated by dividing all public sector costs by the number of new businesses, the unit cost is £120,375 . This is well in excess of national and local benchmarks. However, as start-ups were a sub-set of the businesses supported, this method over-estimates the unit cost of supporting start-ups. A more appropriate analysis is to isolate the costs associated with new start businesses by calculating the average ERDF grant provided to new starts. This method produces a unit cost of £3,558 which compares favourably with both national and local benchmarks (although this method under-estimates unit costs as it does not include the Scheme overheads)

Indicator	Actual Performance	Regeneris Research (based on DCLG database of projects funded through the 2007-2014 programmes)	Cornwall Programme Evaluation	Conclusion
C8: Employment increase in supported enterprises	£81,888	<p>Based on evidence from 758 projects:</p> <ul style="list-style-type: none"> The mean cost was £71,000 The median cost was £25,700 The lower quartile was £11,500 <p>Regeneris suggest that the lower quartile figure is only relevant for a lower intensity business support and the mean is pushed upwards by capital intensive ERDF projects, therefore the authors recommend that a figure of £26,000 gross cost per job is used as the starting point</p>	This report found that the average costs/gross job created across the Priority was £15,584, but for projects provided with grant/loan via an intermediary the unit costs were £11,324	The unit cost of £81,888 is significantly higher than national and local benchmarks
C29: New to the firm products	£34,393	<p>The Regeneris Study notes that the C28 indicator is new to the current programme and therefore, some caution needs to be exercised when reviewing data from the previous programme. The report notes that as the old definition was based on results, rather than activity, the unit costs for the new definition should be at least 25% lower. The unit costs based on 78 observations and reduced by 25% are:</p> <ul style="list-style-type: none"> Mean = £70,500 Median = £21,000 	This report did not include unit costs for these indicators	The unit cost of £34,393 compares favourably with national and local benchmarks

Source: Project Monitoring Data and Regeneris Consulting

As an alternative and complementary measure, the ROI calculation considers the Return on Investment achieved for the public purse based on the ratio between public costs and benefits, discounted over time. The analysis is presented in Figure Eighteen and shows that for every £1 invested, the net ROI was 1.47, but by the time of its closure it will increase to £1.85. If a return on investment is between 1 and 2 it considered 'acceptable.'

Figure 18: Return on Investment

	Public Sector Cost Assumptions	Benefit Assumptions	Other Assumptions	Estimated Net Return on Investment
At the time of the summative assessment	ERDF expenditure as of end Q3 2022 = £1,203,757	Annual net GVA = £401,343	Net GVA benefits will persist over 3 years ²¹ Costs/benefits will be discounted by 3.5%	£1 invested equals £1.47 net benefits
By closure	ERDF expenditure at project closure (forecast) = £1,228,918	Annual net GVA = £517,425	Net GVA benefits will persist over 3 years ²² Costs/benefits will be discounted by 3.5%	£1 invested equals £1.85 net benefits

In conclusion when considering the variability in unit costs and the return on investment, the value for money is considered acceptable.

²¹ As benchmarked in RDA Evaluation: Practical guidance on implementing the evaluation framework, December 2009

²² As benchmarked in RDA Evaluation: Practical guidance on implementing the evaluation framework, December 2009

Section Seven: Conclusions

This report has provided a summative assessment of the IOSVS II Scheme as it draws to a close. The concluding section discusses its main strengths and weaknesses and the learning that has emerged.

7.1 Strengths and Weaknesses

IOSVS II was built on the foundations of a previous successful Voucher Scheme with modifications made to support ERDF compliance and improve the user experience. One of the biggest strengths of the Scheme was the delivery team who worked extremely hard in a very challenging contextual environment to encourage businesses to take part but also to make the projects as good as they could be. Being based on the islands and understanding the local context (which operates very differently from the mainland), the team was trusted by applicants and they were not afraid to push the boundaries to make investments that worked within this context. The team also developed excellent relationships with aligned projects such as the ERDF funded Access to Finance on the mainland to support applicants in their journey.

Although the team will not deliver all of their output targets, good progress was made against each of them and it is expected that by the time of its closure, some targets (e.g. employment increase in supported enterprises) will have actually been exceeded which is an excellent achievement.

Whilst the team expect to achieve the majority of their targets, three indicators are expected to fall just short of the 'green' category (C1, C2 and P2). Given the contextual situation and excellent performance on other indicators, this is a reasonable position. However, the Scheme has exceeded its target for the number of jobs created which is an excellent achievement and demonstrates impact.

The summative assessment has shown that the Scheme has made a difference. The Voucher Scheme investments have stimulated businesses and individuals to commence new activities that have had a positive impact on their bottom-line as well as achieving a range of softer benefits both for them and for the islands more generally. Investments have supported diversification of the business base which was one of the overriding objectives of the Scheme as well as enhancing the tourism offer. Aligned with the ethos of the Scheme, there have also been specific investments in projects with environmental objectives and the benefits for the community are evident. Local people have access to enhanced recreational and well-being opportunities; the ability to purchase locally produced products and services; stimulation of female entrepreneurship; and, crucially, enhanced opportunities for young people as a result of the Scheme. These all contribute to the resilience of the islands and ensure that they remain a viable place to live and work.

As with any Scheme of this nature, there are aspects that could be improved. Although a number of changes were made to the structures and processes since the original Scheme, some of them could have gone further, for example, the demarcation between team roles. Additionally, whilst the application process had been reviewed, many beneficiaries still found it onerous.

Additionally, the original IOSVS evaluation report noted that the role of the Island Futures Partnership within the Scheme's governance structure was unclear and this has remained the case. Although this does not appear to have significantly impacted on delivery, it has led to some confusion and even negativity.

Finally, it is suggested that more direct efforts to increase the Scheme's visibility across CIOs (i.e. increasing the knowledge of other teams who engage with businesses on behalf of the Council) could have helped the team to identify and engage with businesses.

7.2 Learning Opportunities

7.2.1 Lessons for Policy Makers

One of the most significant findings to emerge from the evaluation in policy terms is that for island economies such as this, grant schemes can be a really valuable tool for stimulating sustainable business growth: having the right funding package in place can be transformational for individual businesses as well as for local economies. However, what this summative assessment has also shown is the importance of having this delivered locally with an island presence.

7.2.2 Lessons for Those Designing and Implementing Similar Interventions

For those designing and implementing similar interventions there are positive lessons to be learned from the IOSVS delivery team and their approach to working with applicants. Whilst parts of the application process itself could have been improved, the team's work with applicants was vital to the success of the Scheme, as was the positive relationship with the Access to Finance project.

7.2.3 Lessons for the Team

As highlighted elsewhere, the evaluators would suggest that for any future grant schemes, the team considers the following:

- **Making further improvements to the application form and underpinning processes** – which in an ideal world would be achieved through development of an online form which, if well designed, could make the process easier for clients to engage with. And, if integrated with an effective client management system could also provide a powerful back-office management tool. This would require a significant investment of time and money which would need to be weighed against the benefits. However, some smaller adjustments could be considered such as developing a glossary of terms for applicants;
- **Clarifying the role of the Island Futures Board** - so that everyone understands its remit within the process. The evaluators also suggest that if the Panel is to be used for any future grant funding Schemes, members would benefit from some dedicated training to support their decision-making. Consideration could also be given to extending the group to include an external perspective - i.e. through the co-option of some non-island based members into the process; and,
- **Ensuring integration across the Council** – to support the team to identify and engage with businesses that other CIOs teams are working with who may be able to benefit from the offer.

ANNEX 1: FORECAST UNIT COSTS RELATIVE TO NATIONAL BENCHMARKS

	Forecast unit costs (public capital and revenue only)	Regeneris Research (based on DCLG database of 1,000 projects funded through the 2007-2014 programmes)
Costs	£1,326,423	Not applicable
C1: Number of enterprises receiving support	£24,117	<p>The study highlights that this unit cost is particularly prone to variability, reflecting the variation in intensity of support. Across the 623 projects:</p> <ul style="list-style-type: none"> • The mean unit cost was £34,000, • The median was £10,200 and • The lower quartile £4,700
C5: Number of new enterprises receiving support	£110,535	<p>The study highlights that the benchmarking exercise is based on a small number of projects. Across the 24 projects analysed:</p> <ul style="list-style-type: none"> • The mean cost was well over £200,000 • The median cost was £24,000 • The lower quartile was £3,500 <p>Regeneris suggest that the higher figures are likely to reflect projects providing substantial financial start-up support (via Venture Capital and Loan Schemes)</p>
C8: Employment increase in supported enterprises	£112,983	<p>Based on evidence from 758 projects:</p> <ul style="list-style-type: none"> • The mean cost was well over £200,000 • The median cost was £24,000 • The lower quartile was £3,500 <p>Regeneris suggest that the lower quartile figure is only relevant for lower intensity business support and the mean is pushed upwards by capital intensive ERDF projects, therefore the authors recommend that a figure of £26,000 is used as a starting point</p>
C28: Number of enterprises supported to introduce new to the market products	£1,326,423	<p>The Regeneris study notes that the C28 indicator is new to the current programme and therefore, some caution needs to be exercised. The report notes that as the old definition was based on results, rather than activity, the unit costs for the new definition should be at least 25% lower. The unit costs based on 78 observations and reduced by 25% are:</p> <ul style="list-style-type: none"> • Mean = £70,500 • Median = £21,000
C29: Number of enterprises supported to introduce new to firm products	£42,788	<p>The Regeneris study notes that the C29 indicator is new to the current programme and therefore, some caution needs to be exercised. The report notes that as the old definition was based on results, rather than activity, the unit costs for the new definition should be at least 25% lower. The unit costs based on 78 observations and reduced by 25% are:</p> <ul style="list-style-type: none"> • Mean = £70,500 • Median = £21,000