

Summative Assessment of the Marches Business Investment Programme - Executive Summary

Introduction

AMION Consulting, in association with Spirul, was appointed to carry out a summative assessment of the Marches Business Investment Programme (MBIP) on behalf of Herefordshire Council. The project is part-funded by the European Regional Development Fund (ERDF) and the evaluation has therefore been carried out in an ERDF compliant manner.

Context to the MBIP

The MBIP involved the provision of grants to support the refurbishment, reconfiguration, extension and construction of commercial premises and grants to acquire equipment.

The objectives of the programme were: to promote and facilitate SME growth and expansion; to support SMEs to create and sustain private sector jobs; to support SMEs to increase productivity; and to support businesses to diversify by improving premises and supporting the acquisition of equipment.

The MBIP aimed to support 132 businesses, generate over £3.5 million in private sector investment, create 128 jobs and refurbish or construct 34 commercial buildings.

The programme retained its consistency with a range of policies and strategies at the national and sub-national levels that were applicable at the time of its inception, including the Industrial Strategy and the updated Marches Strategic Economic Plan (SEP). It also retained its consistency with the changing policy and strategy environment. For example, it was consistent with the current Build Back Better Strategy. This consistency resulted from the programme's focus on supporting business growth, providing access to finance and supporting premises improvements.

The main economic issues of relevance to the MBIP were:

- growth in employment above the national rate and West Midlands rates;
- relatively low unemployment; and
- Gross Value Added (GVA) declining at a lower rate than the national and regional rates during the Covid crisis.

The rationale for intervention with regard to the MBIP was largely related to risk, with businesses being unwilling to invest in premises or equipment with there being no certainty of resulting turnover increases. Intervention through initiatives such as the MBIP reduce this risk by contributing to the financial outlay.

Programme progress

The programme was funded by ERDF, the three local authorities in the Marches, the Marches Local Enterprise Partnership (LEP) as well as through beneficiary contributions. At programme closure ERDF is expected to have provided 51.7% of the overall total funding of £7,517,671.

The programme is expected to achieve most of its overall targets for more developed and transitional areas combined by programme closure.

Table ES1 provides summary details of spend and output performance.

Table ES1: Spend and output performance				
Indicator	Target	Projected performance at programme closure		Overall assessment
		Number	% of target	
ERDF expenditure	£3,899,140	£3,887,142	99.7%	Very slight underspend expected
C1: Number of enterprises receiving support	132	137	103.8%	Slight overachievement expected
C2: Number of enterprises receiving grants	132	137	103.8%	Slight overachievement expected
C5: Number of new enterprises supported	5	5	100.0%	Expected to be achieved
C6: Private investment matching public support	£3,604,491	£3,596,204	99.8%	Very slight underspend expected
C8: Employment increase in supported enterprises	145	259	178.6%	Overachievement expected
C29: Number of enterprises supported to introduce new to the firm products	29	67	231.0%	Overachievement expected
P2: Commercial buildings built or renovated	34	27	79.4%	Underachievement expected
P12: Commercial buildings built or renovated	15,096 sqm	19,870 sqm	131.6%	Overachievement expected

Management and delivery

The programme was well managed, with a small but strong team in place to ensure that it was delivered smoothly, despite the challenges posed by the Covid crisis and the current economic uncertainty. The programme team was supported by a dedicated Steering Group.

The main strengths of the project, as identified through consultations, included the continuity of individuals on the Steering Group from the previous programme, the balance between public and private membership on the Steering Group, communication from the programme team, the ability to include new builds in the programme and the ability to provide SEG funding based on new products rather than job creation. From the beneficiary perspective, strengths included the flexibility of the programme during the Covid crisis and communication from the programme team.

Areas for consideration identified during the consultations included the need for less focus on job creation for the building grants and the need to support locally important sectors such as agriculture in the post-ERDF economy. The administrative requirements were the main concern among beneficiaries.

Outcomes and impacts

The MBIP has had positive impacts in terms of employment and GVA, with these impacts expected to become stronger over the next few years. Table ES2 sets out the employment and GVA benefits associated with the programme.

Table ES2: Summary of employment and GVA benefits		
To project close	Gross	Net additional
Jobs created	259	170
GVA	£5,084,898	£3,631,388
To 2028	Gross	Net additional
Jobs created	463	304
GVA	£49,036,404	£35,019,430

The programme also delivered a range of other benefits including:

- addressing premises-related and equipment-related barriers to growth;
- increased production;
- increased exports; and
- environmental benefits such as less energy used and less waste produced.

Value for money

The MBIP had processes and procedures in place to ensure that it was delivered in an economical manner, such as through thorough and robust application review procedures and requirements for procurement processes which were compliant with ERDF regulations. The programme has also been successful in terms of meeting its own objectives.

By programme closure, the MBIP is expected to have an ERDF cost per business assisted of £28,373, an ERDF cost per gross job of £15,008, an ERDF cost per net additional job (allowing for leakage, deadweight, displacement and multipliers) of £22,866 and a return on investment of 0.9:1.

The long-term value for money of the programme will be substantially greater. By 2028 the ERDF cost per gross job is forecast to fall to £8,396, the ERDF cost per net additional job is forecast to fall to £12,787 and the return on investment is forecast to increase to 9.0:1.

Lessons and recommendations

A number of lessons and recommendations have been identified for future support initiatives. Elements of good practice which should be continued on future initiatives include:

- as far as possible, to maintain the same Steering Group on any future programme to enable the experience and expertise gained to be carried forward;

- to ensure that the balance between the public and private sectors on any future Steering Group is maintained;
- to continue with the same overall programme management approach as this has been successful on a number of programmes;
- to ensure that decisions on applications on any future programme continue to be made quickly;
- to continue to allow applications at any time, rather than through calls for projects;
- to continue to provide support for new builds as well as improvements to existing premises;
- to continue with smaller equipment grants as many small businesses find it difficult to access finance and the provision of funding acts as a catalyst for investment; and
- to ensure that the level of detail required in applications for smaller grants continues to reflect the lower amounts requested.

Potential areas for consideration include:

- to have less focus on job creation for the building grants as unemployment in the Marches is relatively low and transport-related issues in rural areas can make finding new staff very challenging for businesses;
- to reduce the amount of administration and paperwork required from businesses on any post-ERDF programme; and
- to provide support to locally important sectors such as agriculture on any post-ERDF programme.