

Government and Public Sector

# Department for Business, Enterprise & Regulatory Reform

Impact of RDA spending –  
National report – Volume 1 – Main Report

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# Executive summary

## Terms of reference

In December 2007, PricewaterhouseCoopers LLP (PwC) was appointed by the Department for Business, Enterprise and Regulatory Reform (BERR), in its sponsorship role for the RDAs, and the RDAs themselves:

- to provide an independent assessment of the impact of the spending by each of the nine RDAs and the RDA network as a whole; and
- to assess RDAs' achievements against the objectives of both their Regional Economic Strategies (RESs) and their Corporate Plans (all of which have changed over time) and each specific programme and project.

## Purpose and strategy of the RDAs

Each RDA originally had five statutory purposes<sup>1</sup>:

- to further the economic development and regeneration of its area;
- to promote business efficiency, investment and competitiveness in its area;
- to promote employment in its area;
- to enhance development and application of skills relevant to employment in its area; and
- to contribute to achievement of sustainable development in the United Kingdom where it is relevant to its area to do so.

To meet their purposes, RDAs have funded and, in many cases, delivered programmes and projects to:

- enhance business development and competitiveness;
- promote regeneration through physical infrastructure; and
- support people and skills.

They have also delivered other interventions that span more than one of these categories, for example the Single Regeneration Budget (SRB), as well as up to ten national programmes which they have delivered within parameters determined by central government departments<sup>2</sup>.

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<sup>1</sup> Subsequently, as a result of the London Olympic Games and Paralympic Games Act 2006, all RDAs have an additional statutory purpose of preparing for the London Olympics in 2012, although this has not been the focus of this report.

<sup>2</sup> Ten national programmes have been defined: the Coalfields Programme; the Regional Innovation Fund; the Manufacturing Advisory Service; Regional Tourist Board Support; the Rural Development Programme for England and Sustainable Food and Farming; Market Town Initiative; Business Link; Regional Selective Assistance/Selective Finance for Investment; Grant for Research & Development; and Phoenix Fund.

Besides the direct and indirect impacts associated with their project and programme spending, RDAs were also given the remit to play an important strategic role within their regions:

- by exhibiting leadership so that national, regional and local institutions could be harnessed to exploit the indigenous strengths and tackle the particular weaknesses of each area; and
- by providing the environment for businesses and communities to maximise their potential through reforms that strengthen the key drivers of productivity and growth at the most appropriate spatial level.

Reflecting this role, the delivery of Strategic Added Value (SAV) is seen as an important further element of the impact of the RDAs' activities<sup>3</sup>.

## RDAs' expenditure

Between 1999/2000 and 2006/07, the RDAs have collectively spent around £15.1 billion, and their total annual expenditure (net of receipts) has increased from £825m in 2000/01 to £2.3 billion in 2006/07, reflecting the significant extensions of their responsibilities. In the period of the Single Programme<sup>4</sup> (from 2002/03 up to and including 2006/07), the RDAs spent about £11.2 bn. Of this expenditure, 32% is spent on regeneration through physical infrastructure, 17% on business development and competitiveness and 8% on activities related to people and skills. Around 17% of expenditure has been spent through the SRB, which the RDAs inherited but which has declined over time as their new responsibilities have increased. In addition, RDAs spent £1.3 bn on ten national programmes delivered on behalf of central government departments.

Although this report draws on evaluations which cover RDAs' spending over the whole period since their establishment in 1999, its focus is on understanding the impact of their spending on interventions in the period of the Single Programme between 2002/03 to 2006/07. Thus, it focuses less on those programmes and projects which RDAs inherited from their predecessors, including the ten national programmes where the RDAs have been responsible for delivery within parameters determined by central government departments<sup>5</sup>, and projects where it may be too early to expect to assess the impact, for example some of the spending to prepare for the London Olympics in 2012.

## Performance management of the RDAs

The RDAs have operated under three different performance management frameworks since their establishment in 1999, the latest of which is the Tasking Framework. This came into effect from April 2005 and was developed to ensure that the RDAs' performance was more closely aligned to the Government's high-level PSA Targets as well as the priorities identified in the RESs. Table 1 summarises RDAs' performance against the targets for gross attributable outputs set for them by the (then) Department of Trade & Industry (DTI), now BERR, which have been relevant in the period from 2002/03 to 2006/07. For all of the measures, RDAs collectively have exceeded their targets, particularly for businesses created and people assisted in skills development. Overall, individual RDAs have achieved their annual targets for each of the outputs on over 90% of occasions, although the target for each output has been missed on at least one occasion by one of the RDAs.

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<sup>3</sup> Strategic Added Value reflects the ability of RDAs to influence their partners' and stakeholders' behaviour and performance other than through their programme and project spend. It may take several forms, for example communicating economic development needs, opportunities and solutions to stakeholders, affecting the behaviour and allocation of funds and/or activities by stakeholders, securing funds to contribute to the objectives of the RES, improving coordination of stakeholders for a more effective policy response, and establishing mechanisms to involve stakeholders in the design and delivery of activities.

<sup>4</sup> The RDAs are financed through a Single Programme Budget, a fund which pools money from all the contributing Government Departments (BERR, CLG, DIUS, DEFRA, DCMS and UKTI). BERR is the sponsor department.

<sup>5</sup> Primary responsibility for the evaluation of these national programmes rests with central government departments.

**Table 1: Comparison of RDAs' performance against targets (2002/03-2006/07)**

	Jobs created/ safeguarded	Businesses created	Brownfield land (ha)	People assisted in skills development	Funding levered (£m)
Targets set by DTI/BERR	381,041	39,852	4,781	757,584	3,970
Achieved RDA gross outputs reported to DTI/BERR	502,174	56,785	5,657	1,270,406	5,711
Number of times when targets met by RDAs	42 out of 45	42 out of 45	43 out of 45	44 out of 45	34 out of 36 <sup>6</sup>

Source: BERR and PwC analysis

All the RDAs (except the London Development Agency) were subject to the National Audit Office's (NAO) Independent Performance Assessment (IPA) in 2007. This assessed how well they had responded to the common challenges facing them, namely balancing the interests of the region with national policy requirements, managing the conflicting demands of different regional stakeholders, looking outwards to promote the region while staying focused on what is happening inside, and responding to new duties imposed by central government. The NAO's assessment sheds further light on how well the Agencies have been able to fulfil their roles in both delivering programmes and projects and, more widely, generating SAV. Overall, six RDAs were seen as 'performing strongly' and two were seen as 'performing well'.

## Approach

Our framework for assessing the impact of RDAs' spending reflected the key requirements of the Impact Evaluation Framework (IEF)<sup>7</sup>. It involved five steps:

- understand the purpose of RDAs' interventions by reviewing their context, rationale and objectives;
- map RDAs' spending on each intervention, identify the resulting gross outputs, for example the number of jobs created and the area of brownfield land remediated and/or redeveloped, and assess the extent to which the outputs are additional (i.e. net outputs which would not otherwise have arisen);
- determine the outcomes and impacts associated with the net outputs, for example the number of people in employment and the additional gross value added (GVA);
- assess the value for money of the interventions; and
- draw together the key conclusions.

Table 2 summarises the evaluation evidence which we were able to draw upon broken down between business, place, people and other/hybrid<sup>8</sup> spending. A full list of the evaluations used for this report is included at Annex A and our associated impact analysis for each RDA is included separately in Volume 2 to this Main Report.

<sup>6</sup> Data for funding levered targets and outputs were not available for 2002/03.

<sup>7</sup> Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, DTI Occasional Paper No. 2, February 2006, <http://www.berr.gov.uk/files/file21900.pdf>

<sup>8</sup> Other/hybrid includes RDA expenditure on projects and programmes which either span the main themes or which do not fit within any of the main themes.

**Table 2: Analysis of relevant spend covered by IEF compliant evaluations (2002/03-2006/07)**

	Total	
	Number of evaluations	Expenditure covered by evaluations (£m)
Business	110	1,155.6
Place	82	1,947.7
People	58	408.8
Other/hybrid	12	494.3
Single Regeneration Budget	9	1,928.4
<b>Total (excluding national programmes)</b>	<b>271</b>	<b>5,934.8</b>

Source: PwC analysis based on data provided by the RDAs

Many of the evaluations we have reviewed estimate the impact of RDAs' spending in terms of GVA in a manner which is consistent with the requirements of the IEF. The basis of these estimates is, however, often inconsistent across interventions. For example, the scope of the estimated impacts on GVA differs, the time period covered by the estimates of impacts on GVA varies, and the treatment of future potential benefits is inconsistent.

To address these inconsistencies, in this National Report we have estimated the potential impact of RDAs' spending on GVA on a consistent basis focusing on the impact arising from jobs created and safeguarded because this is the most frequently estimated (net) output measure across the RDAs' interventions. We recognise, however, that this approach will generate only a partial measure of the impact of RDAs' spending since it will not capture all of the potential impacts on GVA. For example, it will not capture the impact on productivity if firms become more efficient and competitive or individuals' earnings potential is enhanced. In addition, most evaluations have not sought to place a monetary value on the social and environmental impacts of RDAs' spending, and these will also be excluded as will the SAV associated with RDAs' activities.

We have generated three different estimates of the impact on GVA using a set of consistent assumptions regarding the key parameters which determine the profile of the potential benefits (see Annex B for further details):

- the **annual achieved GVA** which is estimated as an annual flow of benefits based on the number of net additional jobs already created and safeguarded multiplied by the regional average GVA per job;
- the **cumulative achieved GVA** which is the estimated net present value (NPV) of the flow of benefits over time implied by our assumptions: again, the benefits are based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job; and
- the **total achieved and future potential GVA** which differs from the cumulative achieved GVA in that it also includes the estimated NPV of the flow of benefits expected to accrue from the future potential jobs which are expected to result from the RDAs' interventions.

These estimates of the impact on GVA will differ from those provided in the original evaluations, summarised for each RDA in Volume 2 to this Report, where a range of different assumptions were made with respect to the parameters determining the benefits profile.

Although we have generated more consistent estimates of the impact of RDAs' spending on GVA, significant differences remain between RDAs in terms of their evaluation evidence, for example the volume of spend covered and its pattern. This means that it is difficult to make meaningful comparisons of the impact on GVA between RDAs, especially at the aggregate level.

## Key findings

In developing our key findings, we have considered three questions:

- What has been the impact of RDAs' spending both at the project and programme level and overall?
- What does the available evidence suggest has been the value for money of RDAs' interventions?
- How has each RDA performed against its relevant objectives both at the project and programme level and, overall, in relation to its Corporate Plans and the RESs?

## Impact

Many of the RDAs' evaluations covered in this report have estimated net outputs of their diverse activities from the gross outputs recorded by RDAs' project management systems. A distinction is made between the main gross and net outputs already achieved (in Table 3) and those which are future potential outputs (Table 4).

In relation to the achieved outputs, the key points are that RDAs' spending covered by IEF compliant evaluation evidence has:

- created and safeguarded nearly 213,000 net jobs;
- assisted over 35,000 net businesses;
- helped to create over 8,500 net businesses;
- assisted over 403,000 people (net) in skills development; and
- remediated over 570 hectares (net) of brownfield land.

On average, the extent to which the outputs would not have arisen without the RDAs' intervention, the level of additionality, ranges across the different types of output from business assists (39%) to land remediation (71%). This reflects differences in the rationales and objectives of the interventions, and there is a considerable variation between projects and programmes. Nonetheless, the overall levels of additionality are broadly similar to those of other evaluations of similar activities<sup>9</sup>.

**Table 3: Summary of RDAs' achieved outputs and additionality (2002/03-2006/07)**

Theme/output	Number of evaluations <sup>10</sup>	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	177	5,189.1	471,869	212,873	45
People assisted into employment	23	231.0	59,119	30,375	51
Skills assists	46	2,553.8	716,389	403,535	56
Businesses created	63	3,359.1	17,924	8,519	48
Businesses assisted	30	563.9	90,564	35,017	39
Land remediated	28	1,360.5	810.4	572.2	71

Source: PwC analysis based on RDA evidence

Although a large proportion of outputs have already been achieved, some net outputs – particularly land remediation and jobs (23% and 10% respectively of the total achieved and future potential) - are potentially to be achieved in the future as indicated in Table 4, predominantly through physical regeneration schemes and largely reflecting the prevalence of interim evaluations within the evidence base. It should be noted that all of the future potential outputs are inherently uncertain and should, as such, be treated with caution.

<sup>9</sup> See, for example, English Partnerships' Additionality Guide, Third Edition, 2008.

<sup>10</sup> Some evaluations have assessed more than one output and are, therefore, counted more than once in the table.

**Table 4: Summary of RDAs' future potential outputs and additionality (2002/03-2006/07)**

Theme/output	Number of evaluations <sup>11</sup>	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	24	1,040.8	51,449	23,371	45
People assisted into employment	-	-	-	-	-
Skills assists	-	-	-	-	-
Businesses created	3	307.4	56	28	50
Businesses assisted	-	-	-	-	-
Land remediated	8	589.3	262.4	167.9	64

Source: PwC analysis based on RDA evidence

#### Estimates of impact on GVA and value for money

Because of inconsistencies in the methods used by the different evaluations to estimate the additional GVA generated by RDAs' programmes and projects, we have re-estimated the impact on GVA using a consistent set of assumptions (see Annex B for further details).

Our aim has been to produce value for money measures which compare the total benefit of a project against its total cost. Many of the evaluations are, however, interim where all the benefits have not yet accrued. To give a fair and robust description of RDA impact, we have generated three different estimates of GVA.

Two estimates, the annual achieved GVA and the cumulative achieved GVA estimate, quantify the value of the net additional jobs currently identified. The annual achieved GVA gives the value that these extra jobs will generate over a year. In most cases, however, these jobs can be expected to persist for more than a year. The cumulative achieved GVA gives an estimate of the total present value of the extra jobs over the period that these jobs are expected to persist based on our assumptions (detailed in Annex B).

In addition to the two estimates of achieved GVA, we have also estimated the future potential GVA. This is the value of the additional jobs that are expected to be generated at some point in the future. By their nature, it is not possible to directly identify these jobs; we have relied on the results of the evaluations. The achieved and potential impact on GVA are combined to produce the total achieved and future potential GVA estimate, which is the estimate of the total benefit expected from the programmes and projects.

Each of these measures are compared to the total cost of the project to produce the benefit-cost ratios. The ratio of annual achieved GVA to cost will typically underestimate the impact of a programme, as the ratio compares the benefits generated in one year against the total cost of what is often a multi-year project. The ratios of cumulative achieved and total achieved and future potential GVA against total cost gives a more balanced measure of value for money. These measures, however, are necessarily based more on judgments made by the PwC.

It should also be noted that not all of the evaluations include an assessment of future potential jobs. The aggregate future potential GVA levels cannot, therefore, be directly compared to the achieved GVA estimates.

<sup>11</sup> Some evaluations have assessed more than one output and are, therefore, counted more than once in the table.

The estimated impact on GVA arising from the jobs created and safeguarded by RDAs' spending is summarised in Table 5. It shows that evaluations covering RDAs' spend of £5.2bn have been used to estimate the impact on GVA based on the number of net jobs created and safeguarded. In total, this expenditure is estimated to have already generated additional jobs which will add £8.1bn to regional GVA. Once allowance is made for the build up and likely persistence of this impact, the estimated impact on GVA rises to £23.2bn. A significant proportion of the evaluations, especially those involving physical regeneration were undertaken at a relatively early stage in the project's lifecycle, before the full employment effects had been realised. When future potential jobs are also included, the estimated impact is larger at £27.8bn (based on a smaller spend covered by evaluations with the relevant information to enable the future potential to be estimated).

**Table 5: Summary of impact of RDAs' spending on GVA by intervention theme (2002/03-2006/07)**

Theme	Expenditure covered by evaluations (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>12</sup>	Achieved & future potential GVA (cumulative NPV, £m)
Business	1,053.0	2,934.7	7,690.4	746.1	8,621.7
Place	1,558.4	1,021.9	5,167.4	1,098.8	8,807.7
People	290.1	268.8	725.9	290.1	730.6
SRB	1,928.4	3,573.1	8,754.2	1,928.4	8,754.2
Other	359.2	340.8	835.3	280.2	894.7
<b>Total</b>	<b>5,189.1</b>	<b>8,139.3</b>	<b>23,173.2</b>	<b>4,343.6</b>	<b>27,809.9</b>

Source: PwC analysis based on RDA evidence

In addition to the GVA outcomes which result from the creation and safeguarding of jobs, a range of other outcomes have been noted across the evaluations we have reviewed. These impacts include:

- the positive impact on business productivity, by improving efficiency and competitiveness; and
- the enhanced earnings potential of individuals helped to increase their skills and their access to the labour market.

This means that our estimates will tend to understate the regional impact on GVA of RDAs' spending. Moreover, since most evaluations have not sought to place a monetary value on all of the social and environmental impacts of RDAs' spending, this will also mean that our GVA estimates underestimate the economic impact of RDAs' spending.

Finally, the estimated impact on GVA does not include the effects of RDAs' strategic role and wider influence over other regional and national stakeholders (SAV) which is a key element of each RDA's impact. The evidence from both the evaluations and more widely, for example the NAO's IPA, shows how RDAs have worked to generate SAV. The box below provides some illustrations of the different ways in which RDAs have delivered SAV: further details can be found in both the Main Report and the Regional Annexes.

#### **RDAs' Strategic Added Value**

Besides the impact of their project and programme spend, RDAs also influence their partners' and stakeholders' behaviour and performance in other ways. The following examples, drawn from the

<sup>12</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

evaluations and information provided by the RDAs, illustrate these activities:

- in response to the collapse of MG Rover, AWM acted as a leader and catalyst for the response, articulating and communicating regional development needs, opportunities and solutions to partners and stakeholders in the West Midlands and elsewhere, thus helping to reduce the region's dependence on the business and reduce the negative economic impact of the closure;
- both EEDA and LDA have taken the lead in developing innovative initiatives to promote more sustainable development of energy, often based around the establishment of new partnerships;
- several RDAs, including EEDA and NWDA, have worked closely with partners, including the Higher Education Funding Council for England (HEFCE), to develop the higher education system in parts of their region to improve the supply of high level skills by influencing the allocation of funds;
- SEEDA, NWDA and EMDA have all developed regeneration programmes which have brought together key local stakeholders;
- both ONE and EMDA have developed innovative partnerships with the private sector to leverage resources and support to enhance the impact of their investments in regeneration projects;
- SWRDA and YF were both able to exploit their organisational capacity, knowledge and expertise to ensure a rapid and effective response to the difficulties facing businesses as a result of the flooding which affected parts of their regions in 2007; and
- all of the RDAs have responded to the Government's call for them to set up Regional Skills Partnerships and engage effectively with stakeholders in the design and delivery of regional and sub-regional programmes to maximise the contribution that skills can make to enhancing productivity.

### Value for money

Table 6 considers the value for money of the RDAs' interventions from two perspectives:

- the ratio of GVA to cost as an indicator of the benefit:cost ratio; and
- measures of cost per unit of net output using a range of measures where these are available.

The GVA to cost ratios shown in Table 6 indicate that:

- there is credible evidence that all RDAs have generated regional economic benefits, especially if account is taken of the potential persistence of the projected benefits. Across all interventions the annual impact on GVA resulting from jobs which have already been created or safeguarded is broadly equal to the cost, but if allowance is made for the expected persistence of these benefits, then every £1 of RDA spend will add £4.50 to regional GVA;
- these average figures do, however, mask significant variations between interventions sub-themes as well as individual programmes and projects;
- some projects and programmes have already achieved regional benefits in excess of costs based on their annual flow of benefits, notably in the area of business support; and
- there are also some projects and programmes which have not yet achieved regional benefits in excess of their costs, although in most cases they have the potential to do so. This is especially true of many physical regeneration projects/programmes where much of the evidence comes from interim evaluations, although there are inherent uncertainties around the scale of these future benefits.

There is less scope for comparison of the costs per net unit of output because few output measures are equally relevant across interventions. Table 6 shows that the cost per job is lowest across business development interventions and highest for physical regeneration interventions.

**Table 6: Summary of the RDAs' value for money (2002/03-2006/07)**

Theme	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost	Achieved cost per net job (£)	Achieved cost per net business assist (£)	Achieved cost per net skills assist (£)
Business	2.8	7.3	11.6	14,221	9,705	N/R
Place	0.7	3.3	8.0	63,271	N/R	N/R
People	0.9	2.5	2.5	43,302	N/R	1,960
SRB	1.9	4.5	4.5	N/R	N/R	N/R
Other	0.9	2.3	3.2	41,775	30,891	9,450
<b>Total</b>	<b>1.6</b>	<b>4.5</b>	<b>6.4</b>	N/R	N/R	N/R

N/R: Not relevant

Source: PwC analysis based on RDA evaluation evidence

### Performance against objectives

Besides assessing the impact and value for money of RDAs' spending on programmes and projects, we have also assessed performance against objectives at the programme and project level and, overall, against their RESs. In doing this, we recognise that the objectives of RDAs' interventions are often diverse and cover varying timescales.

Table 7 summarises the evidence of RDAs' performance against the objectives for each of the individual programme and project interventions based on the evaluations used to underpin this report. The key points to emerge are that:

- 33% of evaluations, covering 43% of evaluated spend, did not provide an assessment of performance against objectives: this reflects the interim nature of many evaluations - over half of the evaluations covering physical regeneration had not assessed performance - and difficulties associated with a lack of specific and measurable objectives;
- of those programmes and projects where performance against objectives had been assessed, around 20% (by number and spend) had either exceeded or (fully) met their objectives whilst a further 28% by number (and 21% by spend) had largely met their objectives; and
- proportionately more interventions focused on people had exceeded or fully met their objectives than other types of interventions.

**Table 7: Assessment of performance against objectives across evaluations (2002/03-2006/07)**

	Exceeded	Met	Largely met	Mixed	Limited performance	Not assessed	Total
<b>Total</b>							
Evaluations (%)	7	6	19	25	10	33	<b>100</b>
Expenditure covered by evaluations (%)	7	5	12	17	17	43	<b>100</b>

Source: PwC analysis based on RDA evaluation evidence

Comparing RDAs' performance against their RESs, the direct economic impact of RDAs' programme and project spend in terms of additional GVA arising from jobs created and safeguarded is modest relative to the size of their regional economies. In itself, this is not surprising since the resources under their direct

control have been limited relative to the other public resources flowing to the regions<sup>13</sup>. Moreover, such an assessment overlooks the wider economic impacts of RDAs' activities which are not captured in the estimated impact on GVA. These include the social and environmental impacts and effects of RDAs' strategic role and wider influence other regional and national stakeholders (SAV), neither of which has been valued as part of this analysis.

## Conclusion

In summary, there is credible evidence that all RDAs have generated regional economic benefits which exceed their costs. This is especially so if account is taken of the potential persistence of the benefits and of future potential benefits, although there are inherent uncertainties in these estimates. Overall levels of additionality are broadly similar to those of other evaluations of similar activities.

The picture, however, is varied. On the one hand, some projects and programmes have already achieved regional benefits in excess of costs, notably in the area of business support. On the other hand, some interventions have not yet achieved regional economic benefits in excess of their costs, although the majority of them have the potential to do so if the expected benefits arise. This is especially true of many physical regeneration projects/programmes where the investments are expected to deliver longer term benefits.

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<sup>13</sup> Over the period from 2002/03 to 2006/07 RDAs' total spending (including administrative costs and expenditure on national programmes) accounted for less than 1% of total identified public expenditure in England by central and local government.

# Introduction

## Background

Nine English Regional Development Agencies (RDAs) were established under the Regional Development Agencies Act 1998 and formally launched in eight English regions on 1 April 1999. The ninth, in London, was established in July 2000 following the establishment of the Greater London Authority (GLA).

Each Agency originally had five statutory purposes:

- to further the economic development and regeneration of its area;
- to promote business efficiency, investment and competitiveness in its area;
- to promote employment in its area;
- to enhance development and application of skills relevant to employment in its area; and
- to contribute to achievement of sustainable development in the United Kingdom where it is relevant to its area to do so.

Subsequently, as a result of the London Olympic Games and Paralympic Games Act 2006, all RDAs have an additional statutory purpose of preparing for the London Olympics in 2012, although this has not been the focus of this report.

Since their establishment, the RDAs have prepared a series of Regional Economic Strategies (RESs) or, in the case of London, the Mayor's Economic Development Strategies (EDSs). These have been developed jointly with their partner organisations from all sectors and provide a shared vision for the development of each region's economy, to improve economic performance and enhance the region's competitiveness, and identify measures that will improve economic performance. Each RDA's Corporate Plan sets out how the RDA will allocate its budget to meet the objectives set for the Agency by the RES.

Currently, the RDAs have an annual budget of £2.3bn and have spent around £15.5bn in the period since their inception. As yet, however, there has been no comprehensive assessment of the impact of this spending. An earlier review in 2006<sup>14</sup> found only limited evidence which was of a quality consistent with the requirements of HM Treasury's Green Book and, subsequently, defined in the Impact Evaluation Framework (IEF)<sup>15</sup>. This led to all RDAs being asked to develop and implement their own 3-year rolling programmes of evaluation to measure the impact of their spending with the aim of ensuring that RDAs, both individually and collectively, can evaluate the impact of their spending by the end of 2008.

## Terms of reference

In December 2007, PricewaterhouseCoopers LLP (PwC) was appointed by the Department for Business, Enterprise and Regulatory Reform (BERR), in its sponsorship role for the RDAs, and the RDAs

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<sup>14</sup> England's Regional Development Agencies: CSR07 RDA Impact Report, October 2006.

<sup>15</sup> The IEF was commissioned by the Department of Trade & Industry in partnership with the RDAs: "DTI Occasional Paper No 2 – Evaluating the impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework" (February 2006) – available at <http://www.berr.gov.uk/files/file21900.pdf>.

themselves to provide an independent assessment of the impact of the spending by each of the nine RDAs and the RDA network as a whole.

The primary purpose of this report is to summarise the available evidence of the impact of spending by RDAs, drawing on those evaluations commissioned since the last review which comply with the standards set out in the IEF as well as any other earlier evidence which is consistent with the IEF principles. The secondary purpose is to assess RDAs' achievements against the objectives of both the RESs (and EDSs) and their Corporate Plans (all of which have changed over time) and for each specific programme and project.

## Report structure

This report is divided into the following sections:

- Section 2 provides the **context** by explaining the rationale for the creation of the RDAs, describing their roles and responsibilities, their funding and spending and their performance management arrangements;
- Section 3 summarises our **approach** to the assessment of the impact of RDAs' spending;
- Section 4 draws together the **key findings** of our analysis;
- Section 5 summarises the evidence of impact across the RDAs as a result of their interventions linked to **business development and competitiveness**;
- Section 6 summarises the evidence of impact across the RDAs as a result of their interventions linked to regeneration through **physical infrastructure**;
- Section 7 summarises the evidence of impact across the RDAs as a result of their interventions linked to **people and skills**;
- Section 8 summarises the evidence of the RDAs' impact as a result of their **Single Regeneration Budget** activities;
- Section 9 summarises the evidence of the RDAs' impact as a result of their **other activities**, including those which span more than one of the categories; and
- Section 10 summarises the evidence of impact of RDAs' spending on **national programmes** for which they have been responsible for delivery.

In addition to the main body of the report, eight annexes provide:

- a list of evaluations that have been used to inform the report – Annex A;
- the methodology for estimating impact on Gross Value Added (GVA) – Annex B;
- further details of the evaluation evidence linked to business development and competitiveness interventions – Annex C;
- further details of the evaluation evidence linked to regeneration through physical infrastructure interventions – Annex D;
- further details of the evaluation evidence linked to people and skills interventions – Annex E;
- a glossary of terms – Annex F;
- a glossary of acronyms – Annex G; and
- a list of references – Annex H.

A separate volume (Volume 2) contains a summary of the evidence for each of the nine RDAs.

In addition, two separate documents provide a summary of:

- the approach taken and methodology implemented by PwC ('Technical Summary'); and
- the lessons learned and examples of evaluation best practice identified as a result of the project ('Lessons Learned').

# Context

## Introduction

This section provides the context for our assessment of the impact of RDAs' spending. It starts by explaining the rationale for the creation of the RDAs and describes their roles and responsibilities, including their strategic role working with other partners to promote the economic development of their regions. It then summarises how RDAs have been funded since their creation and how they have allocated their resources. Finally, it outlines the accountability and performance management frameworks of the RDAs which have shaped their activities since their creation and which summarises their performance.

## Rationale for the RDAs

The rationale underpinning the establishment of the RDAs was that account needed to be taken of variations in regional and sub-regional economies when developing and delivering some aspects of economic policy. In particular, the RDAs were created to enable market failures and other impediments to better economic performance to be tackled at the appropriate spatial level.

The justification for the creation of the RDAs in 1999 reflected economic conditions across England. There were substantial, persistent variations in economic performance between regions (which were reflected in differences in GVA per capita) which pointed to serious, endemic market failures and suggested that opportunities for substantial economic gains were not being realised in some parts of the country. For example, the North East had a GVA per capita in 1999 around 40% below that of London. Moreover, there were also significant variations in economic performance within the English regions which indicated that every region in England could improve its economic and social conditions by tackling these intra-regional disparities in performance, for example between urban and rural areas.

Two principal causes of both inter- and intra-regional disparities in economic and social performance were identified:

- low productivity (the output each worker produces) which was driven by skills, investment, innovation, enterprise and competition; and
- low employment levels (the number of people who are working) which depended on demographics, participation rates and unemployment rates.

Analysis suggested that “on average, productivity differentials accounted for around 60% of regional GDP per capita differentials”<sup>16</sup>, while employment factors tended to be more important in the northern regions.

Although some grounds were seen for potential convergence of regional (and sub-regional) economic performance (through new technologies and reduced transport and communication costs), the extent to which this would happen without public sector intervention depended on the speed at which ‘lagging’ regions adopted new technologies. This, in turn, was linked to the extent to which market failures on the supply side were adequately tackled. Furthermore, there was concern that the demand side factors

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<sup>16</sup> HMT/DTI (2001), Productivity in the UK – 3) The Regional Dimension - <http://www.hmtreasury.gov.uk/d/ACF1FBD.pdf>

might not be sufficient to induce rapid innovation and improvements in the other productivity drivers or to prompt enhancement of employment.

Consequently, effective and efficient public sector intervention was required to address all the drivers of economic performance in a co-ordinated way, taking account of different conditions within each region and locality. It was argued that such interventions needed to build on regional and sub-regional strengths and be coordinated and market based.

HM Treasury and DTI believed that “effectively tackling these market failures will increase overall UK growth and lead to convergence in productivity and employment levels between regions”<sup>17</sup>.

**Role and responsibilities of RDAs**

The five initial statutory purposes of the RDAs were:

- to further the economic development and the regeneration of their area;
- to promote business efficiency, investment and competitiveness in their area;
- to promote employment in their area;
- to enhance the development and application of skills relevant to employment in their area; and
- to contribute to the achievement of sustainable development in the United Kingdom where it is relevant to do so.

The RDAs initially took on responsibilities previously carried out by central government departments, Government sponsored bodies and Government Offices. These included administration of the Single Regeneration Budget, the regeneration functions of the Rural Development Commission and English Partnerships, regional coordination of inward investment and the reclamation of sites for development. Many of these responsibilities came with inherited programmes which took some years to wind down. As a result, the RDAs initially had limited flexibility to switch their funding between activities.

Subsequently, the roles and responsibilities of the RDAs have increased significantly (see Table 8). For example, in 2002, they were given a new role for manufacturing and in 2005 began managing some Business Links, initially on a pilot basis. More recently, as a result of the London Olympic Games and Paralympic Games Act 2006, all RDAs have an additional statutory purpose of preparing for the London Olympics in 2012.

**Table 8: RDAs’ additional responsibilities by year**

2000	2002	2003	2004	2005	2006
Market Towns Initiative	Manufacturing Advisory Service	Regional Tourism Boards	Selective Finance for Investment	Business Link BREW	Olympic Games preparation
Farm Action Plan		Regional Skills Partnerships	Broadband Aggregation Programme	(Business Research, Efficiency and Waste) support programme	Structural Funds
			Statutory consultee on planning decisions	Modernising Rural Delivery Grant for R&D	
			Rural Strategy		
			Sustainable Farming and Food Strategy (regional implementation)		

Source: PwC analysis

<sup>17</sup> HMT/DTI (2001), Productivity in the UK – 3) The Regional Dimension - <http://www.hmtreasury.gov.uk/d/ACF1FBD.pdf>

## Strategic Added Value

Two main principles have informed the role of the RDAs:

- to enable leadership so that national, regional and local institutions could be harnessed to exploit the indigenous strengths and tackle the particular weaknesses of each area; and
- to provide the environment for businesses and communities to maximise their potential through reforms that strengthen the key drivers of productivity and growth at the most appropriate spatial level.

Reflecting these principles, the delivery of Strategic Added Value (SAV) is seen as an important element of the impact of the RDAs' activities which complements the direct and indirect effects attributable to their spending on programmes and projects. In particular, it highlights the significance of RDAs' strategic role within their regions as a leader and catalyst:

- articulating and communicating regional development needs, opportunities and solutions to partners and stakeholders in the region and elsewhere;
- influencing partners so that they commit to shared strategic objectives and behave and allocate their funds accordingly;
- leveraging wider resources and support from partners, including central government departments and the private sector, by providing financial and other incentives;
- using their organisational capacity, knowledge and expertise to improve information exchange, knowledge transfer and co-ordination of the design and delivery of interventions between partners; and
- setting up mechanisms and incentives for more effective and deliberative engagement of stakeholders in the design and delivery of regional and sub-regional priorities and programmes.

Examples of RDAs' SAV are presented in later sections of this report.

## Funding and spending of the RDAs

Prior to 2002/03, each RDA's budget was derived by adding together the various regional funding streams for the programmes inherited from other bodies. From 2002/03, RDAs' budget flexibilities were increased with full flexibility given to how they deliver their targets, including limited ability to transfer money from one year to the next. The RDAs are currently financed through the Single Programme Budget which pools money from six contributing government departments - BERR, the Department for Communities & Local Government (CLG), the Department for Innovation, Universities & Skills (DIUS), the Department for Environment, Food & Rural Affairs (DEFRA), the Department for Culture, Media & Sports (DCMS) and UK Trade & Investment (UKTI).

As shown in Table 9, between 1999/2000 and 2006/07 the RDAs have collectively spent around £15.1 billion, and their total expenditure (net of receipts) has increased from £825m in 2000/01 to £2.3bn in 2006/07, reflecting the significant extensions of their responsibilities. In the period of the Single Programme (from 2002/03 onwards), the RDAs have spent 32% of their expenditure on regeneration through physical infrastructure, 17% on business development and competitiveness and 8% on activities related to people and skills. Around 17% has been spent through the Single Regeneration Budget, which the RDAs inherited but which has declined over time as their new responsibilities have increased. In addition, RDAs spent £1.3bn on ten national programmes delivered on behalf of central government departments.

**Table 9: Analysis of RDAs' spend by intervention category (1999/2000-2006/2007)**

RDA	Spend (£m, 2002/03-2006/07)							Total (£m, 1999/2000 -2006/07)
	Business	Place	People	SRB	Other/hybrid	National programmes	Total <sup>18</sup>	
AWM	305.7	321.1	61.0	218.0	322.7	147.1	1,503.6	1,841.4
EEDA	86.0	150.2	78.9	64.9	24.9	65.6	521.6	648.0
EMDA	101.1	221.7	20.6	95.4	118.1	122.2	857.8	1,124.4
LDA	164.4	992.8	65.7	507.8	169.6	82.7	2,116.0	2,857.8
NWDA	356.7	640.1	123.4	321.9	27.7	228.2	1,697.9	2,563.2
ONE	378.2	351.3	147.9	204.9	-	145.6	1,334.3	1,799.0
SEEDA	90.0	243.8	54.4	128.8	59.8	194.2	873.3	1,129.9
SWRDA	128.7	342.5	116.1	55.2	14.1	73.8	765.9	1,033.6
YF	272.3	335.7	221.2	331.5	10.5	302.4	1,564.0	2,113.4
<b>Total</b>	<b>1,883.1</b>	<b>3,599.2</b>	<b>889.2</b>	<b>1,928.4</b>	<b>747.4</b>	<b>1,361.8</b>	<b>11,234.4</b>	<b>15,110.7</b>

Source: PwC analysis based on data provided by the RDAs

The scale of RDAs' spending can be compared with total identified public expenditure attributed to each region, as summarised in Table 10.

**Table 10: Comparison of RDAs' spending with total identified public expenditure by region (2002/03-2006/07)**

	RDA spending (£m)	Local authority spending (£m)	Central government spending (£m)	Total identified public spending (£m)	RDA spending as % of total spending (%)
AWM	1,504	50,300	117,701	168,002	0.9
EEDA	522	46,451	106,156	152,607	0.3
EMDA	858	36,358	88,924	125,282	0.7
LDA	2,116	106,943	178,553	285,496	0.7
NWDA	1,698	68,432	168,568	237,004	0.7
ONE	1,334	26,721	65,191	91,912	1.5
SEEDA	873	68,394	158,383	226,777	0.4
SWRDA	766	42,162	106,834	148,997	0.5
YF	1,564	46,449	117,407	163,855	1.0
<b>Total</b>	<b>11,234</b>	<b>492,212</b>	<b>1,107,717</b>	<b>1,599,930</b>	<b>0.7</b>

Source: PwC analysis based on data provided by the RDAs and Public Expenditure Statistical Analyses 2008, HM Treasury

## Accountability

RDAs were established as business-led bodies with Board members appointed by Ministers to represent business, education, local government, trade unions and the voluntary sector.

<sup>18</sup> Total expenditure includes RDAs' spending on administration and various other items not reflected in the programme and project expenditure in the other columns.

With business-led Boards, accountability to Ministers and scrutiny by their Regional Assemblies, the RDAs have needed to strike a balance between flexibility and accountability. Accountability has been exercised in the relevant period through a number of mechanisms:

- RDA Boards test that their activities and policies are consistent with the needs of business and other stakeholders in the region and ensure opportunities for sustainable economic development are maximised.
- Regional Assemblies have a statutory role to scrutinise the role and effectiveness of RDAs in delivering the RESs and their Corporate Plans.
- RDAs are subject to a number of performance management and reporting requirements. Ministers, through the Tasking Framework and Public Service Agreement (PSA) targets (and previously through Government Offices), provide democratic oversight of the work of the RDAs whose Chairs and Chief Executives are personally accountable for the effective and efficient management of public money to Parliament (through BERR, their sponsor Department). From 2005 RDAs have been subject to an Independent Performance Assessment (IPA) process run by the National Audit Office which is based on the established Comprehensive Performance Assessment Framework for local government.
- The LDA is accountable to the Mayor and the London Assembly and is subject to a parallel process to the IPA undertaken by the Audit Commission.

Table 11 summarises the results of the NAO’s IPA for each RDA (excluding LDA). It shows how well each RDA has responded to the common challenges facing them, namely balancing the interests of the region with national policy requirements, managing the conflicting demands of different regional stakeholders, looking outwards to promote the region while staying focused on what is happening inside, and responding to new duties imposed by central government. This assessment sheds some light on how well the Agencies have been able to fulfil their role.

**Table 11: Summary of RDAs’ Independent Performance Assessment (2007)**

	Ambition	Prioritisation	Capacity	Performance management	Achievement	Overall
AWM	Performing strongly	Performing strongly	Performing well	Performing well	Performing well	Performing strongly
EEDA	Performing well	Performing adequately	Performing adequately	Performing adequately	Performing well	Performing well
EMDA	Performing strongly	Performing well	Performing well	Performing strongly	Performing strongly	Performing strongly
NWDA	Performing strongly	Performing strongly	Performing well	Performing well	Performing well	Performing strongly
ONE	Performing strongly	Performing well	Performing well	Performing strongly	Performing strongly	Performing strongly
SEEDA	Performing strongly	Performing well	Performing well	Performing well	Performing strongly	Performing strongly
SWRDA	Performing strongly	Performing well	Performing adequately	Performing well	Performing well	Performing well
YF	Performing strongly	Performing well	Performing strongly	Performing well	Performing well	Performing strongly

Source: National Audit Office

The evidence from the NAO shows that overall six RDAs were seen as ‘performing strongly’ and two were seen as ‘performing well’. As part of its assessment, the NAO also identified the strengths and areas for development of each RDA, which are summarised for each RDA in their respective Regional Annex.

## Performance management framework

The RDAs have operated under three different performance management frameworks since their establishment in 1999:

- initially, RDAs largely inherited the frameworks linked to the legacy programmes they were responsible for delivering;
- a new performance monitoring framework for the RDAs was introduced in April 2002 with output targets set by the then DTI on behalf of central government: Tier 1 targets linked to the high level statutory purposes common to all RDAs; Tier 2 targets showed regional outcomes in relation to growth and productivity; and there were specific Tier 3 output measures for each RDA; and
- the Tasking Framework, which came into effect from April 2005 and was developed to ensure that RDAs' performance was more closely aligned to the Government's high-level PSA Targets as well as the priorities identified in the RESs<sup>19</sup>: this resulted in an amended set of output measures and definitions, including the requirement to disaggregate output data between rural and urban areas.

Similar arrangements have applied in London although the targets were set by the Mayor who also tasked the LDA with some additional targets.

The RDAs' Corporate Plans provide details of how they have allocated their budgets to meet the objectives set for them within the RESs, and how the activities contribute to the targets that they have been set. The Corporate Plans cover periods of three years corresponding to central government Spending Reviews.

In the period since their creation, therefore, the RDAs have been tasked against different frameworks. This creates difficulties in presenting a consistent picture of RDAs' impact over their lifetime although four core outputs have been used more or less consistently over the period: jobs created and safeguarded; new businesses to the regions; brownfield land remediated (hectares); and private sector funding leverage.

There are, however, some important caveats that need to be borne in mind when interpreting output data:

- the definition of 'new businesses' has changed slightly: the Tasking Framework definition requires a business to be created and to show demonstrable growth whereas earlier definitions (e.g. SRB) required only creation and survival;
- the scope of private sector funding leverage has changed: the Tier 3 measure focused on leverage in deprived areas whereas the Tasking Framework focuses on leverage for regeneration infrastructure;
- output data covering the period from 1999/2000 to 2001/02 (before the Single Programme) were reported to several bodies on different bases to the Single Programme regime and are generally regarded as less reliable than those subsequently reported to DTI (and now BERR); and
- RDAs have reported only a proportion of their SRB outputs since 2002/03 to enable RDAs and government departments to assess outputs attributable to RDA contributions rather than those of other non-RDA sources (such as European Union funding).

Table 12 sets out the achieved gross outputs as reported by the RDAs to DTI and BERR during the period of the Single Programme from 2002/03 to 2006/07 during which the RDAs spent approximately £8.7 billion. For this expenditure, the following core gross attributable outputs have been produced:

- over half a million jobs created or safeguarded;

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<sup>19</sup> The Tasking Framework required each RDA to show in its Corporate Plan for 2005-08, how, in support of its statutory role and responsibilities, it would address the priorities identified in the RES for its region and contribute to the delivery of the Government's PSA Targets on Regional Economic Performance, Sustainable Development and Productivity/Rural Productivity and, through these, to the delivery of a range of other PSA Targets, set out at Annex A to the Framework.

- over 56,000 new businesses created;
- over 5,650 hectares of brownfield land remediated;
- over 1.25 million learning opportunities provided;
- over £5.7bn private sector funding leveraged.

**Table 12: Summary of RDA expenditure and gross outputs reported to DTI/BERR (2002/03 – 2006/07)**

	Programme Expenditure covered by evaluations (£m)	Jobs created/ safeguarded	New businesses to the region	Brownfield land remediated (hectares)	Learning opportunities	Private sector leverage (£m) <sup>20</sup>
AWM	1,503.6	65,701	4,934	570	101,580	479
EEDA	521.6	16,232	6,016	177	102,239	216
EMDA	857.8	33,382	6,327	719	63,938	239
LDA	2,116.0	88,433	8,993	323	163,291	1,360
NWDA	2,301.0	76,825	8,509	1,793	118,386	1,115
ONE	1,334.3	68,433	9,795	584	267,745	619
SEEDA	873.3	21,918	5,965	303	126,695	535
SWRDA	765.9	30,442	1,437	624	69,811	608
YF	1,564.0	100,808	4,809	564	256,721	540
<b>Total</b>	<b>11,837.5</b>	<b>502,281</b>	<b>56,257</b>	<b>5,653</b>	<b>1,265,943</b>	<b>5,711</b>

Source: PwC analysis

As Table 12 shows how the RDAs range in size, with the largest having four times the spend of the smallest. The pattern of spend, and the associated gross outputs generated as a result, also clearly vary according to the respective regional priorities.

Table 13 summarises the RDAs' collective performance against the targets for gross attributable outputs set for them by the (then) DTI and now BERR and which have been relevant in the period from 2002/03 to 2006/07. For all of the measures, RDAs collectively have exceeded their targets, particularly for businesses created and people assisted in skills development. Overall, individual RDAs have achieved their annual targets for each of the outputs on over 90% of occasions, although the target for each output has been missed on at least one occasion by a RDA.

**Table 13: Comparison of RDAs' performance against targets (2002/03-2006/07)**

	Jobs created/ safeguarded	Businesses created	Brownfield land (ha)	People assisted in skills development	Funding levered (£m)
Targets set by BERR	381,041	39,852	4,781	757,584	3,970
Achieved RDA gross outputs reported to BERR	502,174	56,785	5,657	1,270,406	5,711

<sup>20</sup> Data cover the period from 2003/04 to 2006/07 only.

	Jobs created/ safeguarded	Businesses created	Brownfield land (ha)	People assisted in skills development	Funding levered (£m)
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Number of times when targets met by RDAs	42 out of 45	42 out of 45	43 out of 45	44 out of 45	34 out of 36 <sup>21</sup>
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Source: BERR and PwC analysis

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<sup>21</sup> Data for funding levered targets and outputs were not available for 2002/03.

# Approach

## Introduction

This section provides an overview of the key elements of our approach. It is divided into four parts:

- an explanation of the scope of our work;
- a description of the evaluation evidence base which we have been able to draw upon;
- an outline of the framework and methodology we have used to assess the impact of RDAs' spending: further details of our methodology are provided at Annex B; and
- a summary of the principal limitations of the evidence base and methodology.

## Scope

Although this report draws on evaluations which cover RDAs' spending over the whole period since their establishment in 1999<sup>22</sup>, the focus is on that spending for which RDAs are formally accountable, over which they have had the greatest influence and where (at least) the early evidence of impact should be apparent. In practice, this means that we focus on understanding the impact of RDAs' spending on those programmes and projects where:

- they were able to shape the programme or project;
- their spending occurred in the 'relevant period' between 2002/03 to 2006/07: thus, the report focuses less on RDAs' spending on those programmes and projects which were inherited from their predecessors and those where spending may be too recent for the full impact to be assessed (although, in several cases, the evaluations which have been used to underpin the report are interim in nature and consider both achieved and future potential impacts); and
- the evaluation evidence is consistent with the requirements of the IEF.

We analyse the impact of RDAs' spending, where possible, according to the three key categories of intervention defined within the IEF:

- business development and competitiveness (which we also refer to as 'business');
- regeneration through physical infrastructure (which we also refer to as 'place'); and
- people and skills (which we also refer to as 'people').

We also analyse the impact of RDAs' other (hybrid) activities that span more than one of the three IEF categories, for example the Single Regeneration Budget (SRB). In addition, we review the available

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<sup>22</sup> The London Development Agency was established in 2000.

evidence as to the impact of ten national programmes which RDAs have been responsible for delivering within parameters determined by central government departments<sup>23</sup>.

## Evaluation evidence

As noted in the Introduction, a review of RDAs' spending was undertaken in 2006 with the aim of providing quantitative and qualitative analysis of their impact in the seven years since their formation<sup>24</sup>. That review considered over 400 (pre-IEF) evaluations but found that very few had considered the net outputs and outcomes arising from the associated spending. Hence, the review had limited robust evidence upon which to draw to assess the incremental impact of RDAs' spending.

In parallel, EMDA initiated a comprehensive evaluation of the impact of its spending which was undertaken by ECOTEC Research and Consulting Limited. The lessons from its early work informed the IEF, which was developed jointly by the (then) DTI and RDAs to guide evaluation efforts, and RDAs were asked to develop and implement a plan to enhance their evaluation evidence base. In the first part of our work in December 2007, we reviewed and assessed over 240 new evaluations which were either completed, in progress or planned and which had the potential to cover RDA spending of £1.85bn in the period between 1999 and 2007<sup>25</sup>. Of these evaluations, we found that about 40% could potentially be used to assess the impact of RDA spending although very few were wholly compliant with the requirements of the IEF.

It was agreed that such coverage (even if it could be achieved) would be some way short of being comprehensive and robust given that it would include many evaluations which were not wholly IEF compliant. In response, RDAs launched an intensive programme of further project and programme evaluations. As a result of this work, RDAs have been able to increase their evaluation coverage significantly and all have achieved a coverage of at least 60% of their spend in the 'relevant period' excluding national programmes and administration costs. Overall, the RDAs have IEF compliant evaluations covering 66% of their relevant spend.

Table 14 summarises the evaluation evidence which we are able to draw upon broken down between business, place, people and other/hybrid<sup>26</sup> spending. A full list of the evaluations used for this report is included at Annex A.

**Table 14: Analysis of relevant spend covered by IEF compliant evaluations**

	Number of evaluations	Expenditure covered by evaluations (£m)
Business	110	1,155.6
Place	82	1,947.7
People	58	408.8
Other/hybrid	12	494.3
Single Regeneration Budget	9	1,928.4
<b>Total (excluding national programmes)</b>	<b>271</b>	<b>5,934.8</b>

Source: PwC analysis based on data provided by the RDAs

<sup>23</sup> Ten national programmes have been defined: the Coalfields Programme; the Regional Innovation Fund; the Manufacturing Advisory Service; Regional Tourist Board Support; the Rural Development Programme for England and Sustainable Food and Farming; Market Town Initiative; Business Link; Regional Selective Assistance/Selective Finance for Investment; Grant for Research & Development; and Phoenix Fund.

<sup>24</sup> England's Regional Development Agencies: CSR07 RDA Impact Report (prepared by England's RDAs supported by PA/SQW, October 2006).

<sup>25</sup> This includes some double-counting as some expenditure was expected to be covered by more than one evaluation.

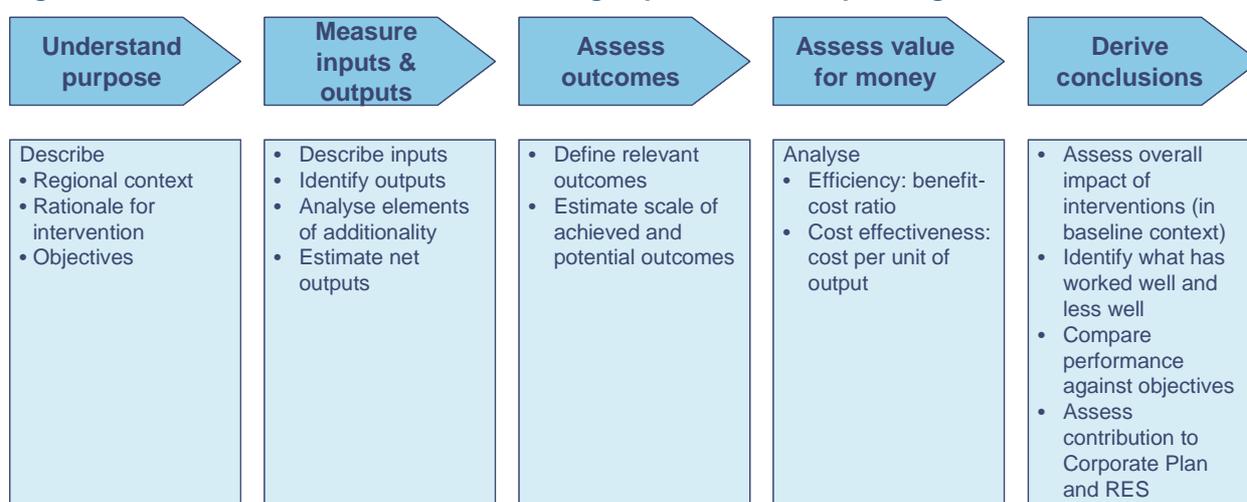
<sup>26</sup> Other/hybrid includes RDA expenditure on projects and programmes which either span the main themes or which do not fit within any of the main themes.

## Framework for impact assessment and methodology

Our framework for assessing the impact of RDAs' spending, which is summarised in Figure 1, reflects the key requirements of the IEF. It involves five steps:

- understand the purpose of RDAs' interventions by reviewing their context, rationale and objectives;
- map RDAs' spending on each intervention, identify the resulting gross outputs, for example the number of jobs created and the area of brownfield land remediated and/or redeveloped and assess the extent to which the outputs are additional (i.e. net outputs which would not otherwise have arisen);
- determine the outcomes and impacts associated with the net outputs, for example the number of people in employment and the additional gross value added (GVA);
- assess the value for money of the interventions; and
- draw together the key conclusions.

**Figure 1: Overview of framework for assessing impact of RDAs' spending**



Source: PwC

We summarise the key issues arising in relation to each element of the framework below: further details of our methodology can be found at Annex B.

### Understand purpose

A key element in assessing the impact of the RDAs' activities is to understand the regional (and local) context, the rationale for each intervention and the underlying objectives. We have relied primarily on the evaluation reports we have drawn on to do this. This gives rise to a number of issues:

- the way in which the evaluations describe the regional and local context for each intervention varies in its depth and quality which means that it is sometimes difficult to get a consistent view across the interventions;
- although many evaluations articulate a rationale for the intervention, it is evident that some of these rationales were developed as part of the evaluation process rather than being established when the intervention was originally developed; and
- not all of the programmes and projects covered by the evaluations have a set of specific and measurable objectives which lend themselves to an assessment of performance against them.

## Measure outputs

As part of our work we have collated the evidence from the evaluations with respect to the inputs to, and outputs from, RDAs' activities. A key element of this is the assessment of the extent of additionality (i.e. the extent to which the outputs attributed to the RDAs' spending would not otherwise have arisen in the absence of their intervention). Several features of this work need to be recognised when interpreting the findings:

- we have not sought independently to verify the outputs recorded on RDAs' project management systems;
- reflecting the requirements of the IEF, many of the estimates of additionality are based on surveys of direct and indirect beneficiaries of the RDAs' interventions: as with all surveys, the resulting estimates are subject to margins of uncertainty which reflect the responses received and the samples surveyed; and
- although our focus has been on additionality at the regional level, it is also relevant to consider additionality at other spatial levels, especially locally and nationally: some evaluations have considered the local impacts as well as the regional impacts but very few have considered additionality at the national level.

## Assess outcomes

Many of the evaluations we have reviewed estimate the impact of RDAs' spending in terms of GVA. The basis of these estimates is, however, often inconsistent across interventions. For example:

- the scope of the estimated impacts on GVA differs: the majority of evaluations focus only on the impacts associated with jobs created and safeguarded whereas a few also take account of other impacts, for example those linked to improvements in productivity (where firms have reduced their costs and improved their profits) and enhanced earnings (where individuals' skills have been improved);
- the time period covered by the estimates of impacts on GVA also varies: some evaluations only estimate the impacts which have resulted from employment in a single year, whereas others take account of the potential persistence of the benefits over a longer period;
- the treatment of future potential benefits is inconsistent: not all evaluations provide estimates of (any) further benefits which might be expected to be realised in the future, and this is especially relevant where the evaluations are interim evaluations of long-term capital projects; and
- not all evaluations take account of inflation (by adjusting both costs and benefits to a common price basis) and the timing of benefits (through the application of an appropriate discount rate).

These inconsistencies reflect the challenges inherent in quantifying the economic impact of interventions such as those of the RDAs and the absence of explicit guidance within the IEF.

To address some of these inconsistencies, we have estimated the potential impact of RDAs' spending on GVA on a consistent basis. We have focused on estimating the impact on GVA arising from jobs created and safeguarded because this is the most frequently estimated (net) output measure across the RDAs' interventions. We have drawn on the estimates of net jobs created and safeguarded reported in the individual evaluations used to underpin each the Regional Annexes. We recognise, however, that our approach will generate only a partial measure of the impact of RDAs' spending since it will not capture all of the potential impacts on GVA nor will it take account of the SAV associated with RDAs' activities. We comment on the significance of such impacts below.

To estimate the impact on GVA, and in the absence of sufficient evidence from some of the evaluations, we have made a set of assumptions regarding the key parameters which determine the profile of the potential benefits. These assumptions cover:

- the time to deliver: the period over which the RDAs' spending occurs before any benefits are realised;

- the period over which the benefits are assumed to build up before they reach their full expected potential;
- the persistence of the benefits: how many years the stream of benefits is expected to persist;
- the rate at which the benefits decay over time: this is the proportion of annual benefits which are expected to be lost from one year to the next as a result of changes in the underlying social and economic conditions (e.g. as beneficiaries change jobs and businesses relocate or make other investment decisions); and
- the average GVA generated by each additional job: this is taken to be the regional average GVA per job<sup>27</sup>.

Our analysis has generated three different estimates of the impact on GVA:

- the **achieved GVA** which is estimated as an annual flow of benefits based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job;
- the **cumulative achieved GVA** which is the estimated net present value (NPV) of the flow of benefits over time implied by our assumptions: again, the benefits are based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job; and
- the **total achieved and future potential GVA** which differs from the cumulative achieved GVA in that it also includes the estimated NPV of the flow of benefits expected to accrue from the future potential jobs which are expected to result from the RDAs' interventions.

These estimates of the impact on GVA will differ from those provided in the original evaluations, summarised for each RDA in each of the nine Regional Annexes appended to this report, where a range of different assumptions were made with respect to the parameters determining the benefits profile.

Our assumptions have been informed by two key sources:

- the assumptions used in those evaluations which have considered the potential profile of benefits; and
- evidence from other evaluations which have considered similar interventions.

Ultimately, however, they are a matter of judgement and we have tested the sensitivity of our conclusions to each of them.

### Assess value for money

In assessing the value for money of RDAs' interventions, we have focused on the ratio of the estimated (net) additional GVA to the cost to the RDA of the intervention. Ideally, net additional GVA will comprise both achieved and future potential benefits. We concentrate mainly, however, on the estimated NPV of the stream of achieved benefits as the best available measure of the value for money of an RDA's intervention given that many evaluations have not assessed the future potential impacts on jobs.

We also use a number of other measures to assess cost-effectiveness. These are primarily expressed as the cost per (net) unit of output. They cover business assists, business creation, land remediation, skills assist and people helped into employment

Where possible, we have compared the evidence from RDAs' evaluations against the results of similar interventions by other organisations. We have also compared each RDA's estimated returns with the average (mean) across the RDA network.

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<sup>27</sup> This is derived using data from National Statistics – see Annex B.

## Derive conclusions

Finally, in seeking to derive conclusions from the available evidence, we have addressed a series of issues which arise from the nature of RDAs' roles and responsibilities and the scope and form of the impact evidence available.

In considering the impact of RDAs' interventions, we have recognised the need to take account of the quantitative and qualitative evidence of the impact of the RDAs' programme and project spend as well as evidence of their ability to work with and influence their partners' and stakeholders' behaviour to generate SAV. In our report, therefore, we also include case studies of SAV which have been prepared based on material provided by the RDAs to illustrate their strategic impact over and above the outputs and outcomes which are the main focus of this report. We have not verified all the case studies provided by the RDAs included in this report: in some cases, they are based on evidence from evaluations but in other cases they reflect information made available to us by the RDAs during our preparation of this report.

Many of the IEF compliant evaluations we have reviewed have assessed how well the RDAs' interventions have performed against their original objectives although some have been constrained by the interim nature of the evaluation and the absence of specific, measurable objectives and targets. As with the measurements of outcomes, the evaluations have often used different categories. We have, therefore, sought to classify performance on the basis of a consistent set of definitions as follows:

- 'Exceeded', where all the objectives have been significantly exceeded;
- 'Wholly met' where all objectives are at least fully met;
- 'Largely met' where most but not all objectives have been fully met;
- 'Mixed' where some but not all objectives have been met;
- 'Limited performance' where most objectives have not been met; and
- 'Not assessed' where no assessment of performance against objectives has been made within IEF compliant evaluations, in some cases because it is considered in other evaluations.

We have also considered how far the evidence suggests that RDAs have been able to deliver their Corporate Plan objectives and contribute to the delivery of the RESs. There are several significant difficulties in this respect:

- the evaluation evidence base generated by the RDAs does not cover all of their spending, either since their establishment or in the relevant period;
- many of the evaluations, especially of capital projects, are interim in nature which means that the future potential impacts of the spending cannot be observed and are uncertain;
- RDAs' spending in their regions is only a small proportion of the total public expenditure in each of them; and
- the Corporate Plans and RESs (EDSs) of all the RDAs have evolved over the period in question with consequential implications for priorities and indicators.

## Methodological limitations

The methodology we have used is a well established means of assessing the economic impact of public sector interventions and provides a reasonable estimate of the economic impact of RDAs' spending based on the evidence available. However, the nature, quality and consistency of the available information means that it is subject to some inherent limitations.

First, the estimates of the impact on GVA are derived (only) from those individual evaluations which estimated the net job outputs. This was the estimated output most consistently measured across all the evaluations but means that they do not take account of:

- other direct and indirect economic impacts, for example in terms of enhanced productivity;
- the wider economic impacts, for example any 'halo' effects from physical regeneration investment; and
- those non-economic outputs from RDAs' interventions, for example the provision of community facilities, where it is difficult to estimate an economic value.

In part, evaluations that have not estimated net jobs do this because other outputs were regarded as a more important focus for the evaluation of the intervention. For example, an evaluation may have assessed the net impact of an intervention on the number of people assisted into employment or the businesses created but may not have assessed how these outputs translate into additional jobs. Where this is the case, the cost of these interventions has been excluded from our estimates of the GVA to cost ratio as part of the value for money assessment: this avoids a downward bias.

Second, the approach distinguishes between jobs which have already been achieved and those expected to be delivered in the future. How quickly an intervention delivers an impact on jobs will vary between types of intervention: revenue projects such as business support will deliver relatively quick impacts whereas some capital projects will need time before for the full impact of the interventions becomes evident.

Third, the use of the average regional GVA per job to estimate the impact on GVA implicitly assumes that all net jobs created and safeguarded within a region will generate the same economic impact although, in practice, the impact may vary depending on the quality of the job: the limited available evidence means that no allowance can be made for this.

These methodological limitations affect the interpretation of the GVA estimates (and value for money measures derived from them such as the GVA to cost ratio) in several ways:

- comparisons of the impact estimates between RDAs are potentially affected by differences in the scale and mix of spend which has been evaluated by each RDA (and which has estimated jobs created/safeguarded);
- differences in regional conditions and context need to be taken into account when assessing the significance of the impact on jobs and GVA: for example, additional jobs may be seen as less valuable in regions which already enjoy high employment rates; and
- comparisons of the GVA impact or GVA to cost ratio between themes and sub-themes are likely to be sensitive to the nature of the intervention, especially how quickly and over what period impacts are likely to be realised: for example, interventions designed to promote R&D may take time before they contribute to businesses' employment levels.

Because of these difficulties, we have not undertaken any aggregate comparisons of the impact on GVA (and the GVA to cost ratio) between RDAs as we do not believe they would be meaningful.

Taking into account these limitations, in the remainder of this report we summarise the available evidence with respect to the impact of RDAs spending.

# Key findings

## Introduction

In this section, we summarise the key findings from our work. In developing them, we have considered three questions:

- What has been the impact of RDA spending both at the project and programme level and overall?
- What does the available evidence suggest has been the value for money of RDA interventions?
- How has each RDA performed against its relevant objectives both at the project and programme level and overall in relation to its Corporate Plan and the RES?

## Impact

Many of the RDAs' evaluations covered in this report have estimated net outputs of their diverse activities from the gross outputs recorded by RDAs' project management systems. A distinction is made between the main gross and net outputs already achieved (in Table 3) and those which are future potential outputs (Table 4).

In relation to the achieved outputs, the key points are that RDAs' spending covered by IEF compliant evaluation evidence:

- created and safeguarded nearly 213,000 net jobs;
- assisted over 35,000 net businesses;
- helped to create over 8,500 net businesses;
- assisted over 403,000 people (net) in skills development; and
- remediated over 570 hectares (net) of brownfield land.

On average, the extent to which the outputs would not have arisen without the RDAs' interventions, the level of additionality, ranges across the different types of output from business assists (39%) to land remediation (74%). This reflects differences in the rationales and objectives of the interventions, and there is a considerable variation between projects and programmes. Nonetheless, the overall levels of additionality are broadly similar to those of other evaluations of similar activities.<sup>28</sup>

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<sup>28</sup> See, for example, English Partnerships' Additionality Guide, Third Edition, 2008.

**Table 15: Summary of RDAs' achieved outputs and additionality (2002/03-2006/07)**

Theme/output	Number of evaluations <sup>29</sup>	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	177	5,189.1	471,869	212,873	45
People assisted into employment	23	231.0	59,119	30,375	51
Skills assists	46	2,553.8	716,389	403,535	56
Businesses created	63	3,359.1	17,924	8,519	48
Businesses assisted	30	563.9	90,564	35,017	39
Land remediated	28	1,360.5	810.4	572.2	71

Source: PwC analysis based on RDA evidence

Although a large proportion of outputs have already been achieved, as indicated in Table 16 some net outputs – particularly land remediation and jobs (23% and 10% respectively of the total achieved and future potential) - are potentially to be achieved in the future, predominantly through physical regeneration schemes and largely reflecting the prevalence of interim evaluations within the evidence base. It should be noted that all of the future potential outputs, especially those which have not already been achieved, are inherently uncertain and should, as such, be treated with caution.

**Table 16: Summary of RDAs' future potential outputs and additionality (2002/03-2006/07)**

Theme/output	Number of evaluations <sup>30</sup>	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	24	1,040.8	51,449	23,371	45
People assisted into employment	-	-	-	-	-
Skills assists	-	-	-	-	-
Businesses created	3	307.4	56	28	50
Businesses assisted	-	-	-	-	-
Land remediated	8	589.3	262.4	167.9	64

Source: PwC analysis based on RDA evidence

The estimated impact on GVA arising from the jobs created and safeguarded by RDAs' spending is summarised in Table 17. It shows that evaluations covering RDAs' spend of £5.2bn have been used to estimate the impact on GVA based on the number of net jobs created and safeguarded. In total, this expenditure is estimated to have already generated additional jobs which will add £8.1bn to regional GVA. Once allowance is made for the build up and likely persistence of this impact, the estimated impact on GVA rises to £23.2bn. A significant proportion of the evaluations, especially those involving physical regeneration were undertaken at a relatively early stage in the project's lifecycle, before the full employment effects had been realised. When future potential jobs are also included, the estimated impact is larger at £27.8bn.

<sup>29</sup> Some evaluations have assessed more than one output and are, therefore, counted more than once in the table.

<sup>30</sup> Some evaluations have assessed more than one output and are, therefore, counted more than once in the table.

**Table 17: Summary of impact of RDA spending on GVA by intervention theme (2002/03-2006/07)**

Theme	Expenditure covered by evaluations (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>31</sup>	Achieved & future potential GVA (cumulative NPV, £m)
Business	1,053.0	2,934.7	7,690.4	746.1	8,621.7
Place	1,558.4	1,021.9	5,167.4	1,098.8	8,807.7
People	290.1	268.8	725.9	290.1	730.6
SRB	1,928.4	3,573.1	8,754.2	1,928.4	8,754.2
Other	359.2	340.8	835.3	280.2	894.7
<b>Total</b>	<b>5,189.1</b>	<b>8,139.3</b>	<b>23,173.2</b>	<b>4,343.6</b>	<b>27,809.9</b>

Source: PwC analysis based on RDA evidence

In addition to the GVA outcomes which result from the creation and safeguarding of jobs, a range of other outcomes have been noted across the evaluations we have reviewed. These impacts include:

- the positive impact on business productivity, by improving efficiency and competitiveness; and
- the enhanced earnings potential of individuals helped to increase their skills and their access to the labour market.

This means that our estimates will tend to understate the regional impact on GVA of RDAs' spending. Moreover, since most evaluations have not sought to place a monetary value on all of the social and environmental impacts of RDAs' spending, this will also mean that our GVA estimates underestimate the economic impact of RDAs' spending.

Finally, the estimated impact on GVA does not include the effects of the RDAs' strategic role and wider influence over other regional and national stakeholders (SAV) which is a key element of each RDA's impact. The evidence from both the evaluations and more widely, for example the NAO's IPA, shows how RDAs have worked to generate SAV. The box below provides some illustrations of the different ways in which RDAs have delivered SAV: further details can be found in both the Main Report and Regional Annexes.

#### **RDAs' Strategic Added Value**

Besides the impact of their project and programme spend, RDAs also influence their partners' and stakeholders' behaviour and performance in other ways. The following examples, drawn from the evaluations and information provided by the RDAs, illustrates these activities:

- in response to the collapse of MG Rover, AWM acted as a leader and catalyst for the response, articulating and communicating regional development needs, opportunities and solutions to partners and stakeholders in the West Midlands and elsewhere, thus helping to reduce the region's dependence on the business and reduce the negative economic impact of the closure;
- both EEDA and LDA have taken the lead in developing innovative initiatives to promote more sustainable development of energy, often based around the establishment of new partnerships;
- several RDAs, including EEDA and NWDA, have worked closely with partners, including the Higher Education Funding Council for England (HEFCE), to develop the higher education system in parts of

<sup>31</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

their region to improve the supply of high level skills by influencing the allocation of funds;

- All of the RDAs have developed regeneration programmes which have brought together key local stakeholders;
- both ONE and EMDA have developed innovative partnerships with the private sector to leverage resources and support to enhance the impact of their investments in regeneration projects;
- SWRDA and YF were both able to exploit their organisational capacity, knowledge and expertise to ensure a rapid and effective response to the difficulties facing businesses as a result of the flooding which affected parts of their regions in 2007; and
- all of the RDAs have responded to the Government's call for them to set up Regional Skills Partnerships and engage effectively with stakeholders in the design and delivery of regional and sub-regional programmes to maximise the contribution that skills can make to enhancing productivity.

## Value for money

Table 18 considers the value for money of the RDAs' interventions from two perspectives:

- the ratio of GVA to cost as an indicator of the benefit:cost ratio; and
- measures of cost per unit of net output using a range of measures where these are available.

The GVA to cost ratios shown in Table 18 indicate that:

- there is credible evidence that all RDAs have generated regional economic benefits, especially if account is taken of the potential persistence of the projected benefits: across all interventions the annual impact on GVA resulting from jobs which have already been created or safeguarded is broadly equal to the cost, but if allowance is made for the expected persistence of these benefits, then every £1 of RDA spend will add £4.50 to regional GVA;
- these average figures do, however, mask significant variations between interventions sub-themes as well as individual programmes and projects;
- some projects and programmes have already achieved regional benefits in excess of costs based on their annual flow of benefits, notably in the area of business support; and
- there are also some projects and programmes which have not yet achieved regional benefits in excess of their costs, although in most cases they have the potential to do so: this is especially true of many physical regeneration projects/programmes where much of the evidence comes from interim evaluations although there are inherent uncertainties around the scale of these future benefits.

There is less scope for comparison of the unit costs per net unit of output because few output measures are equally relevant across interventions. Table 18 shows that the cost per job is lowest across business development interventions and highest for physical regeneration interventions.

**Table 18: Summary of the RDAs' value for money (2002/03-2006/07)**

Theme	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost	Achieved cost per net job (£)	Achieved cost per net business assist (£)	Achieved cost per net skills assist (£)
Business	2.8	7.3	11.6	14,221	9,705	N/R
Place	0.7	3.3	8.0	63,271	N/R	N/R
People	0.9	2.5	2.5	43,302	N/R	1,960
SRB	1.9	4.5	4.5	N/R	N/R	N/R
Other	0.9	2.3	3.2	41,775	30,891	9,450
<b>Total</b>	<b>1.6</b>	<b>4.5</b>	<b>6.4</b>	N/R	N/R	N/R

N/R: Not relevant

Source: PwC analysis based on RDA evaluation evidence

## Performance against objectives

Besides assessing the impact and value for money of RDAs' spending on programmes and projects, we have also assessed performance against objectives at the programme and project level and, overall, against their RESs. In doing this, we recognise that the objectives of RDAs' interventions are often diverse and cover varying timescales.

Table 19 summarises the evidence of RDAs' performance against the objectives for each of the individual programme and project interventions based on the evaluations used to underpin this report. The key points to emerge are that:

- 33% of evaluations, covering 43% of evaluated spend, did not provide an assessment of performance against objectives: this reflects the interim nature of many evaluations - over half of the evaluations covering physical regeneration had not assessed performance - and difficulties associated with a lack of specific and measurable objectives;
- of those programmes and projects where performance against objectives had been assessed, around 20% (by number and spend) had either exceeded or (fully) met their objectives whilst a further 28% by number (and 21% by spend) had largely met their objectives; and
- proportionately more interventions focused on people had exceeded or fully met their objectives than other types of interventions.

**Table 19: Assessment of performance against objectives across evaluations (2002/03-2006/07)**

	Exceeded	Met	Largely met	Mixed	Limited performance	Not assessed	Total
<b>Total</b>							
Evaluations (%)	7	6	19	25	10	33	<b>100</b>
Spend (%)	7	5	12	17	17	43	<b>100</b>

Source: PwC analysis based on RDA evaluation evidence

Comparing RDAs' performance against their RESs, the direct economic impact of RDAs' programme and project spend in terms of additional GVA arising from jobs created and safeguarded is modest relative to the size of their regional economies. In itself, this is not surprising since the resources under their direct

control have been limited relative to the other public resources flowing to the regions.<sup>32</sup> Moreover, such an assessment overlooks the wider economic impacts of RDAs' activities which are not captured in the estimated impact on GVA. These include the social and environmental impacts and effects of RDAs' strategic role and wider influence on other regional and national stakeholders (SAV), neither of which have been valued as part of this analysis.

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<sup>32</sup> Over the period from 2002/03 to 2006/07 RDAs' total spending (including administrative costs and expenditure on national programmes) accounted for less than 1% of total identified public expenditure in England by central and local government.

# Business development and competitiveness interventions

## Summary

- The RDAs have spent approximately £1.8bn in the relevant period on a range of interventions designed to stimulate business development and competitiveness including individual enterprise support, sector/cluster support and the promotion of inward investment and science, R&D and innovation infrastructure.
- We have reviewed 110 evaluations covering RDA spend of just over £1.1bn.
- The evaluations show that RDAs' business development and competitiveness interventions have generated significant outputs already:
  - over 182,000 jobs have been created and safeguarded of which 48% are estimated to be additional at the regional level
  - almost 70,000 businesses have been assisted of which 35% are estimated to be additional; and
  - nearly 5,500 businesses have been created of which 40% are estimated to be additional.
- We estimate that the impact on regional GVA (based on the net achieved jobs created and safeguarded where identified in the interventions evaluated) is £7,690m based on an investment of £1,053m, a return on investment of £7.30 GVA for every £1 spent. If future potential jobs are included, then the estimated impact on GVA increases to £8,622m, a return on investment of £11.60 GVA for every £1 spent.
- Some evaluations have also identified additional economic impacts, notably on business productivity.
- The highest achieved return is as a result of interventions involving individual enterprise support and inward investment (the achieved returns are 12.0 and 13.5 to 1). The lowest achieved return is from RDAs' interventions on science, R&D and innovation infrastructure (3.4 to 1).
- Interventions covering around 13% of evaluated spend had exceeded or met their programme/project objectives; 25% of evaluated spend had not been assessed against their objectives.

## Introduction

This section considers the impact of RDAs' interventions to promote business development and competitiveness. The RDA spend covered by IEF compliant evaluations in this theme is set out in Table 20.

**Table 20: Summary of evaluation evidence for business development and competitiveness interventions (2002/03-2006/07)**

Intervention sub-theme	Number of IEF compliant evaluations	Spend covered by IEF compliant evaluations (£m)
Individual enterprise level support	28	260.8
Sector/cluster support	24	364.9
Science, R&D & innovation infrastructure	31	387.3
Inward investment	9	72.8
Sustainable consumption/production	9	21.2
Internationalisation of indigenous businesses	2	5.4
Other business	7	43.2
<b>Total</b>	<b>110</b>	<b>1,155.6</b>

Source: PwC analysis based on RDA evidence

## Rationale

### Individual enterprise level support

RDAs have provided a range of diverse individual enterprise level support including providing access to finance for small and medium sized enterprises (SMEs), promoting enterprise and assisting company start-ups. In some cases, these interventions have been targeted at a specific part of a region rather than across all of it: for example, EEDA's targeting of support for rural areas, LDA's area interventions and AWM's three High Technology Corridors.

The evaluation evidence covers spend of £261m comprising projects (12 evaluations) and programmes (16 evaluations), although the latter cover significantly more spend (£219m). The most significant programmes include: AWM's Rover and MG Rover Task Force programme (£36m) and High Technology Corridors programme (£39m); and EMDA's Business support programme (£67m).

The most common rationales for individual enterprise support interventions are based on market failure linked to information failures, such as firms or investors not having access to sufficient information to assess the benefits of a particular investment decision. For example, programmes which seek to improve access to finance seek to improve the information that firms have on the different sources of finance available and to market the opportunities and potential returns available to investors. The rationale for several interventions is also linked to creating positive externalities within the industries/areas that they support. For example, YF's South Yorkshire Generic and Intermediate Start-up programme aimed to stimulate new business start-ups, which would create positive impacts by diversifying the business base.

A number of interventions also sought to address equity concerns, such as helping those in disadvantaged groups to start-up businesses, for example YF's Generic and Intermediate Start-up programme included specific objectives for women and Black and Minority Ethnic groups (BMEs). Other interventions have provided support to individual businesses within particular industries facing economic decline or subject to economic shocks in order to safeguard employment, often for equity as well as market failure reasons.

### Sector/cluster support

Many RDAs have provided sector and/or cluster support to different sectors reflecting the priorities of each RDA and the business mix in the region. The common aim of the interventions has been to support groups of firms in specific industry sectors or clusters to enable them to increase their productivity and competitiveness. The support provided has been diverse ranging from networking events across a large number of businesses to supporting key businesses in the sector or cluster, for example by developing supply chains.

In total, we have drawn on 24 evaluations of RDAs' sector and cluster support which cover spend of £365m. Five evaluations covering programme level cluster activities have been carried out by: NWDA (£26m), AWM (£73m), SEEDA (£9m), ONE (£24m) and YF (£92m). These cover between five and twelve different sectors/clusters and often involve different approaches to delivery. For example, ONE's activity is focused on funding and developing intermediary bodies which then promote and develop clusters whereas most of AWM's cluster activities have been led by internal cluster managers. In addition, a further eight programmes have been evaluated and 11 project level evaluations have been undertaken considering specific sector/cluster support provided, ranging from spend of £0.2m to £32m.

The key rationale cited for RDAs' sector and cluster support interventions has been to overcome information failures where companies lack the information needed to make decisions. For example, in YF's food and drink sector a common issue was the lack of information to enable access to research and technology. Several evaluations also cite the externalities associated with collaboration and clustering of businesses.

### **Science, R&D & innovation infrastructure**

RDAs have been actively involved in promoting science, R&D and the innovation infrastructure in their regions through a diverse series of interventions involving:

- the development of the physical innovation infrastructure, for example NWDA's Broadband Investments to innovation centres and EEDA's Bedford Innovation Centre;
- the promotion of innovation in SMEs, for example LDA's SME innovation support programme;
- the development of science parks, such as NWDA's Daresbury and Liverpool Science Parks and SWRDA's Tamar Science Park;
- the encouragement of collaboration between higher education institutions (HEIs) and business, for example LDA's Jump Start programme to improve engagement between SMEs and Higher Education Institutions (HEIs);
- the commercialisation of HEIs' intellectual property, for example AWM's Mercia Spinner programme and the LDA's Pre-commercial fund; and
- support for specific skills to enable the development of a more innovative business base, for example YF's Science City York.

The evaluation evidence covers 31 projects with spend of £387m, most of which are project evaluations with spend between £0.8m and £15m (18 evaluations covering a total spend of £111m). There are also 13 programme level evaluations covering spend of £276m including ONE's Innovation, industry and science programme (£151m), SWRDA's Incubation facilitates and science parks (£14m), LDA's Bio London (£24m) and AWM's Premium Automotive Research & Development programme (£33m).

The principal rationale for RDAs' interventions in science, R&D and the innovation infrastructure is to address market failures, in particular the externalities that can arise from effective co-ordination and collaboration between HEIs and business and spreading knowledge into the wider economy. For instance, the development of innovation infrastructure potentially offers benefits to more businesses than might be prepared to fund such developments. Some interventions also have equity objectives, for example NWDA's Project Access which sought to "grow and develop the ICT infrastructure especially in rural areas".

### **Inward investment**

RDAs have often promoted inward investment. The evaluation evidence covers nine interventions (£73m of spend) with a mix of evaluations at project (five evaluations covering £33m) and programme (four evaluations covering £40m spend) level. These interventions include:

- marketing the region to potential investors and the funding of overseas offices, for example the inward investment programmes supported by ONE, YF, SEEDA and EEDA; and

- infrastructure development on specific inward investment sites, for example NWDA's Infrastructure work at the Arvato Gravure printing site.

There are two, related rationales for RDAs' inward investment interventions. The first addresses information asymmetries which mean that potential inward investors do not always realise the benefits of investing in a particular region. The second relates to positive externalities given the potential for increased inward investment to generate wider economic benefits for the region (as well as nationally), for example by improving skills, accelerating the use of (new) technology and enhancing competition and productivity. In addition, equity considerations have also shaped some interventions, for example, EMDA, NWDA and YF have sought to attract inward investment into deprived areas of their regions to create employment and training opportunities for local people.

### **Other business development and competitiveness projects and programme**

RDAs have undertaken a range of other interventions in support of business development, although these have been smaller in scale. In particular, they have:

- sought to promote sustainable consumption and production (with nine evaluations covering spend of £21m), for example through initiatives designed to bring about efficiency improvements in business through the adoption of (more) sustainable working practices;
- supported businesses to internationalise, for example through support for firms with export potential; and
- carried out a series of ad hoc, often reactive, interventions, sometimes in response to urgent short term needs: for example, both SWRDA and YF led the public sector response to help businesses affected by flooding in 2007.

### **Impact**

The gross and net outputs of RDAs' business development and competitiveness interventions, along with the estimated additionality, are summarised in Table 21<sup>33</sup>.

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<sup>33</sup> For a detailed presentation of the outputs associated with business development and competitiveness interventions refer to Annex C.

**Table 21: Summary of business development and competitiveness achieved outputs and additionality (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
<b>Individual enterprise support</b>					
Jobs created/safeguarded	23	243.8	71,951	29,370	41
Businesses created	11	141.0	4,865	1,900	39
Businesses assisted	14	144.5	53,475	16,992	32
<b>Sector/cluster support</b>					
Jobs created/safeguarded	19	342.6	42,073	28,235	67
Businesses created	5	20.2	244	123	50
Businesses assisted	4	17.1	11,264	4,384	39
<b>Science, R&amp;D and innovation infrastructure</b>					
Jobs created/safeguarded	25	354.3	20,412	9,339	46
Businesses created	11	234.8	384	150	39
Businesses assisted	7	75.2	4,527	3,052	67
<b>Inward investment</b>					
Jobs created/safeguarded	7	56.6	43,441	18,517	43
<b>Other business development and competitiveness interventions</b>					
Jobs created/safeguarded	11	55.7	4,225	2,309	55
<b>Business competitiveness and development – total</b>					
Jobs created/safeguarded	85	1,053.0	182,102	87,770	48
Businesses created	27	396.0	5,493	2,173	40
Businesses assisted	25	236.8	69,266	24,428	35

Source: PwC analysis based on RDA evidence

The key output consistently recorded across evaluations is the number of jobs created/safeguarded, with nearly 88,000 net jobs created/safeguarded across all business development and competitiveness interventions. In addition, over 24,000 businesses have been assisted by RDA support and over 2,100 net businesses have been created although both of these outputs are recorded in a more limited number of evaluations.

Additionality across the business theme of 48% for jobs created/safeguarded is relatively consistent with RDA's other interventions in place and people, where additionality for jobs created is 45% and 48% respectively. In contrast, additionality for businesses created is significantly higher for place (65%) and people (82%) compared with business interventions, although these relate to only a limited number of net outputs. The evaluation evidence does not suggest any clear patterns between the size and type of intervention and levels of additionality.

The components and levels of project or programme additionality vary significantly between interventions. For example, deadweight averages 38% across the theme, and is greatest (48%) across interventions which promote inward investment and lowest (31%) for science, R&D and innovation infrastructure. Displacement averages 24%. It is greatest as a result of interventions which deliver individual enterprise support. Leakage, in contrast, averages 11% across interventions, and is most marked amongst

interventions which promote science, R&D and innovation infrastructure. Finally, substitution is only a small part of additionality (less than 5%).

There are significant variations in additionality across the intervention sub-themes and by output (as well as between interventions), in a range from 32 to 67%:

- for jobs created/safeguarded, additionality is highest for /cluster support programmes and is lowest for individual enterprise support and inward investment;
- additionality is lower for businesses created than jobs created/safeguarded across most interventions; and
- additionality is lower for businesses assisted compared to jobs created/safeguard and businesses created with the exception of science, R&D and innovation infrastructure interventions.

We have used the number of net jobs created and safeguarded to estimate the impact on GVA as this is the most frequently estimated net output measure. Where interventions have focused on improving productivity (rather than employment creation), we recognise that this methodology will under-estimate the impact. Similarly, where interventions seek to promote innovation, the benefits may take several years before they are fully realised and this also needs to be factored into the interpretation of the results. The resulting GVA impacts relating to business development and competitiveness interventions are shown in Table 22.

**Table 22: Summary of impact of business development and competitiveness interventions on GVA (2002/03-2006/07)**

Sub-theme	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>34</sup>	Achieved & future potential GVA (cumulative NPV, £m)
Individual enterprise support	243.8	1,197.3	2,934.8	225.6	3,192.0
Sector/cluster support	342.6	1,080.3	2,647.9	334.0	2,909.1
Science, R&D and innovation infrastructure	354.3	374.2	1,197.7	85.1	702.7
Inward investment	56.6	188.8	679.3	45.7	937.9
Other business development and competitiveness	55.7	94.1	230.7	55.7	880.0
<b>Total</b>	<b>1,053.0</b>	<b>2,934.7</b>	<b>7,690.4</b>	<b>746.1</b>	<b>8,621.7</b>

Source: PwC analysis based on RDA evidence

We have also examined the sensitivity of our estimates of the impact on GVA to the assumptions we have made. The key sensitivities are:

- the assumed persistence of the benefits: for example, if the benefits of either individual enterprise support or sector/cluster support was four years rather than three then the NPV of the cumulative benefits would be 29% higher; and

<sup>34</sup> Spend has been excluded for those evaluations where future potential outputs have not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

- the rate of decay of the benefits: if the benefits do not decay at all (rather than the assumed rate of 10% per annum), then the NPV of the benefits of individual enterprise support and sector/cluster support would be 10% higher and that of inward investment would be 21% higher.

## Strategic Added Value

Besides the impact of their project and programme spend, SAV is a key element of the RDAs' impact. RDAs influence their partners' and stakeholders' behaviour and performance in a variety of ways. For example:

- in response to shocks where the RDA acts as a leader and catalyst for the response, articulating and communicating regional needs, opportunities and solutions to partners and stakeholders; and
- developing innovative initiatives with social and environmental impacts, for instance, promoting more sustainable development of energy, often based around the establishment of new partnerships.

Case Study 1 shows three examples of the ways in which RDAs have responded rapidly and effectively to shocks – in the case of SWRDA and Yorkshire Forward, both had to respond to the difficulties resulting from extensive flooding in 2007 whereas AWM has responded on two occasions to the impact of closures at Rover.

### Case Study 1: Responding to economic shocks

Both SWRDA and YF led rapid and flexible responses to mitigate the effects of the flooding that affected both regions in the summer of 2007.

#### SWRDA

As a regional body with previous experience of responding to emergencies such as foot and mouth, SWRDA was well placed to facilitate a rapid response to the floods which affected Gloucestershire. It quickly forged links with other key partners (Gloucestershire First and Business Link) so that within 48 hours there was a coordinated response which included the establishment of a £2 million recovery fund for business. Moreover, despite the fund being operational within 48 hours of the floods, no significant re-design was required on implementation. Evidence from the evaluation<sup>35</sup> shows that business owners felt the grants available together with the advice and support received from the partners made a real difference and enabled them to start trading again more quickly. The evaluation also highlighted SWRDA's engagement with its partners as a real strength and concluded that the success of the response would not have happened without this engagement and its rapid response.

#### YF

YF also had to respond quickly to an urgent business need for support. Within a short space of time, it set up three main grant schemes to enable businesses to restart trading. In total, 1,463 claims for grant support were received of which 1,387 were approved and grants totalling £4.22m were distributed. Alongside the quantified economic benefits, the evaluation notes that "at a time of considerable shock, distress and chaos, Yorkshire Forward was able to engage and coordinate its partners to ensure that businesses were able to receive the support that they needed."<sup>36</sup> As a longer term impact, YF's intervention is seen as having facilitated stronger collaboration with the Environment Agency, built better relationships with central departments like BERR and DEFRA and strengthened links with the business community.

#### Advantage West Midlands

AWM led a response to a different type of economic shock. In April 2005, it was announced that the MG Rover plant in Birmingham would cut 5,000 jobs. AWM established the MG Rover Task Force (building on the work of the Rover Task Force in 2000). The role of the Task Force was to advise the Secretary of State on the implementation of an emergency package of support and report to the Board of AWM on the progress of regional and local partners in delivering the emergency package and on changes to the West Midlands RES and implementation plan in the light of the closure of MG Rover.

<sup>35</sup> Gloucestershire Floods, SWRDA, 2008.

<sup>36</sup> Evaluation of Yorkshire Forward's Flood Response, YF, 2008.

AWM's evaluation of both the Rover and MG Rover Task Force programmes found that they encouraged joint working between partners. The Task Force engaged with businesses in the support activities and were seen as contributing to strategic added value by influencing their partners' and stakeholders' behaviour and performance.

An NAO report on the closure of the MG Rover plant found that as a result of the support programme, some 3,530 people (58 % of the known claimants at that point) had training plans to help them develop skills and 3,302 people had been booked onto courses by September 2005<sup>37</sup>. By January 2006, £5.5m of emergency supplier support funding had been deployed with a further £3.4m committed to the following year, and £4.6m of loans to suppliers had been committed. In addition, the Task Forces had enabled the region to reduce its dependence on MG Rover: the number of businesses dependent on MG Rover for over 20% of their sales had fallen from 161 to 74 and, at the end of September 2005, AWM estimated that less than 10 former suppliers had gone into administration or closed plants.

Source: SWRDA, YF and AWM

RDAs' remit extends beyond one that is narrowly economic in nature. Several have been actively involved in responding to the opportunities and challenges presented by sustainability. As an illustration, Case Study 2 explains how EEDA and LDA have worked with their partners and stakeholders to develop and implement two initiatives to promote more sustainable energy.

### Case Study 2: Sustainability/energy

To promote sustainable development, the London Plan requires new developments to prioritise the use of decentralised energy, as opposed to the UK standard delivery of electricity and gas from the National Grid (centralised energy supply). A specialist energy service company is required to support developers in delivering major decentralised energy projects. The problem in 2005 was that there was no Energy Services Company (ESCO) large enough to deliver decentralised energy supply in London. Due to the complexity and risks involved in establishing an ESCO and the need for significant funding, a London ESCO would not have been established without public funding and market failure would have persisted.

London ESCO was established in September 2006 as a public/private partnership between LCCA Ltd (a company owned by the LDA) and EDF Energy (Projects) Ltd with 19% and 81% shareholdings respectively, with the remit to develop decentralised energy schemes for London.

London ESCO was the first company in London with the ability to design, finance, build, own and operate local decentralised energy systems for both new and existing developments. It catalysed the ESCO market in London to the extent that there are now twelve organisations operating in this market. The UK Government has recommended the model to all RDAs and devolved administrations across the UK and it has been adopted by the international market through the C40 (a group of the world's largest cities committed to tackling climate change).

EEDA has also promoted sustainable energy. In 2002, it investigated the identified opportunities linked to biomass and offshore renewables in the region in the area around Great Yarmouth and Lowestoft, a regeneration priority for the region, and recommended the establishment of a dedicated team to realise these opportunities. In response, EEDA set up Renewables East in 2003 with the objectives of assisting the East of England in meeting its objectives for the production of renewable electricity and securing economic opportunities associated with the growth of the renewable energy sector.

EEDA demonstrated its SAV by providing early and decisive support to the renewables sector. Renewables East has since been a catalyst for the development of regional policy targets in the RES (CO<sub>2</sub> emissions) and the Regional Spatial Strategy (RSS) (renewable generation) and a contributor to the development of regional and national policy. It has also become a national exemplar for supporting the renewables sector and its single agency model has now been replicated in most other English regions as well as being instrumental in bringing together business partners, and engaging with local authorities conducting training on renewable generation schemes with all of the region's planning teams. The expertise and capacity of Renewables East has enabled the region to successfully undertake renewables developments and it has been critical in securing private and public sector leverage for the region. Its

<sup>37</sup> The closure of MG Rover, National Audit Office, 2006.

success has been evidenced by the fact that the region had the highest renewable generation capacity in England in 2006 with 401.3 MW which represents 21% of the total capacity in England (BERR Energy Trends, Sept 2007).

Source: LDA and EEDA

## Value for money

Table 23 considers the value for money of business development and competitiveness interventions focusing on the ratio of GVA to cost<sup>38</sup>. The average achieved return across all business development and competitiveness interventions is positive: the annual return in terms of increased GVA is £2.8 for every £1 of RDA spending, and this increases to £7.3 on average when account is taken of the potential persistence of these impacts. There are also future potential returns, particularly as a result of interventions to promote science, R&D and innovation infrastructure (forecast to occur in several LDA projects) and inward investment (related to expectations of additional employment in the East Midlands), which will increase the overall value for money still further to £11.6 for every £1 of RDA spending.

**Table 23: Summary of GVA returns of business development and competitiveness interventions (2002/03-2006/07)**

Sub-theme	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
Individual enterprise support	4.9	12.0	14.1 <sup>39</sup>
Sector/cluster support	3.2	7.7	8.7 <sup>40</sup>
Science, R&D and innovation infrastructure	1.1	3.4	8.3 <sup>41</sup>
Inward investment	3.7 <sup>42</sup>	13.5 <sup>43</sup>	20.5 <sup>44</sup>
Other business development and competitiveness	1.7	4.1	15.8
<b>Total</b>	<b>2.8</b>	<b>7.3</b>	<b>11.6</b>

Source: PwC analysis based on RDA evidence

Within the sub-themes there is some variation in overall achieved returns. Individual enterprise support offers the highest immediate returns (annual GVA to cost ratio of 4.9 to 1), along with inward investment and sector/cluster support interventions. In contrast, science, R&D and innovation infrastructure interventions have covered costs to date, although this may under-estimate returns as there is estimated to be considerable potential for future return.

<sup>38</sup> Excludes a small number of outliers which would skew the results, as detailed in the footnotes to Table 19

<sup>39</sup> This estimate excludes 29,487 future potential jobs created/safeguarded estimated by SEEDA's individual enterprise support evaluation. Including these jobs increases the estimate to 27.8:1.

<sup>40</sup> This estimate excludes 42,232 future potential jobs created/safeguarded estimated by SEEDA's sector support evaluation. Including these jobs increases the estimate to 23.0:1.

<sup>41</sup> This estimate excludes 25,343 future potential jobs created/safeguarded from SEEDA's Innovation infrastructure evaluation. Including these jobs increases the estimate to 44.0:1.

<sup>42</sup> This estimate excludes 14,149 achieved jobs created/safeguarded estimated by ONE's inward investment evaluation. Including these jobs increases the estimate to 12.6:1.

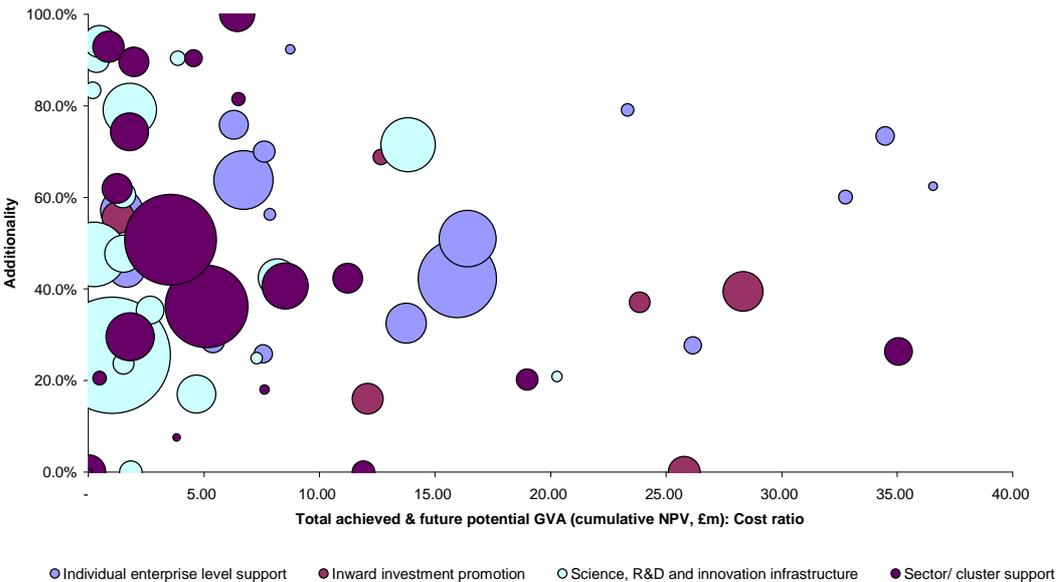
<sup>43</sup> This estimate excludes 14,149 achieved jobs created/safeguarded estimated by ONE's inward investment evaluation. Including these jobs increases the estimate to 45.3:1.

<sup>44</sup> This estimate excludes 3,866 future potential jobs created/safeguarded estimated by SEEDA's inward investment evaluation. Including these jobs increases the estimate to 33.4:1.

Indeed, there is an important distinction to be drawn between sub-themes that deliver shorter returns and those that offer more persistence of benefits extending over a number of years as well as future potential returns. Although individual enterprise support interventions have delivered the highest annual GVA returns to date, this in part reflects the nature of the support: individual enterprise support is often largely revenue based support for companies that will have quicker effects. Taking into account the anticipated persistence of these interventions raises the expected GVA returns, especially for individual enterprise and inward investment interventions, which could potentially exceed their costs by a factor of ten. The inclusion of additional future potential net jobs, however, increases significantly the potential return for science, R&D and innovation infrastructure and inward investment interventions. For science, R&D and innovation infrastructure interventions this reflects the long term nature of these interventions. It is, of course, important to note that future potential returns are subject to uncertainty and are dependent on the forecasts of future outputs and the assumptions made around the levels of persistence.

There are significant variations in the estimated returns within sub-themes and within individual business development and competitiveness interventions. Figure 2 illustrates the relationship between GVA to cost ratio and additionality. Each bubble represents a programme or project which has been evaluated and the size of the bubble is proportionate to the expenditure which has been evaluated. The chart shows that some project/programme interventions have demonstrated significant returns, with GVA:cost ratios greater than ten. There is also no clear correlation between additionality and value for money and the size of interventions appears to have little influence on returns or levels of additionality.

**Figure 2: Business development and competitiveness GVA returns compared to additionality**



Source: PwC analysis based on RDA evidence

Table 24 shows the estimated cost per unit of net output. A range of such measures has been calculated, where possible, with a focus on the outputs which interventions have principally targeted, in this case job creation, business creation and business assists. Cost per net job is, however, the most commonly estimated measure of cost-effectiveness.

**Table 24: Business development and competitiveness cost effectiveness per unit of output (2002/03-2006/07)**

Sub-theme	Cost per net job (£)	Cost per net business created (£)	Cost per net business assisted (£)
Individual enterprise support	8,301	74,196	8,502

Sub-theme	Cost per net job (£)	Cost per net business created (£)	Cost per net business assisted (£)
Sector/cluster support	12,135	163,676	3,901
Science, R&D and innovation infrastructure	37,938	1,564,603	24,640
Inward investment	11,563 <sup>45</sup>	n/a	n/a
<b>Total<sup>46</sup></b>	<b>14,221</b>	<b>187,771</b>	<b>9,705</b>

Source: PwC analysis based on RDA evidence

The cost per job figures suggest that business development and competitiveness interventions are relatively cost effective when compared against available benchmarks with a range from £12,000<sup>47</sup> to £30,800<sup>48</sup> with the exception of science, R&D and innovation infrastructure interventions. The cost per net businesses created/assisted can be estimated for three sub-themes. The analysis indicates that the cost per business created/assisted is significantly higher for science, R&D and innovation infrastructure interventions than individual enterprise support interventions; this is likely to be related to the type of businesses created and the intensity of support. Furthermore, the cost per unit of output measures should be interpreted with caution as the interventions to which they relate will have delivered multiple outputs.

## Performance against objectives

Table 25 summarises our analysis of the performance of business development and competitiveness interventions against their original objectives. It shows that performance against objectives of business development and competitiveness interventions appears to be relatively weak. Of the 82 evaluations that assessed performance against objectives only 14 (13% covering 13% of total spend) exceeded or met objectives. A further 54 evaluations either largely met their objectives or had a mixed performance against objectives. Fourteen evaluations (covering approximately 13% of spend) achieved only limited performance against objectives.

**Table 25: Business development and competitiveness performance against objectives (2002/03-2006/07)**

Performance against objectives	Evaluations		Spend	
	Number	%	(£m)	%
Exceeded	9	8	50.1	8
Met	5	5	28.1	5
Largely met	25	23	253.7	23
Mixed	29	26	150.4	26
Limited performance	14	13	226.4	13
Not assessed	28	25	446.9	25
<b>Total</b>	<b>110</b>	<b>100</b>	<b>1,155.5</b>	<b>100</b>

Source: PwC analysis based on RDA evidence

<sup>45</sup> This estimate excludes outliers from ONE's evaluation of inward investment.

<sup>46</sup> This total is across business development and competitiveness interventions and includes cost per job estimates for 'other' business development and competitiveness interventions.

<sup>47</sup> Additionality Guide, English Partnerships, 2008.

<sup>48</sup> 'Identification of benchmarks' report to AWM, AWM, 2003.

# Regeneration through physical infrastructure interventions

## Summary

- The RDAs have spent approximately £3.6bn on a range of interventions designed to promote regeneration through physical infrastructure including bringing land back into use, improving public realm and promoting image and tourism in the regions.
- We have reviewed 82 evaluations, covering RDA spend of nearly £2bn.
- The evaluations show that RDAs' regeneration programmes have generated significant outputs already:
  - almost 55,000 jobs have been created and safeguarded, of which 45% are estimated to be additional at the regional level;
  - over 650 hectares of land have been remediated, of which 73% are estimated to be additional;
  - over 400 businesses have been created, of which 65% are estimated to be additional.
- Significant future potential outputs are also anticipated as schemes are completed, with the benefits arising likely to persist for longer than other types of intervention, although these estimates are more uncertain.
- We estimate that the impact on regional GVA (based on the net achieved jobs created and safeguarded where identified in the interventions evaluated) is £5,167m, based on an investment of £1,558m, a return on investment of £3.30 of GVA for every £1 spent. If future potential jobs are included, then the estimated impact on GVA increases to £8,808m, a return on investment of £8 of GVA for every £1 spent.
- Some evaluations have noted wider impacts besides achieved and potential jobs, notably those linked to environmental improvements, including of the public realm.
- The highest achieved return is as a result of interventions to bring land back into use at 5.1 to 1. Including future potential, cross-cutting regeneration interventions are estimated to deliver the highest return on investment, at 9.8 to 1. The lowest return including future potential, although still positive, is from RDAs' interventions to promote regional image, events and tourism, which are expected to achieve a return on investment of 1.6 to 1.
- The interim nature of many evaluations means that performance against objectives has only been assessed for interventions covering less than half (44%) of evaluated spend. Of those evaluations which have made such an assessment, 27% of interventions by value were considered to have met or exceeded their objectives.
- There does not appear to be a clear relationship between value for money and either the scale of the intervention, its additionality or its performance against objectives.

## Introduction

This section considers the impact of RDAs' interventions to promote regeneration, in particular through physical infrastructure. The RDA spend covered by IEF compliant evaluations broken down by sub-theme is set out in Table 26.

**Table 26: Summary of evaluation evidence for regeneration through physical infrastructure interventions (2002/03-2006/07)**

Intervention sub-theme	Number of IEF compliant evaluations	Spend covered by IEF compliant evaluations (£m)
Bringing land back into use	40	746.3
Public realm	12	336.6
Image, events and tourism	14	206.2
Cross-cutting regeneration interventions	9	624.5
Other regeneration interventions	7	34.1
<b>Total</b>	<b>82</b>	<b>1,947.7</b>

Source: PwC analysis based on RDA evaluation evidence

## Rationale

### Bringing land back into use

RDAs have evaluated 40 interventions covering £746m of spend, with a common theme of land reclamation and development in order to bring mostly vacant or derelict land back into economic use. The land that has been brought back into use has been re-developed for a range of purposes including offices, business parks, entertainment and leisure facilities, housing and other uses. The scale of intervention ranges from NWDA's Kingsway Project in Widnes (at a cost of £750,000) to YF's Renaissance Towns and Cities programme (£96.8m).

Interventions to bring land back into use have often taken place in areas of deprivation or of strategic regional significance. RDAs have viewed their investments as critical to securing employment, stimulating wider regeneration and improving public sentiment or building investor confidence, particularly that of the private sector. For example:

- NWDA's Ancoats Regeneration Programme aimed to develop an area with derelict and unfit buildings on the edge of Greater Manchester which was suffering from crime, vandalism and anti-social behaviour, to improve the area's image and infrastructure and allow it to benefit from the wider regeneration of the Greater Manchester area;
- SEEDA developed a series of mixed use sites in locations of strategic significance which required infrastructure improvements, such as Rochester Riverside, Rushenden and Shoreham;
- YF's Bradford Centre Regeneration programme sought to deliver the large-scale regeneration of Bradford city centre, delivering physical improvements through partnerships; and
- SWRDA's Workspace projects addressed the high costs faced by the private sector from contaminated land or fragmented land ownership, to overcome issues such as environmental contamination and demonstrate the value to private sector investors of investing in workspace projects.

There are some common themes in the RDAs' rationales for intervening to bring land back into use. Addressing the negative externalities associated with vacant, derelict or contaminated land figure strongly in the evaluation evidence: these are frequently environmental (such as pollutants and contamination) or social (such as crime and vandalism) in nature. Equity arguments to support the regeneration of certain locations, particularly through infrastructure improvements, also figure strongly. These locations are

frequently in areas of deprivation which suffer from low employment levels, low quality office and industrial facilities, poor housing and environmental degradation.

### **Public realm**

RDAs have evaluated 12 'public realm' interventions, covering £337m of expenditure, which largely focus on improving the quality of the built environment, streetscape and the quality of physical infrastructure. Transport and community infrastructure projects also fall under this sub-theme. The evaluated interventions vary in scale from NWDA's Historic River Wall, Chester project (£850,000) through to ONE's Quality of Place programme (£180.9m).

The evaluated public realm interventions have taken place in largely urban locations, such as town and city centres. A common rationale running through the interventions has been the desire to improve the image of public spaces, frequently as a means of promoting wider regeneration and attracting inward investment, often through leisure and tourism. Transport projects have focused on improving regional infrastructure. Some public realm examples include:

- ONE's Quality of Place Programme included investment in streetscapes, transport infrastructure and cultural, historical and natural assets aimed to encourage new development in city centres, attract and retain businesses and improve tourism and cultural amenities;
- NWDA's LV Public Realm project focused on the cities of Liverpool, Manchester and Preston and sought to improve green spaces and environmental quality, nurture the natural and built environment, improve road and rail infrastructure and promote the region's image in order to encourage public and private sector investment;
- SEEDA's Dover Town Investment Zone project sought to improve public spaces, cultural and leisure facilities, landscaping and street furniture, with the aim of improving and diversifying locations to live and trade for people and businesses;
- EEDA's Integreat Yarmouth project invested in public realm improvements as part of an approach to improve the tourist offer and increase visitor numbers;
- SWRDA's transport projects aimed to develop airport infrastructure across the region; and
- YF's Rail Rolling Stock project looked to improve regional train capacity.

The rationale for intervening in public realm improvements, as outlined in the evaluation evidence, is frequently associated with the provision of public goods (improving the physical environment for all), addressing negative externalities associated with vacant, derelict or contaminated land (such as crime, deprivation and pollution), or encouraging perceived positive externalities (such as inward investment) resulting from better infrastructure and an improved physical landscape.

### **Image, events and tourism**

RDAs have evaluated 14 interventions, covering £206m of expenditure, including land remediation, developments of and improvements to tourist facilities, the staging of events and the marketing of tourist destinations. These interventions are generally smaller in scale than those in the other physical regeneration sub-themes and range from NWDA's Liverpool Biennial International Festival project (with £500,000 funding) through to LDA's Visit London programme (£45.8m). Other examples include:

- NWDA's LV Waterfront Construction Impacts project which aims to remediate poor site conditions on Liverpool Waterfront and provide a museum and public space;
- EEDA's Firstsite:newsite project is developing a new arts complex in Colchester to support a popular tourist attraction (Firstsite) that has outgrown its existing premises;
- SWRDA's Eden Project reclaimed 160 acres of derelict land in Cornwall and developed a visitor attraction on the site of an old quarry; and

- EMDA's Visitor attractions site development programme has supported the development of a range of visitor attractions across the East Midlands.

The evaluation evidence outlines some common themes in the RDAs' rationale for intervening in image, events and tourism activities:

- several interventions have sought to address the negative externalities associated with vacant, derelict or contaminated land (such as economic underperformance), with land remediation being seen as a necessary first step;
- many interventions have sought to overcome imperfect information, as the inability of fragmented businesses to effectively co-ordinate activities such as tourism marketing may result in economic under activity and underperformance. Interventions to co-ordinate tourism marketing activity have been designed to increase awareness of regional attractions and generate positive externalities through increased spending in the region and elsewhere;
- equity and public good arguments to support the use of an enhanced regional image and an improved tourist offer as tools of wider regeneration also feature strongly.

### **Cross-cutting regeneration interventions**

Nine cross-cutting interventions, covering £625m of expenditure, have been evaluated which include large, multi-faceted programmes that cut across different sub-themes, ranging in size from AWM's Land and Property programme (£261m), which covers AWM's key physical regeneration interventions in the relevant period, through to NWDA's Central Park programme (£18.3m).

The cross-cutting interventions have responded to a range of circumstances similar to those discussed above. Examples include:

- AWM's Land and Property Programme included the purchase and development of strategically important sites to the region, undertaking projects that were not commercially viable for the private sector and establishing landmark developments to build confidence in particular locations;
- the regeneration element of LDA's London Riverside area programme included land acquisition, site remediation, development of transport and utility infrastructure, marketing and policy development;
- NWDA's Liverpool Land Development Company aimed to bring about economic and physical regeneration in four strategic investment areas of Liverpool through the remediation and development of derelict, contaminated or under-utilised land; and
- SWRDA's Rural Renaissance programme covered activities including physical development projects, marketing, research and business advice.

### **Other regeneration interventions**

The RDAs have also undertaken a range of miscellaneous projects, particularly those related to strategy, policy and co-ordination. Seven have been evaluated, covering £34m of expenditure, including:

- EEDA's Inspire East project (£1.2m) is the regional centre of excellence for sustainable communities in the East of England; and
- YF's Renaissance South Yorkshire intervention has overseen the implementation of regeneration projects in South Yorkshire, particularly those related to the National Coalfields Programme.

These interventions have largely been established to support effective policy development and implementation of regional regeneration initiatives (and thus overcome the market failure of co-ordination failure).

It should be noted, however, that the evaluations did not identify any quantifiable gross or net attributable outputs associated with these regeneration interventions.

## Impact

The gross and net outputs of RDAs' physical regeneration interventions are shown in Table 27 together with the additionality of the key outputs generated under this theme. As the table illustrates, 55 out of the 82 evaluations in this sub-theme (covering £1,558m out of a total spend of £1,948m) contain estimates of gross and net jobs created and safeguarded; 24 evaluations contain gross and net land remediation outputs and 12 contain gross and net business creation outputs.

**Table 27: Summary of physical regeneration achieved outputs and additionality (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
<b>Bringing land back into use</b>					
Jobs created/safeguarded	32	560.0	26,687	13,300	50
Land remediated	11	191.5	45.7	40.3	88
Businesses created	4	101.0	106	81	76
<b>Public realm</b>					
Jobs created/safeguarded	8	295.4	6,151	2,484	40
Land remediated	4	207.7	256.9	148.4	58
Businesses created	3	35.5	93	73	78
<b>Image, events and tourism</b>					
Jobs created/safeguarded	6	78.5	2,909	992	34
Land remediated	1	38.0	0.5	0.5	100
Businesses created	1	30.7	7	4	57
<b>Cross-cutting regeneration interventions</b>					
Jobs created/safeguarded	9	624.5	18,616	7,854	42
Land remediated	8	580.0	368.8	300.8	82
Businesses created	4	337.7	224	122	54
<b>Regeneration through physical infrastructure – total</b>					
Jobs created/safeguarded	55	1,558.4	54,363	24,630	45
Land remediated	24	1,017.2	672.0	490.1	73
Businesses created	12	504.9	430	280	65

Source: PwC analysis based on RDA evaluation evidence

Table 27 shows that the RDAs' physical regeneration interventions were estimated to have created or safeguarded over 54,000 gross jobs and nearly 25,000 net jobs at the regional level. Interventions under this theme also resulted in the remediation of almost 500 hectares of land (net) and contributed to the creation of nearly 300 net additional businesses. The largest impact has been achieved as a result of bringing land back into use and cross-cutting regeneration interventions sub-themes, which are the sub-themes with the largest expenditure.

The extent of additionality associated with different outputs has varied. Across the theme, the net impact has been highest for land remediation (73%). The net impact of business creation (65%) and job creation (45%) was also significant. Across the sub-themes:

- the additionality of job creation has ranged from 34% to 50% across the four sub-themes, with interventions to bring land back into use achieving the highest net employment impact and image, events and tourism interventions the lowest;
- net land remediation impacts have been generally high across the sub-themes, with the available evidence suggesting that for the major areas of spend the net impact of land remediation has been highest for interventions to bring land back into use, at 88%; and
- the limited evidence available on business creation impacts suggests that the net impact has been fairly high, at 65%, with public realm showing the highest net impact (78%).

At 45%, the net job creation impact of the regeneration through physical infrastructure interventions is similar to that of the interventions under the business development and competitiveness (48%) and people and skills (48%) themes. At 65%, the impact on net business creation is higher than the business theme (40%) but lower than the people and skills theme (82%). There are no comparisons available for land remediation, as this has not been reported consistently in other themes.

The components and levels of project or programme additionality vary significantly between interventions. On average, deadweight is 37% across interventions within the theme. It is greatest amongst the cross-cutting interventions (45%) and least for public realm and image promotion interventions (29% and 28% respectively). Displacement, on average, is 21%: it is greatest for interventions which have brought land back into use (26%) and least for the other place based interventions (8%). Leakage averages 9% across the interventions. Substitution is not a significant factor. The evaluation evidence does not suggest any clear patterns between the size and type of intervention and levels of additionality.

Table 28 outlines the gross and net future potential outputs that have been identified in the evaluation evidence. It shows that the RDAs' physical regeneration interventions were expected to create a further 50,000 gross jobs and over 22,000 net jobs. Interventions in this theme were also expected to result in a further 170 net additional hectares of remediated land and an additional 28 net businesses created.

**Table 28: Summary of physical regeneration future potential outputs and additionality (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
<b>Bringing land back into use</b>					
Jobs created/safeguarded	15	286.2	12,852	6,645	52
Land remediated	3	131.0	29.7	28.2	95
Businesses created	1	26.2	25	6	24
<b>Public realm</b>					
Jobs created/safeguarded	2	54.2	1,805	1,184	66
Land remediated	1	19.8	22.7	22.7	100
Businesses created	1	19.8	12	10	83
<b>Cross-cutting regeneration interventions</b>					
Jobs created/safeguarded	4	408.2	35,535	14,859	42
Land remediated	4	438.5	210.0	117.0	56
Businesses created	1	261.4	19	12	63

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
<b>Regeneration through physical infrastructure – totals</b>					
Jobs created/safeguarded	21	748.6	50,192	22,688	45
Land remediated	8	589.3	262.4	167.9	64
Businesses created	3	307.4	56	28	50

Source: PwC analysis based on RDA evaluation evidence

Many of the interventions were evaluated at a relatively early stage in their lifecycle, when much of the physical regeneration had been completed but with the full employment effects still to be realised. This is reflected in the balance between the achieved and future potential outputs: whereas the number of future potential jobs for this theme (22,688) is similar to the estimated number of achieved jobs (24,630) (despite being driven by just 21 evaluations compared with the achieved total of 55), a much larger proportion of net impact with respect to land remediation and business creation had already been achieved by the time of evaluation.

As well as being driven by a smaller number of evaluations, the future potential totals are based on a series of evaluators' expectations of future impact. These potential outputs are inherently sensitive to changes in future economic conditions. There must, therefore, be a significant degree of uncertainty about the exact scale of likely impact of RDAs' physical regeneration interventions.

As with achieved outputs, the largest future potential outputs are expected to occur through interventions which bring land back into use and cross-cutting regeneration interventions sub-themes.

The achieved and future potential impacts of the RDAs' regeneration through physical infrastructure interventions on GVA are outlined in Table 29. We have calculated these GVA impacts on a consistent basis across all interventions nationally, using the estimate of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three estimates are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of the benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of the benefits).

**Table 29: Summary of impact of physical regeneration interventions on GVA (2002/03-2006/07)**

Sub-theme	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>49</sup>	Achieved & future potential GVA (cumulative NPV, £m)
Bringing land back into use	560.0	549.6	2,846.1	399.6	2,595.0
Public realm	295.4	99.1	524.6	91.1	792.3
Image, events and tourism	78.5	39.5	68.9	78.5	127.8
Cross-cutting regeneration interventions	624.5	333.7	1,727.9	529.6	5,202.6

<sup>49</sup> Spend has been excluded for those evaluations where future potential has not been assessed, in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

Sub-theme	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>49</sup>	Achieved & future potential GVA (cumulative NPV, £m)
<b>Total</b>	<b>1,558.4</b>	<b>1,021.9</b>	<b>5,167.4</b>	<b>1,098.8</b>	<b>8,807.7</b>

Source: PwC analysis based on RDA evaluation evidence

The 54 evaluated interventions that have recorded gross and net impacts, covering expenditure of £1,558m, have achieved an annual impact on GVA of £1,022m. We estimate that the NPV of the GVA associated with the achieved outputs, which reflects expected persistence of the benefits, is £5,167m. When future potential outputs are also included, the NPV of the GVA of the achieved and potential outputs of the interventions rises to £8,808m.

A comparison between the achieved and potential GVA figures reinforces our earlier comments about the stage in interventions' lifecycle at which they were evaluated. The GVA impact of all four sub-themes is expected to rise significantly over time once the persistence of achieved outputs is factored into the calculation and after future potential outputs and their persistence are included. At £8,808m, the overall impact of this theme is anticipated to be almost nine times as much as its current impact (£1,022m). Even excluding potential outputs, when the persistent GVA effects of achieved outputs are estimated, the anticipated GVA impact (£5,167m) is expected to be five times the current impact.

The GVA impacts outlined in Table 29 are sensitive to the assumptions we have applied in terms of the persistence of benefits and to the accuracy of evaluators' expectations of future outputs. With so much of the theme's impact still to be achieved, there is significant uncertainty about the exact scale of the impact of RDAs' spending in this theme.

We have also examined the sensitivity of our estimates of the impact on GVA to the assumptions we have made. The key sensitivity is in relation to the rate of decay of the benefits: if the benefits do not decay at all (rather than the assumed rate of 10% per annum), then the NPV of the estimated benefits of RDAs' spend on bringing land back into use and public realm would be 42% and 45% higher respectively.

## Strategic Added Value

Besides the impact of their project and programme spend, SAV is also a key element of the RDAs' impact for this theme. RDAs have provided evidence of their SAV in relation to major regenerative outputs, examples of which are shown in Case Study 3. The RDAs have also adopted a range of different and innovative approaches to promoting property development. Case Study 4 describes how two of them – ONE and EMDA – have implemented innovative new approaches to meet the regional needs for business space.

### Case Study 3: Regeneration

Three initiatives illustrate the impact of RDAs' regeneration activities.

#### NWDA's Ancoats programme

Ancoats was a failing local economy plagued by unemployment, poor public realm and anti-social behaviour. NWDA developed a 'Tripartite Strategy' involving partners like New East Manchester Urban Regeneration Company (NEM URC), Heritage Works, Manchester City Council (MCC) and the private sector. The regeneration package contained:

- supplementary planning guidance (Manchester CC);
- public realm works (NEM URC); and
- underpinning Compulsory Purchase Order – NWDA was the first RDA to use these powers - and gap funding (NWDA).

The partners have shared expertise within an integrated intervention framework as no single partner was seen as capable of delivering the activity due to its scale, complexity and individual partner remits. Through effective investment decision making and planning by local partners, the NWDA secured the required level of certainty for land holders/developers to share risk in the investment. It is estimated that £332m of private leverage will be achieved, alongside £24m of other public funding.

#### SEEDA's Hastings and Bexhill programme

SEEDA brought together key, politically disparate stakeholders behind a shared vision to regenerate the Hastings and Bexhill area through a Five Point Plan involving urban renaissance, business support, educational improvement, broadband and transport. It also influenced its partners to take action and this led to major commitments from key national bodies: for example, the national Learning and Skills Council (LSC) decided to overhaul 16+ education in the area and build two new college campuses. Also, major improvements to the road infrastructure between Hastings and London have been prioritised by the Regional Transport Board and ministers at SEEDA's behest. Overall, the programme has attracted funding of £112m from the LSC, £7m from Higher Education Funding Council for England (HEFCE), £9m from European Regional Development Fund (ERDF), £15.1m from English Partnerships (EP), £9m from Network Rail, £21.7m from local authorities and £21m from the Primary Care Trust. East Sussex County Council is leading delivery of the £89m Hastings & Bexhill Link Road. Private sector funding is vital: £15m of bank finance is being spent with up to £120m committed.

#### EMDA's Avenue programme

EMDA has been involved in the regeneration of The Avenue, a 98 hectare former coking works near Chesterfield in Derbyshire. The site was amongst the most highly polluted sites in Western Europe, with contaminants too toxic for disposal without prior treatment, even in hazardous landfill sites.

The Avenue, which is the largest project within the National Coalfields Programme, was transferred to EMDA from EP in 2001. EMDA has built a broad partnership (including community groups, environmental groups, economic development partners, regulators and EP) to bring forward the remediation, reclamation and redevelopment of the site. It has also developed extensive systems of stakeholder engagement. It initiated early involvement, and subsequently ongoing consultation, with end users (including a public consultation exercise to design the site and a public exhibition) and regulators, which staved off the possibility of enforcement action. It also consulted with the planners and community at large which eased the passage through the planning process and kept the community on board with the approach being adopted.

It has also established a mechanism to encourage innovation and achieve best value through the tendering process. The site has become a demonstration of sustainable technologies and the project has promoted good practice from its inception, winning several awards for its innovative approach to remediation.

On completion in 2014, three-quarters of the site is expected to become open space, with new amenity areas, sustainable ecological habitats and wetlands. One quarter of the site is designated for mixed use development.

Sources: EMDA, NWDA and SEEDA

## Case Study 4: Innovative property partnerships – Buildings for Business and blueprint

### ONE's Buildings for Business

In 2004, ONE launched 'Buildings for Business' as a public-private partnership with UK Land Estates Ltd. The aim was to draw on private sector expertise to use the Agency's property assets in a more innovative way to provide a source of high-quality sites and premises for businesses, so achieving greater value for the region. ONE transferred assets worth £117m consisting of 16 million square feet of industrial and commercial property and 55 acres of land spread over 54 estates.

The company is structured to allow the portfolio to be geared and to raise finance to further fund development activity. In addition, ONE is able to use the annual income from the Partnership to invest in the wider economic activity of the Agency. Approximately £42m was raised over a two year period to reinvest in the property development activity of The North East Property Partnership (NEPP)<sup>50</sup>. Buildings for Business has supported wider regeneration in the North East by creating additional financial flexibility so that ONE can invest in other projects.

Buildings for Business shows how ONE has encouraged greater private sector involvement to deliver the RES priorities. By developing projects which are funded from the surpluses of the portfolio and contribute to the delivery of the RES aims, ONE has demonstrated an additional benefit of Agency activity. This benefit may not have been realised if the Agency had taken a different approach, for example by divesting its portfolio entirely.

### EMDA's 'blueprint'

Another example of a partnership is provided by EMDA, which established 'blueprint' in May 2005 as a property development company specialising in regeneration with the aim of kick-starting development in the region by leveraging in private sector funding and expertise. blueprint is a partnership with English Partnerships (EP) and Igloo Regeneration: half is owned by the public sector (EMDA 25%, EP 25%) and 50% by Igloo, a socially responsible investor managed by Morley Fund Management. Its remit is to deliver partners' social, economic and environmental agendas as well as provide a commercial return on the investment. As such, blueprint is committed to excellence in design, environmentally responsible development and regeneration outcomes that benefit a wide community of interests. It works closely in partnership with its stakeholders to shape appropriate and effective responses to identified challenges and act as the delivery arm of key stakeholders (typically partners, local authorities and Urban Regeneration Companies). Its principal focus is on projects where mainstream developers might struggle to deliver the outcomes desired where the right regeneration solution might not coincide with a purely market-driven approach. For example, in developing Nottingham's new Science Park, blueprint has focused on sustainable design to reduce carbon emissions and employ renewable energy sources.

Since 2005, £9m of private sector funding has been leveraged from Igloo and blueprint's investment portfolio has increased by 12%. blueprint's significant expertise in regeneration and financial resources has increased regeneration activity in the URC areas.

The initiative was awarded the East Midlands Property Deal of the Year Award in 2005 and was a 'highly commended' finalist in the 2007 Regeneration and Renewal magazine award for Regeneration Partnership of the Year. blueprint has also attracted wide interest, including from government departments, local authorities and other RDAs, as an innovative means of delivering regeneration.

Sources: ONE and EMDA

## Value for money

We have assessed the value for money of RDAs' regeneration through physical infrastructure interventions in terms of achieved and future potential GVA to cost ratios and in terms of the unit costs of net outputs.

Table 30 presents the GVA to cost ratios for physical regeneration interventions by sub-theme. Overall, the achieved annual return in terms of impact on GVA on RDAs' regeneration through physical

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<sup>50</sup> NEPP is a joint venture limited liability partnership between ONE and UK Land that was entered into in April 2004 to manage a portfolio of industrial properties and land previously owned by ONE.

infrastructure interventions is 66p for every £1 invested. When the anticipated persistence of the benefits of achieved outputs is taken into account, the GVA to cost ratio rises to 3.3 to 1. Taking account of future potential outputs raises the GVA to cost ratio substantially, to 8.0 to 1.

**Table 30: Summary of GVA returns of physical regeneration interventions (2002/03-2006/07)**

Sub-theme	Expenditure covered by evaluations (£m)	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
Bringing land back into use	560.0	1.0	5.1	6.5
Public realm	295.4	0.3	1.8	8.7
Image, events and tourism	78.5	0.5	0.9	1.6
Cross-cutting regeneration interventions	624.5	0.5	2.8	9.8
<b>Total</b>	<b>1,558.4</b>	<b>0.7</b>	<b>3.3</b>	<b>8.0</b>

Source: PwC analysis based on RDA evaluation evidence

None of the four sub-themes had achieved a positive return on investment by the time of evaluation and only one – bringing land back into use – had achieved a 1:1 return, with the others all achieving a GVA impact that was significantly less than the investment. As noted earlier, however, many interventions have been evaluated at a relatively early stage in their lifecycle, when the full economic impact of the physical regeneration on GVA has yet to be felt.

Indeed, all four sub-themes were anticipated to achieve a return of at least 1:1 when the persistent effects of achieved outputs were taken into account, with the bringing land back into use sub-theme (at 5.1:1) achieving the best return based on achieved outputs.

When future potential impacts are included, cross-cutting regeneration interventions are anticipated to achieve the highest return on investment, at 9.8:1. Public realm interventions had achieved the lowest return on investment (0.3:1) at the time of evaluation but were anticipated to improve to 8.7:1 over time; the value for money of image, events and tourism interventions were predicted to improve the least over time, from 0.5:1 at the time of evaluation to a predicted level of 1.6:1.

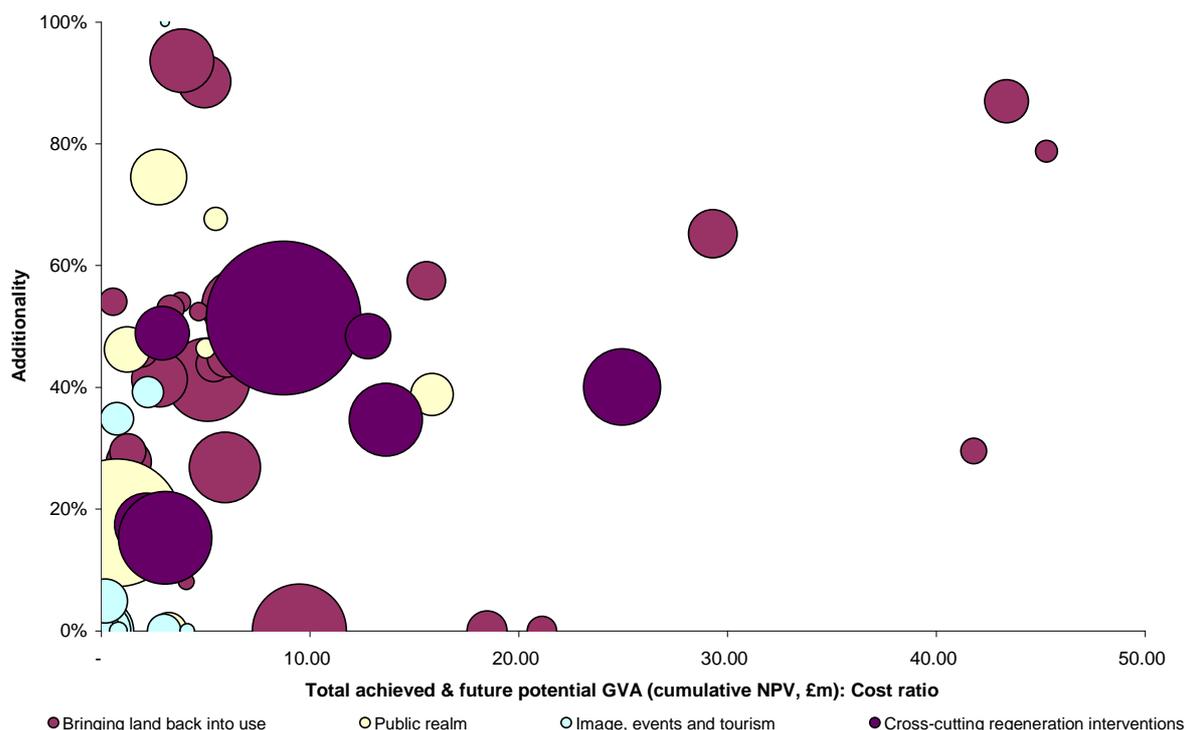
When the persistent effects of achieved and future potential outputs are taken into account, all regeneration through physical infrastructure sub-themes are predicted to achieve a positive return on investment. Overall, the theme is expected to achieve a return on investment of 8.0 to 1.

These GVA to cost ratios are highly sensitive to the assumptions we have applied in terms of the persistence of benefits and to the accuracy of evaluators’ expectations of future outputs, because so much of the theme’s impact is still to be achieved.

Figure 5 illustrates the relationship between the achieved and future potential GVA to cost ratios and additionality, with the size of the bubbles reflecting the scale of RDA expenditure.

The diagram does not indicate any clear relationship between the additionality of an intervention and its GVA impact. Therefore, it is not clear if interventions with higher net impact achieve better returns on investment. Likewise, there is also no clear relationship between the size of an intervention and its return on investment.

**Figure 5: Physical regeneration GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

Table 31 outlines the unit cost information for the regeneration through physical infrastructure sub-themes. Various measures have been calculated, where possible, with a focus on those outputs which the interventions have principally targeted, in this case job creation, land remediated as well as businesses created. Cost per net job is, however, the most commonly identified measure of cost-effectiveness. Across the theme, the cost per net job created was £63,271. The cost per net hectare of land remediated was £2.1m and the cost per net business created was £1.8m.

Between the sub-themes the amount of information to calculate unit cost information varied. From the information available, the bringing land back into use sub-theme generated the lowest cost per net job created (£42,000) and the public realm sub-theme generated the lowest unit costs for land remediation (£1.4m per net hectare remediated) and net business creation (£490,000). Public realm was, however, the most expensive sub-theme for job creation (£120,000). From the information available, interventions to bring land back into use were the most expensive at land remediation (£4.7m), with cross-cutting regeneration interventions the most expensive at most business creation (£2.8m). It should be remembered, however, that not all interventions were designed to achieve all of these outputs.

**Table 31: Physical regeneration cost effectiveness per unit of output (2002/03-2006/07)**

Sub-theme	Expenditure covered by evaluations (£m)	Cost per net job (£)	Cost per net hectare of land remediated (£)	Cost per net business created (£)
Bringing land back into use	560.0	42,101	4,748,326	1,246,914
Public realm	295.4	118,945	1,399,447	486,301
Image, events and tourism	78.5	79,133	n/a	n/a
Cross-cutting regeneration interventions	624.5	79,514	1,927,935	2,768,033
<b>Total</b>	<b>1,558.4</b>	<b>63,271</b>	<b>2,075,605</b>	<b>1,803,214</b>

Source: PwC analysis based on RDA evaluation evidence

## Performance against objectives

Table 32 summarises the performance of the interventions against their objectives, as assessed in the evaluations. Around half of all evaluations in this theme did not assess performance against objectives for the relevant interventions. This is likely to be largely as a result of the early stage many interventions were at when they were evaluated. It is also likely that some of the interventions that were assessed as having achieved a limited or mixed performance against objectives received that assessment because of the early stage at which they were evaluated. Of those evaluations which have made an assessment, 27% by value have met or exceeded their objectives.

**Table 32: Physical regeneration performance against objectives (2002/03-2006/07)**

Performance against objectives	Evaluations		Spend	
	Number	%	£m	%
Exceeded	3	4%	87.2	4%
Met	5	6%	152.4	8%
Largely met	11	13%	110.8	6%
Mixed	14	17%	400.7	21%
Limited performance	7	9%	123.6	6%
Not assessed	42	51%	1,073.0	56%
<b>Total</b>	<b>82</b>	<b>100%</b>	<b>1,947.6</b>	<b>100%</b>

Source: PwC analysis based on RDA evaluation evidence

The performance information available, therefore, is limited, and the information that is available does not present a clear picture in respect of the relationship between performance and value for money.

# People and skills interventions

## Summary

- The RDAs have spent approximately £0.9bn on a range of interventions linked to people and skills including skills development, matching people to jobs and developing the education infrastructure in the regions.
- We have reviewed 58 evaluations covering RDA spend of £409m.
- The evaluations show that RDAs' people and skills programmes have achieved significant outputs already:
  - just under 14,000 jobs have been created and safeguarded, of which 48% are estimated to be additional at the regional level;
  - over 54,000 people have been assisted into employment, of which 51% are estimated to be additional;
  - almost 250,000 skills assists have been delivered, of which 62% are estimated to be additional; and
  - over 700 businesses have been created, of which 82% are estimated to be additional.
- We estimate that the achieved cumulative impact on regional GVA (based on the net achieved jobs created and safeguarded where identified in the interventions evaluated) is £725m based on an investment of £290m. If future potential jobs are included, then the estimated impact on GVA increases only marginally to £730m, a return on investment of 2.5 to 1.
- We note that these estimates of GVA do not capture all the potential economic benefits of RDAs' investments in people and skills: some evaluations identified other impacts beyond jobs created/safeguarded which will have contributed to GVA. Specifically, it will not capture the impact on individuals' earnings potential and productivity if firms become more efficient and competitive.
- The highest achieved cumulative return is as a result of RDAs' interventions to improve the education infrastructure (5.2:1). The lowest returns are from RDAs' interventions to match people to jobs which offer a return on investment of 0.8 to 1.
- Over half of the interventions have exceeded, met or largely met their objectives (based on evaluated spend).
- There does not appear to be a clear relationship between value for money and either the scale of the intervention, its additionality or its performance against objectives.

## Introduction

This section considers the impact of RDAs' spending on interventions to support people and skills. The RDAs' spend covered by IEF compliant evaluations broken down by sub-theme is set out in Table 33.

**Table 33: Summary of evaluation evidence for people and skills interventions (2002/03-2006/07)**

Intervention theme/sub-theme	Number of evaluations	Expenditure covered by evaluations (£m)
Skills and workforce development	28	183.2
Matching people to jobs	17	80.5
Supporting the development of educational infrastructure	8	72.0
Hybrid – people	5	73.2
<b>Total</b>	<b>58</b>	<b>408.8</b>

Source: PwC analysis based on RDA evaluation evidence

## Rationale

### Skills workforce development

There are 28 evaluations that provide evidence of the impact of skills and workforce development interventions across the RDA network, covering £183.2m of expenditure. A number of these interventions have been delivered in conjunction with European Union funding (European Social Fund, ESF), such as the LDA's ESF Inclusion and Productivity programmes.

The interventions provide skills and training support to employers and individuals. Their common aim is to increase the supply of more skilled workers. Many of the interventions evaluated are programmes or multi-project interventions with diverse activities including:

- provision of information, advice and guidance for employers and individuals on available training and skills programmes;
- training needs analysis and identification of gaps in training provision;
- provision of training, either directly or through grant and matched funding; and
- sponsored work placements.

Some projects focused on demand led training programmes, where the employer or sector representative sets the training agenda to meet an identified gap in provision. Others provided training support to employers often focused on the needs of a particular sector to develop higher level and vocational skills. For example, EEDA's Construction Skills programme funded projects to encourage engineering students to consider construction as a career and to provide vocational training in various construction trades. YF's Directions Finningley, which was an initiative at the new Finningley airport in Doncaster, facilitated access to relevant services for employers and access to aviation and airport related training opportunities for individuals.

Interventions provided directly to individuals tended to focus on improving basic skills such as literacy and numeracy and providing assistance in accessing the labour market. For example, the LDA's Skills4Work<sup>51</sup> project provided pathways into training and employment in construction, social care, creative, production and services industries for unemployed and economically inactive individuals, with a focus on BME, women, lone parents, older people, disabled and refugees.

<sup>51</sup> Evaluated as part of the ESF Inclusion Programme.

The overarching aim of the projects and programmes is to improve workforce skills to increase the economic participation and productivity of each region's workforce, in order to drive growth in employment and stimulate GVA. The rationale for the skills and workforce development interventions is broadly consistent across the evidence base. Three sources of market failure were identified by evaluations:

- Many projects sought to overcome the reluctance of businesses to invest in training because they were unlikely to capture all of the benefits that accrue to the individual (who could leave the company). Some RDAs were motivated by evidence that investment by employers in training within the region lagged behind the national average. The additional benefits to individuals and society are positive externalities, which can be captured with government subsidy.
- Some evaluations found that the available training programmes did not meet employers' specific sector or skills needs rather than generic or general skills.
- Some interventions were designed to address skills gaps identified in particular occupations or sectors, by providing more information and direct employment or training support to employers and potential employees to enable a better match between the two groups.

Several programmes sought to achieve an equity objective to maximise opportunities and prosperity for individuals/groups excluded or disengaged from the labour market. Indeed, the focus of several interventions that provided support directly to individuals was to improve basic skills in order to enhance their ability to access the labour market.

### **Matching people to jobs**

Interventions which match people to jobs aim to improve the alignment between the demand for and supply of workers by helping marginalised workers to access opportunities for skills development, employment and enterprise. Several interventions across the network aimed to fill skills shortages in specific sectors, such as construction and childcare.

The primary rationale for these interventions was to improve the equity of labour market outcomes by targeting people typically marginalised from the workforce, such as BME, women, disabled and refugees. Examples of RDA interventions with equity objectives included SEEDA and LDA's projects to help offenders leaving prison overcome barriers to employment and SWRDA's project to provide support to help older workers back into the workforce, and to raise awareness amongst employers of the potential opportunities and benefits of recruiting older workers.

Some interventions also aimed to address information failures in the labour market. For example, YF's Graduates Yorkshire programme provided recruitment services and information to employers and graduates to strengthen links and opportunities between the two groups in order to increase retention of graduates in the region. The other market failure highlighted in evaluations was the positive externalities associated with increasing skills and employment, which would not be captured by individual beneficiaries.

The majority of the evaluated interventions (11 out of 17) are programmes, three of which are people based area regeneration programmes as follows:

- the EEDA programme, Investing in Communities, which replaced the SRB and targeted those excluded from the labour market where mainstream funding was not accessible;
- LDA's three evaluated area based interventions which identified the needs of employers and individuals and supported workforce development, in addition to delivering a range of business and place activities; and
- NWDA's Business and Employment Support Strategy Programme which sought to link areas of need with areas of opportunity by concentrating upon local communities, existing local businesses and new investors. While the majority of projects tackled issues concerned with access, hard to reach residents and skills and training provision, some also included business support initiatives.

## Supporting the development of educational infrastructure

RDAs have contributed funding to develop the educational infrastructure in their regions, often as part of a funding package to help an existing educational institution to either develop or relocate its facilities in order to expand. The main rationale for the RDA is to increase provision of further and higher education within the region, typically focusing on increasing the supply of higher level skills.

There are two instances of an intervention supporting the capital development of education infrastructure as well as direct training provision: Project Unity funded by NWDA and University College Barnsley funded by YF. The former merged two universities into the University of Manchester to create a centre of research excellence and represents in total £20m of expenditure, the second largest project in this sub-theme.

## Hybrid people evaluations

There are two significant evaluations, covering £69m of spend in this sub-theme, which have assessed the impact of diverse people and skills interventions: AWM's 'People and skills' evaluation covers £47m of expenditure and EMDA's 'Employment learning and skills' evaluation covers £22m of expenditure.

The rationale behind these hybrid people interventions is the same as those stated above for the skills and workforce development and matching people to jobs sub-themes. Both AWM and EMDA have sought to encourage the development of higher level skills in the workforce and to increase the demand for higher skilled jobs. EMDA also sought to address specific geographical areas within the region which suffer from high levels of deprivation.

## Impact

Table 34 summarises the gross and net outputs of people and skills interventions.

**Table 34: Summary of people and skills achieved outputs and additionality (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
<b>Skills and workforce development</b>					
Jobs created/safeguarded	7	107.7	1,398	1,023	73
Future potential jobs created/safeguarded	2	12.2	57	43	75
People assisted into employment	12	123.6	29,271	12,737	44
Skills assists	16	137.3	158,696	110,513	70
Businesses created	3	90.1	447	431	96
<b>Matching people to jobs</b>					
Jobs created/safeguarded	6	56.4	2,433	1,146	47
People assisted into employment	8	68.5	24,724	14,608	59
Skills assists	10	55.0	41,328	25,304	61
Businesses created	4	49.1	252	151	60
<b>Supporting the development of educational infrastructure</b>					
Jobs created/safeguarded	5	56.5	2,641	1,662	63
People assisted into employment	1	2.0	121	74	61

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Skills assists	5	49.7	12,828	7,701	60
Businesses created	2	38.7	29	14	48
<b>Hybrid people</b>					
Jobs created/safeguarded	2	69.5	7,464	2,893	39
Skills assists	1	47.1	33,600	8,744	26
<b>Total people and skills interventions</b>					
Jobs created/safeguarded	20	290.1	13,936	6,724	48
Future potential jobs created/safeguarded	2	12.2	57	43	75
People assisted into employment	21	194.1	54,116	27,419	51
Skills assists	34	289.1	246,452	152,262	62
Businesses created	9	177.9	728	596	82

Source: PwC analysis based on RDA evaluation evidence

The delivery of skills assists is one of the primary outputs of people and skills interventions. The 70% additionality of the skills and workforce development interventions is the highest sub-theme and exceeds the overall average for skills assists of 62%. Matching people to jobs and supporting educational infrastructure have similar levels of additionality to the overall average. The additionality of hybrid themes is unusually low, and is driven by the results of AWM's people and skills programme evaluation.

A large proportion of skills and workforce development interventions provide support to businesses to increase their investment in skills development. Many focus on vocational training, management skills and qualifications. The additionality of skills and workforce development interventions is higher across all outputs than that of interventions which match people to jobs.

A break down of the skills assists into basic skills and different qualification levels was not available uniformly across the evidence base. This limits our ability to assess the additionality and outcomes of higher level skills assists compared to basic skills. To some extent, the split between skills and workforce development interventions and matching people to jobs provides some indication about different levels of additionality between basic and higher level skills. However, in reality, the distinction is blurred as the programmes evaluated within each sub-theme deliver a mix of different types of skills assists.

The average additionality of jobs created and safeguarded is 48% across all the people sub-themes. As with skills assists, skills and workforce development interventions have achieved the highest additionality of net jobs, with matching people to jobs and supporting educational infrastructure somewhat lower, but around the overall average. The lower additionality of jobs created and safeguarded may reflect the focus of these interventions on increasing skills rather than directly creating job opportunities.

The components and levels of project or programme additionality vary significantly between interventions. Deadweight is on average 43% although this masks important variations: it is greatest amongst the cross-cutting and other people interventions. Displacement is 20% across the theme, but ranges from 48% for cross-cutting interventions to less than 10% for other people interventions. Leakage averages 12% across interventions. Substitution is a less significant part of additionality and averages 5% across the theme.

At 48%, the net job creation impact of the people and skills interventions is similar to those through regeneration through physical infrastructure interventions (45%) and business development and

competitiveness (48%). At 82% people and skills interventions have higher additionality for net business creation than either the business theme (40%) or the physical regeneration theme (65%).

Besides creating and safeguarding nearly 7,000 net jobs, the RDAs' interventions have also assisted over 27,000 people to get into employment. Slightly more than half were additional. This output differs from a job created or safeguarded in that it relates to support provided (only) to those who are either unemployed or economically inactive, or whose job is at risk.

When interpreting these data it is important to note the relatively limited number of evaluations of people and skills interventions. This largely reflects the fact that expenditure on this theme represents a relatively small proportion of RDAs' expenditure and many evaluations did not assess the additionality of skills assists and, hence, are excluded from the analysis. As a result, in some of the sub-themes, such as skills and workforce development, a few large programmes have generated the majority of the outputs. Therefore, the overall picture within the sub-theme is primarily comprised of the performance of projects within a few regions and do not provide a representative indication of impact across the RDA network.

The achieved and future potential impacts of the RDAs' people and skills interventions on GVA are outlined in Table 31. We have calculated these GVA impacts on a consistent basis across all interventions nationally, using the estimate of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three estimates are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of the benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of the benefits). People and skills interventions have achieved an estimated annual GVA contribution of £268.8m. Based on the assumptions we have made on the persistence of the benefits for each sub-theme, the cumulative achieved GVA is £725m.

The benefits of the skills and workforce development and hybrid people are assumed to last for three years, compared to one year for matching people to jobs. The persistence assumption for supporting development of educational infrastructure is ten years to reflect the capital nature of these interventions. No future potential jobs are expected except for skills and workforce development, which does not increase significantly the total returns.

**Table 35: Summary of impact of people and skills interventions on GVA (2002/03-2006/07)**

Sub-theme	Number of evaluations	Expenditure covered by evaluations (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Achieved & future potential GVA (cumulative NPV, £m)
Skills and workforce development	7	107.7	40.5	99.4	104.1
Matching people to jobs	6	56.4	47.6	47.6	47.6
Supporting the development of educational infrastructure	5	56.5	62.8	294.9	294.9
Hybrid people	2	69.5	115.9	284.0	284.0
<b>Total</b>	<b>20</b>	<b>290.1</b>	<b>268.8</b>	<b>725.9</b>	<b>730.6</b>

Source: PwC analysis based on RDA evaluation evidence

As the GVA estimate is derived from net jobs created and safeguarded, it will underestimate the impact on GVA as it does not incorporate:

- any productivity gains that arise from greater efficiency of existing employees through investments in skills development;

- any further jobs associated with helping people to find employment (assuming such impacts are not also captured in jobs created and safeguarded); and
- any reduction in the time that people are not employed.

We have also examined the sensitivity of our estimates of the impact on GVA to the assumptions we have made. There are several key sensitivities:

- the benefits of matching people to jobs depends on the persistence of the benefits: for example, if the benefits were to persist over two years rather than one, the NPV of the cumulative benefits would be 97% higher;
- the benefits of skills and workforce development also depend on the persistence of the benefits: if the benefits were to persist over four years rather than three, the NPV of the cumulative benefits would be 25% higher: and
- the benefits from (capital) investments in education infrastructure depend on the rate of decay of the benefits: if the benefits do not decay at all (rather than the assumed rate of 10% per annum), then the NPV of the estimated benefits of RDAs' spend would be 49% higher.

## Strategic Added Value

The RDAs have also added value through their impact on skills strategy and provision. Case Study 5 describes how SEEDA, EMDA and LDA have responded to the Government's National Skills Strategy<sup>52</sup> which announced the formation of Regional Skills Partnerships (RSPs) aimed at maximising the contribution that skills make to productivity. All the RDAs have developed an RSP that fits their own region's needs, so each region's approach and how they achieved SAV is distinct.

### Case Study 5: Regional Skills Partnerships

#### SEEDA

SEEDA worked with the LSC, business and its partners to ensure that colleges are more responsive to business needs by developing and delivering the Action for Business College programme. Over the period 2004-05, the first six Action for Business Colleges projects have increased fee income from employers by 35% (to over £7 million), raised the number of employer clients by 26% (to 6,676), increased the number of employers receiving customised courses by 51% (to over 1,000) and enhanced the number of employees receiving training by 18% (to 19,719). Finally, SEEDA's investment of £500,000 has leveraged further £300,000 from other partners.

In addition, SEEDA, in partnership with the LSC, brought key stakeholders around the table, including Business Links, to develop the Regional Skills Brokerage (RSB) model. The programme put the partners in a very strong position to bid for and, subsequently, win the three-year £15m Train-to-Gain contract.

Finally, SEEDA addressed technical and intermediate level skills shortages by developing the Training Pools programme involving employers, Sector Skills Councils and training providers in the design and delivery of pilot projects that implement training solutions not currently being met in the region by existing Further Education or Higher Education providers.

#### EMDA

EMDA took the strategic lead in establishing and developing the East Midlands Employment, Skills and Productivity Partnership (esp). An evaluation of the impact of esp shows that:

- all stakeholders were clear about the rationale and strategic fit of the esp;
- there was an improved understanding of each organisation's respective role and areas of overlap;
- there was increased levels of networking between partner organisations (extending beyond formal

<sup>52</sup> 21st Century Skills (2003)

meetings) and better identification of areas for joint delivery; and

- there was a better understanding of the issues and improved trust and cooperation with the organisations involved.

The joining up of the Business Link and Train-to-Gain services into a single service (delivered by East Midlands Business) was seen as being the biggest benefit of the partnership. EMDA and the LSC have linked their capital investment plans to reduce duplication and add value to investment in colleges; EMDA and the LSC have also co-ordinated investment in the production of a joint IT platform (the Regional Business Support Information System) to reduce duplication and improve information gathering on engagement with employers by Business Link and Train-to-Gain skills brokers.

### **LDA**

A taskforce of London-based skills and employment organisations met in 2006 to make recommendations to inform skills and employment activities relating to the London 2012 Olympic and Paralympic Games, resulting in the LEST Action Plan. The Action Plan aims to maximise the ability of the 2012 Games to motivate individuals to engage in training and job searches, to involve employers in the proactive design and delivery of relevant training and work experience options and to improve access to sustainable employment for Londoners.

All LEST initiatives have required joint working across regional stakeholders towards shared strategic objectives. Partners agree that LEST activity, harnessing the focus provided by London 2012, has facilitated an increased degree of co-ordination, alignment and partnership working that was previously lacking amongst partners.

No outcomes have been published yet. However, against the 70,000 target above, 2,543 people went into work during 2007/08 and a further 1,343 have entered employment up to 30 June 2008. Thousands more have received training and employability support. A programme impact evaluation will determine how many of these outcomes are attributable to LEST. In addition, the LDA's investment has levered not only other cash support but also contributions in the form of staff, expertise and contacts from partners.

The LDA's facilitation of, and resource invested in, the LEST Implementation Group has enabled better information exchange, coordination of activity and encouraged shared goals and ownership of the Action Plan by partners. This effective joint working ensures the best outcomes are achieved and benefits maximised. Partners have been engaged in developing the plan and related documents (e.g. communications plan, the specification for the Employer Accord, evaluation plan).

Source: SEEDA, EMDA and LDA

Case Study 6 describes how two RDAs – EEDA and NWDA - have influenced the shape of higher education provision in their respective regions by influencing national decision making.

### **Case Study 6: Developing the higher education system**

#### **EEDA**

EEDA identified higher education as a weakness generally in the regional economy, with lower levels of higher qualifications than the national average. In response, EEDA commissioned a study to analyse participation patterns (including geographically-defined "hot" and "cold" spots) and the growth plans of HEIs in the region. On this basis, EEDA was able to develop a coherent and compelling case for improving the provision of higher education in the region to the Higher Education Funding Council for England (HEFCE). One of the projects identified was the development of the University of Essex at Southend.

As a result of EEDA's intervention, the Southend Campus is expected to grow to accommodate 5,000 students each year, offering the prospect of long-term benefits in terms of physical regeneration and economic development. The appraisal of the project suggests that 500-1,000 jobs could be generated over a 15 year period: this is seen as a significant return on the investments made and the regeneration of the town and the wider Thames Gateway South Essex sub-region, endorsing the important role played by EEDA in stimulating this activity.

## NWDA

As part of its economic plan, NWDA has taken forward three projects to stimulate higher education provision in the North West:

- **Project Unity:** NWDA played an influential role in the development of a university in the region of international standing with the critical mass needed to support the development of a knowledge driven city through a merger of existing institutions. NWDA's funding helped the University stimulate the development of high growth potential companies in key growth sectors. It also shaped the strategic relationship with the University of Manchester, HEFCE and the (then) Office of Science & Technology. The NWDA's support also enabled the University to target community and social inclusion activities, such as engagement with deprived communities in Manchester. Finally, the NWDA brought the two universities together to ensure the best use of resources and central services.
- NWDA supported the HE/FE and Enterprise project in Burnley which sought to create a holistic vision for education and training with the aim of generating confidence in an underperforming area which had been reliant on traditional manufacturing, low paid, low value activity. The NWDA strategically influenced the need to provide skills to attract new companies and help them move up the value chain. The new campus has provided physical regeneration of a vacant site, and will attract companies onto the adjacent Enterprise Park. The campus integrates secondary school infrastructure, with FE and HE provision which supports the wider regeneration initiative in Burnley. The NWDA's role has been to ensure implementation of this wider vision and linkage of education and skills to enterprise and business support.
- NWDA brought together various partners to establish the University of Cumbria and so contribute to the retention and attraction of talent as a key part of the regeneration of Cumbria. NWDA, through its strategic influence and investment, ensured that the development of the University established an estate which is fit for purpose to serve the academic character of the University. The delivery of the estates plan and potential investment of £36m in a total cost of £163m has involved NWDA working in a coordinated approach partnership with FE, LSC, HEFCE and the Strategic Funders Forum.

Source: EEDA and NWDA

## Value for money

The value for money of people and skills interventions is indicated by the ratio of the impact on GVA to the cost and the net unit costs.

Table 36 shows the GVA to cost ratio for each sub-theme and overall. The achieved annual return on investment of people and skills interventions is 0.9:1. Support for developing the education infrastructure and hybrid skills interventions has generated the highest returns on investment. One of the main reasons for this is that the latter years of AWM's people and skill programme focused on skills and workplace development which appear to deliver higher number of jobs, albeit in this case at a lower level of additionality.

The returns on the interventions which develop skills and the workforce and match people to jobs are below the average of 0.9:1. This is due to a number of factors such as the higher cost of providing support to hard to reach groups. We also note that these estimates of GVA do not capture all the potential benefits of RDAs' investments in people and skills: specifically, they exclude the impact on productivity if firms become more efficient and competitive or individuals' earnings potential is enhanced.

When assumptions are applied relating to the persistence of the benefits of people and skills interventions, the achieved cumulative GVA to cost ratio increases to 2.5:1. This is driven by the assumption that the benefits from skills and workforce development and hybrid people interventions will last for three years. In contrast, the benefits from matching people to jobs are expected to be realised within one year of the intervention, therefore the cumulative GVA is the same as the annual return. For educational infrastructure, the significant increase in the ratio is driven by the assumption that benefits are expected to last for 10 years due to the capital nature of the intervention.

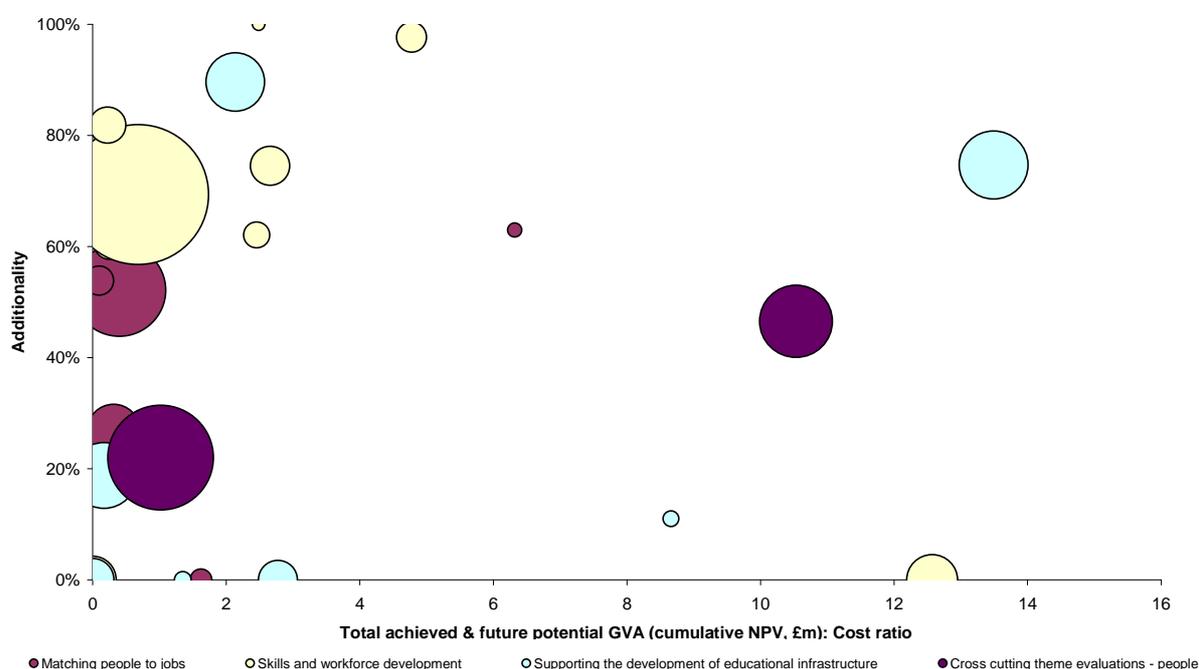
**Table 36: Summary of GVA returns of people and skills interventions (2002/03-2006/07)**

Sub-theme	Number of evaluations	Expenditure covered by evaluations (£m)	Achieved annual GVA:cost ratio	Achieved cumulative NPV GVA:cost ratio	Achieved & future potential GVA (cumulative NPV):cost
Skills and workforce development	7	107.7	0.4	0.9	1.0
Matching people to jobs	6	56.4	0.8	0.8	0.8
Hybrid people	2	69.5	1.7	4.1	4.1
Supporting the development of educational infrastructure	5	56.5	1.1	5.2	5.2
<b>Total</b>	<b>20</b>	<b>290.1</b>	<b>0.9</b>	<b>2.5</b>	<b>2.5</b>

Source: PwC analysis based on RDA evaluation evidence

Figure 3 compares the cumulative NPV GVA returns of the sub-themes to their relative additionality in terms of jobs created and safeguarded. The size of programmes and projects does not seem to have a significant bearing on the performance of these projects.

**Figure 3: People and skills GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

The unit costs of people and skills interventions are summarised in Table 37. A range of such measures has been calculated, where possible, with a focus on the outputs which interventions have principally targeted, in this case people assisted into employment and with their skills, jobs created/safeguarded and businesses created. Cost per net job is, however, the most commonly identified measure of cost-effectiveness. The average cost per job is around £43,300, and £1,960 per skills assist. Consistent with the analysis above on the return on investment, hybrid people and educational infrastructure interventions

are the most cost-effective in terms of jobs. Jobs created and safeguarded by matching people to jobs are more expensive than the average, perhaps because they often focus on disadvantaged groups. However, skills and workforce development and matching people to jobs are most cost effective in terms of skills assists.

**Table 37: People and skill cost effectiveness per unit of output (2002/03-2006/07)**

Sub-theme	Cost per net job (£)	Cost per person assisted into employment (£)	Cost per skills assist (£)	Cost per net business created (£)
Skills and workforce development	105,268	9,677	1,242	209,049
Matching people to jobs	49,215	4,691	2,570	325,166
Hybrid people	24,007	n/a	5,387	n/a
Supporting the development of educational infrastructure	33,995	n/a	6,454	n/a
<b>Total</b>	<b>43,302</b>	<b>7,067</b>	<b>1,960</b>	<b>298,490</b>

Source: PwC analysis based on RDA evaluation evidence

## Performance against objectives

Of the interventions where performance against objectives has been assessed, the majority of people and skills interventions have met their programme and project objectives. As shown in Table 38, interventions that have exceeded objectives represent 31% of total expenditure, and 58% of expenditure has largely met, met or exceeded objectives.

**Table 38: People and skills performance against objectives (2002/03-2006/07)**

Performance against objectives	Evaluations		Spend	
	Number	%	(£m)	%
Exceeded	7	12	126.6	31
Met	5	9	21.6	5
Largely met	12	21	89.1	22
Mixed	18	31	54.8	13
Limited performance	3	5	9.5	2
Not assessed	13	22	107.3	26
<b>Total</b>	<b>58</b>	<b>100</b>	<b>408.9</b>	<b>100</b>

Source: PwC analysis based on RDA evaluation evidence

# Single Regeneration Budget

## Summary

- SRB is a substantive part of RDAs' expenditure in the period of focus for this report (2002/03 to 2006/07), accounting for £1.9bn out of total RDA 'relevant spending' of 11.2bn.
- The primary aim of SRB was to enhance the quality of life of local people in areas of need by reducing the gap between deprived areas and other areas and between different groups in society.
- The SRB programme created or safeguarded around 85,000 net jobs across the nine RDAs. In addition, it enabled over 215,000 people to obtain qualifications through training schemes and supported over 4,000 new businesses that survived for at least one year. Nearly 17,000 hectares of land were improved or reclaimed for development and over 900 community enterprises were established.
- The SRB programme also provided a range of other economic and non-economic outputs to meet its diverse objectives, for example 1.5 million pupils benefitting from projects to improve attainment; 6,500 buildings brought back into use; 1,200 kilometres of roads improved; 90,000 council houses built or improved; 4,200 new health facilities built, and were used by 300,000 people; and 440,000 people attended crime prevention initiatives.
- The estimated potential impact on GVA based on the estimated number of net jobs created or safeguarded is £3.57bn per annum. If these benefits take one year to build up and persist for three years, decaying at 10% per annum, then the NPV of the achieved and future potential GVA would be £8.75bn.
- The SRB programme has leveraged significant other public and private funds to regeneration projects – across six RDAs, £1,005m of evaluated SRB spend leveraged additional funding from the public and private sectors of £2,658m.
- Based purely on the estimated impact on GVA arising from additional jobs, the GVA to cost ratio of the SRB programme is 4.5:1 (based on the NPV of the future potential impact on GVA).
- Evidence from the individual scheme evaluations suggests that SRB schemes' performance against their objectives was generally good, with objectives largely being achieved.

## Introduction

The Single Regeneration Budget (SRB) was an ambitious, multi-faceted regeneration programme which was launched in 1994 and ran for six Rounds, with the last schemes finishing in 2008. It sought to simplify and streamline regeneration funding and to promote a new way of tackling the problems faced by disadvantaged communities, by delivering sustainable change through local regeneration partnerships. The RDAs took over responsibility for SRB in 1999 (2000 in London) from the Government Offices.

The SRB programme supported over 1,000 SRB schemes across England, each containing a number of individual projects and received an estimated £5.8bn of funding, with total expenditure, including

leveraged funding, estimated at £26 billion<sup>53</sup>. As Table 39 illustrates, almost a quarter of these schemes were in London.

**Table 39: Number of SRB schemes by region and by Round**

	Round						Total
	1	2	3	4	5	6	
AWM	13	21	9	11	18	11	83
EEDA	13	9	9	7	11	16	65
EMDA	11	15	14	10	11	19	80
LDA	49	41	48	22	38	46	244
NWDA	35	19	33	21	23	20	151
ONE	29	17	20	12	16	19	113
SEEDA	19	24	19	14	24	21	121
SWRDA	10	11	14	10	8	18	71
YF	22	15	16	14	14	19	100
<b>Totals</b>	<b>201</b>	<b>172</b>	<b>182</b>	<b>121</b>	<b>163</b>	<b>189</b>	<b>1,028</b>

Source: CLG

All of the RDAs have undertaken meta-evaluations to assess the impact of SRB activity in their regions: three RDAs – AWM, EMDA and ONE – undertook their evaluations separately and the other six RDAs commissioned work jointly. In addition, NWDA has undertaken three evaluations of SRB projects in the North West.

SRB is a substantive part of RDAs' expenditure in the period of focus for this report (2002/03 to 2006/07), accounting for just under £2bn of the total RDA 'relevant spending' of £9.6bn across the nine RDAs (see Table 40). This expenditure declined over the period as the programme drew towards its conclusion. In practice, the majority of the spend was on SRB schemes funded in Rounds 3 to 6: these were the ones that RDAs were more effectively able to influence.

The evaluation evidence, which is based on evaluation reports with final (or assumed final) output and expenditure data or monitoring data, covers only part of the SRB programme. The meta-evaluation covering six of the nine RDAs collected evidence for 60% of SRB schemes in Rounds 3 to 6 and 67% of Rounds 3 to 6 expenditure.

<sup>53</sup> The Single Regeneration Budget: A Partnership for Regeneration – The Final Evaluation Report – Department of Land Economy, University of Cambridge, 2003.

**Table 40: RDAs' actual SRB expenditure (2002/03-2006/07) (£m)**

RDA	2002/03	2003/04	2004/05	2005/06	2006/07	Total
AWM	6.9	52.1	33.5	31.5	33.8	218.0
EEDA	28.0	16.6	10.9	7.0	2.4	64.9
EMDA	31.2	28.6	18.2	11.3	6.1	95.4
LDA	189.1	132.2	82.6	72.4	31.4	507.8
NWDA	46.2	97.6	66.8	67.9	43.2	321.8
ONE	n/a	n/a	n/a	n/a	n/a	204.9
SEEDA	37.4	41.1	23.1	20.3	6.9	128.8
SWRDA	15.6	12.3	11.5	9.6	6.2	55.2
YF	112.2	92.0	63.1	36.3	28.0	331.6
<b>Totals</b>						<b>1,928.4</b>

Source: PwC analysis based on RDA evaluation evidence

## Rationale

The rationale for SRB centred on the Government's desire to tackle social exclusion and promote equality of opportunity. The primary aim was to enhance the quality of life of local people in areas of need by reducing the gap between deprived areas and other areas and between different groups in society. Beneath this, a core set of common objectives underpinned the SRB throughout its six Rounds:

- improving the employment prospects of local people;
- encouraging economic growth;
- reducing crime;
- improving housing; and
- protecting and enhancing the environment.

The central tenet of SRB's delivery approach was the development of local partnerships that were able to deliver schemes specifically tailored to local circumstances. This devolution of responsibility for administering funds to local partnerships allowed a more flexible and innovative approach to local level regeneration.

## Impact

SRB schemes recorded outputs across sixty-three different output categories (defined by CLG) reflecting the broad economic and non-economic objectives of SRB schemes.

Table 41 presents the gross and estimated net outputs across the RDAs which most closely relate to key Tasking Framework outputs. It shows that the SRB programme created or safeguarded around 85,000 net jobs across the nine RDAs. In addition, it enabled over 215,000 people to obtain qualifications through training schemes and supported over 4,000 new businesses that survived for at least one year. Nearly 17,000 hectares of land were improved or reclaimed for development and over 900 community enterprises were established.

These are substantial outputs especially recognising that they are based on the collation and analysis of evaluations covering only a proportion of SRB schemes. They have made significant contributions to RDAs' performance against their objectives.

**Table 41: SRB 'core' outputs across all six participating RDAs<sup>54</sup>**

Output category	Gross outputs	Net outputs
Number of jobs created	115,673	47,334
Number of jobs safeguarded	88,398	37,817
Number of people trained obtaining qualifications	407,180	215,687
New businesses supported surviving 52 weeks	8,410	4,019
Land improved/reclaimed for development (hectares)	27,649	16,994
Number of community enterprise start-ups	1,186	925

Source: PwC/York Consulting analysis based on evaluation evidence provided by EEDA, LDA, NWDA, SEEDA, SWRDA and YF and evidence drawn from evaluations for AWM, EMDA and ONE

SRB schemes also provided a range of other economic and non-economic outputs to meet their diverse objectives. For example, the evaluation across six RDAs identified the following gross outputs across Rounds 3 to 6:

- 1.2 million person weeks of construction jobs were created;
- 1.5 million pupils benefited from projects to improve attainment;
- 1.1 million square metres of new business and commercial floorspace was created;
- 6,500 buildings were brought back into use;
- 1,200 kilometres of roads were improved;
- 90,000 council houses were built or improved;
- 4,200 new health facilities were built, and were used by 300,000 people; and
- 440,000 people attended crime prevention initiatives.

One of the major weaknesses of the evaluations of individual SRB schemes is that the vast majority have not estimated the net outputs of the schemes through primary data collection from beneficiaries. Instead, all three meta-evaluations use the additionality ratios derived in the National Evaluation to estimate the net outputs of the SRB schemes within scope. Although this approach is not ideal because the estimates reflect local rather than regional level impacts (reflecting the objectives of many SRB schemes) and are based on SRB schemes from Rounds 1 and 2 rather than those which are the focus of this report, it is a pragmatic response to the gap in the evaluation evidence.

Reflecting the quality of the evidence of net outputs, there is a limited basis from which to derive the outcomes of the SRB schemes, especially in terms of the impact on GVA.

We have estimated the potential impact on GVA on the basis of the estimated number of net jobs created or safeguarded. This indicates that the achieved GVA per annum is £3.57bn. If these benefits are assumed to take one year to build up and then persist for three years, decaying at 10% per annum, then the NPV of the achieved and future potential GVA would be £8.75bn.

None of the meta-evaluations has sought to provide a comprehensive quantitative assessment of the other outcomes of RDAs' SRB schemes. The scale and range of the net outputs recorded suggests, however, that SRB schemes are likely to have had a notable impact on communities as they are likely to

<sup>54</sup> Only jobs created and safeguarded have been estimated for all RDAs. AWM's evaluation does not capture data on the number of community enterprise start-ups and EMDA's evaluation provides no output data besides jobs

have benefited from the businesses that were supported, the people that were trained, the houses that were built or improved, the community facilities that were built, the land that was reclaimed and the crime and safety initiatives that took place.

In addition, some key themes around impact emerge from the evaluation evidence we have reviewed. Some reports noted an increase in the self-confidence, self-esteem and skills base of the individuals who participated in SRB projects; others reported an increased awareness of policing issues, a reduced fear of crime and increased feelings of community safety. Other impacts recorded across the localities include: an increase in those attending full-time education; a reduction in instances of domestic abuse; increased youth participation in sporting activities; reduced unemployment and benefit claimant counts; increased access to, and participation in, education, employment and business opportunities from ethnic minority groups; environmental improvements; and increases in the number and usage of community facilities.

Finally, the SRB programme has also had some success in leveraging significant other public and private funds to regeneration projects – the meta-evaluation of the six RDAs found £1,005m of evaluated SRB spend with leverage data in this meta-evaluation, which showed leverage from the public and private sectors of £2,658m, equating to leverage of £2.64 of public and private funding for every £1 spent on SRB.

## **Value for money**

Based purely on the estimated impact on GVA arising from achieved additional jobs, the GVA to cost ratio of the SRB programme is 4.5:1 (based on the NPV of the future potential impact on GVA). In interpreting this ratio, however, it is important to recognise that it takes no account of the wider benefits (beyond jobs) which have been delivered by SRB. As noted, SRB has delivered a diverse range of outputs and outcomes, not all of which have been or can be readily measured in economic terms.

It is also not possible to provide meaningful measures of the cost per net unit of output since expenditure cannot be matched to particular outputs.

As we have noted, the nature of SRB schemes means that it is difficult to compare them in impact and value for money terms with other RDA interventions. We note, however, that the return arising from additional employment is estimated to be significantly more than the cost of the SRB programme.

## **Performance against objectives**

Evidence from the individual scheme evaluations suggests that SRB schemes' performance against their objectives was generally good, with objectives largely being achieved. The evaluations did, however, record some wide variations in performance against target. For example, some of the evaluations themselves noted the difficulties that partnerships encountered in setting meaningful objectives across so many categories and in sometimes recording outputs accurately.

## **Conclusions**

In summary, the evaluation evidence suggests that many SRB schemes were successful in meeting their specific needs, were delivered in a coherent and cohesive way, had good project appraisal processes, had strong and committed leadership and had an effective Board containing active and representative participation from relevant sectors of the community. With so many schemes, however, there are inevitably instances of poorer performance

# Other RDA interventions

## Summary

- The RDAs have spent approximately £0.7bn on a diverse range of other interventions: the most significant group is a series of 'hybrid' interventions focused on specific local areas.
- We have reviewed 12 evaluations covering RDA spend of nearly £0.5bn.
- The evaluations show that RDAs' interventions have generated significant outputs already:
  - over 17,000 jobs have been created and safeguarded, of which almost half are estimated to be additional at the regional level, and a further 640 net jobs are anticipated in the future;
  - around 5,000 people have been assisted into employment, of whom 59% are estimated to be additional;
  - nearly 2,900 businesses have been created, of which 51% are estimated to be additional
  - over 21,000 businesses have been assisted, of which half are estimated to be additional;
  - almost 63,000 skills assists have been delivered, of which 57% are estimated to be additional; and
  - over 138 hectares of land has been remediated, of which 59% are additional.
- We estimate that the impact on regional GVA (based on the net achieved jobs created and safeguarded in the interventions evaluated) is £835m based on an investment of £359m. If future potential jobs are included, then the estimated impact on GVA increases to £895m, a return on investment of 2.5 to 1.
- None of the interventions has met or exceeded its objectives: in terms of expenditure the majority of these interventions had limited performance, although the assessment of the largest intervention by spend is interim.

## Introduction

This section considers RDAs' other interventions which do not fall easily into any of the intervention types considered in previous sections. The 12 evaluations within this sub-theme have been grouped into three broad sub-themes, shown in Table 42. The most significant are those where RDAs have designed integrated programmes which combine activities which cover all three main intervention categories within a target (geographical) area.

**Table 42: Summary of other RDA interventions**

Types of other RDA interventions	Number of IEF compliant evaluations	Spend covered by IEF compliant evaluations (£m)
Hybrid area interventions	8	359.2
EMDA's other activities	1	128.7
Miscellaneous other	3	6.4
<b>Total</b>	<b>12</b>	<b>494.3</b>

Source: PwC analysis based on RDA evaluation evidence

These groups of other interventions can be described as follows:

- **Hybrid area interventions:** The majority of the interventions, by both number and expenditure, are hybrid interventions which focus on delivering an integrated programme of support in a specific area. They typically have multiple objectives spanning business, people and place linked to a desire to tackle issues such as a concentration of low wage rates, over-dependence on declining sectors, links between rural and urban areas, regeneration of derelict or poorly built areas, skills and employment support initiatives. There are evaluations of these interventions for AWM, EEDA, SEEDA and NWDA, the largest of which is AWM's £280m Regeneration Zones programme.
- **EMDA other activities:** As part of its comprehensive evaluation of its spending, EMDA estimated the impact of a diverse group of 'other' interventions which did not fit into the core areas of the evaluation. The associated spend covered activities such as administration, marketing and events, capacity building and policy development initiatives and studies, as well as other miscellaneous interventions.

The evaluation estimates that a proportion of these 'other' projects, which account for £22.3m of expenditure, generated 892 net additional jobs<sup>55</sup>. It was not possible to estimate economic impact for the remaining £107m of expenditure. It is important to note that these interventions are included due to EMDA's approach of covering all of its activities in one evaluation. In other RDAs these 'other' interventions, which often do not result in economic impact, have not been evaluated yet.

- **Miscellaneous other:** the three remaining evaluations include two projects to develop regional and intelligence networks by YF and SWRDA and one YF project to support the faith sector engagement, managed by the Churches Regional Commission. The strategic and non-market nature of these activities mean that there are limited quantified outputs or outcomes for the £6.4m expenditure of these interventions.

The hybrid area interventions are the only type of other RDA interventions that cover relatively homogenous activities with sufficient expenditure and number of interventions to undertake meaningful analysis. Therefore, the rest of this sub-theme analysis focuses solely on the hybrid area evaluations.

## Rationale

The rationale of the hybrid area interventions is aligned with the objectives of the SRB programme, which seek to address issues of social exclusion to achieve increased equity and equality. These programmes are delivered in areas with the highest levels of deprivation in the relevant region in order to accelerate the rate of redevelopment and regeneration.

Each programme is designed to respond to the specific issues of the locality. For instance the Lancashire Rural Recovery Programme focused on sustainable change in rural areas, promoting positive linkages between rural and urban areas and developing infrastructure to support rural communities and business. While, Sefton Village Partnership programme aimed to regenerate six town centres and thus

<sup>55</sup> Some caution is needed in interpreting these estimates as the net additional jobs created have been derived using the average gross to net ratio which has emerged from the evaluations of EMDA's measurable business, people and place interventions.

focused on developing retail and business areas of existing town centres by addressing issues of regeneration, environment, community safety and management and marketing of the town centres.

## Impact

The gross and net outputs generated by the eight hybrid area interventions are summarised in Table 43. The highest outputs delivered are 35,586 net skills assists delivered by three interventions, and 10,589 net businesses assists delivered by five interventions. These outputs are consistent with the objectives to achieve economic regeneration in deprived areas. A total of 8,598 net jobs have been created by all eight of the interventions in this sub-theme.

**Table 43: Summary of hybrid area regeneration achieved outputs and additionality (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	8	359.2	17,397	8,598	49
Future potential jobs created/safeguarded	1	280.0	1,200	640	53
Businesses created	6	351.9	2,863	1,451	51
Business assisted	5	327.1	21,298	10,589	50
Land remediated (hectares)	4	343.3	138.4	82.1	59
Skills assists	3	336.3	62,757	35,586	57
People assisted into employment	2	36.9	5,003	2,956	59

Source: PwC analysis based on RDA evaluation evidence

The outputs in Table 43 are primarily driven by the two largest interventions, AWM's Regeneration Zones and SEEDA's Area Investment Framework. The total expenditure of these programmes is £312m (87% of expenditure on the area hybrid interventions). AWM's Regeneration Zones and SEEDA's Area Investment Framework comprise 87% of expenditure of interventions that created and safeguarded jobs, 95% of expenditure of interventions that delivered businesses assists and 93% of expenditure of interventions that delivered skills assists.

Additionality is about half or more for all types of output. The highest additionality is for land remediated, people assisted into employment and skills assists.

There is wide variability in the additionality of jobs created and safeguarded between the eight hybrid area interventions, from 6% for West Lancashire Investing in Business Programme to 83% for Sefton Village Partnership. There does not seem to be any clear reason for the differing performance between these interventions given these two specific programmes were delivered in the same region, have relatively consistent objectives and are two of the smaller projects included in this sub-theme. The additionality of the larger interventions tends to aggregate around the average.

The achieved annual GVA of area hybrid interventions is £341m. As shown in Table 44, the cumulative achieved NPV GVA is £835m, which assumes that the benefits from jobs created/safeguarded will last for three years. There is a slight increase in the future potential cumulative GVA based on the future potential jobs estimated by AWM's Regeneration Zones evaluation.

**Table 44: Summary of impact of hybrid area based interventions on GVA (2002/03-2006/07)**

Number of evaluations	Expenditure covered by evaluations (£m)	Achieved annual GVA (£m)	Achieved cumulative NPV GVA (£m)	Future potential cumulative GVA (£m)
8	359.2	340.8	835.3	894.7

Source: PwC analysis based on RDA evaluation evidence

These hybrid area interventions will have also resulted in increased productivity of people who have received skills assists. The increased productivity of those who were already in employment, have been assisted into employment, or are yet to enter the workforce will not be captured in this estimate of GVA.

Other outcomes that are not captured in the GVA estimates above will include regeneration initiatives that will have increased consumer and business confidence in the region. However due to the long term nature of these investments, the catalytic impact of increased businesses and jobs may yet to be realised. In addition there are more qualitative outcomes that may result, for example in increased community confidence, cohesion, self-esteem and the skills base of individuals.

### Value for money

Table 42 sets out the returns on investment for hybrid area interventions. The annual achieved GVA returns have almost matched investment. Based on assumption that the benefits would last for three years, the cumulative GVA return increases to 2.3:1. When the additional productivity and qualitative outcomes of the interventions are taken into account, there is evidence that the hybrid area interventions have resulted in a positive outcome.

**Table 45: Summary of GVA returns of hybrid area interventions 2002/03-2006/07**

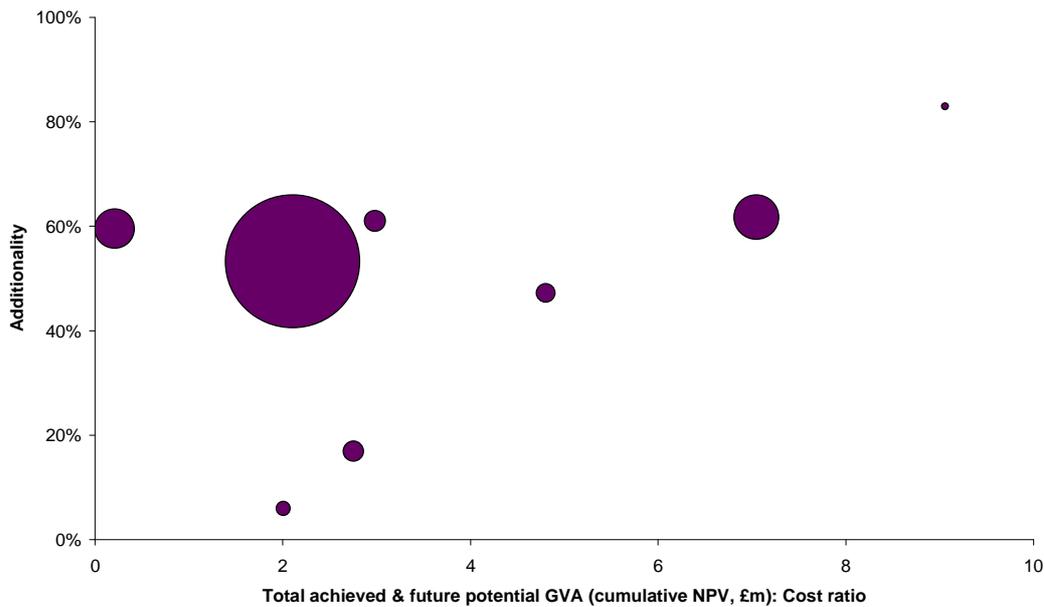
Number of evaluations	Expenditure covered by evaluations (£m)	Achieved annual GVA:cost ratio	Achieved cumulative NPV GVA:cost ratio	Achieved & future potential GVA (cumulative NPV):cost
8	359.2	0.9	2.3	2.5

Source: PwC analysis based on RDA evaluation evidence

The return on the hybrid area interventions reflects the impact of the mix of people, place and business interventions. The average cumulative return of matching people to jobs is 0.8:1, providing assistance to get marginalised workers back in to the workforce and would mirror some projects in the area hybrid programmes. On the other hand, the business support initiatives within these programmes may have generated higher returns, for example the average cumulative return of all business interventions is 7.3:1. On balance the return on investment of the hybrid area interventions is somewhere in between and is more consistent with cumulative return of 2.8:1 of cross-cutting regeneration interventions, which are generally focused on physical regeneration.

Figure 4, which shows the NPV of the cumulative achieved and future potential GVA to cost ratio against the additionality of the jobs created and safeguarded, illustrates the variable nature in the returns to these interventions. The cumulative GVA to cost ratio is around 2:1 for the majority of the interventions and the larger interventions by expenditure, such as AWM's Regeneration Zones and SEEDA's Area Investment Framework, demonstrate higher overall additionality of net jobs created and safeguarded.

**Figure 4: Hybrid area interventions GVA returns compared to additionality2002/03-2006/07**



Source: PwC analysis based on RDA evaluation evidence

The costs per unit of net output of the hybrid area interventions are listed in Table 46. Given the mix of interventions, it is not possible to compare with equivalent estimates in the rest of this report.

**Table 46: Hybrid area cost effectiveness per unit of output (2002/03-2006/07)**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Cost per unit of net output (£)
Jobs created/safeguarded	8	359.2	41,775
Businesses created	6	351.9	242,522
Business assisted	5	327.1	30,891
Skills assists	3	336.3	9,450
People assisted into employment	2	36.9	12,483

Source: PwC analysis based on RDA evaluation evidence

### Performance against objectives

Table 47 shows the overall performance against objectives of the hybrid area interventions. None of the interventions has met or exceeded its objectives. In terms of expenditure the majority of these interventions had limited performance. The major intervention by spend – AWM’s Regeneration Zones programme – achieved limited performance against objectives, although this assessment is interim as objectives were set for 2010 with no interim objectives.

**Table 47: Hybrid area performance against objectives (2002/03-2006/07)**

Performance against objectives	Evaluations		Spend	
	Number	%	(£m)	%
Exceeded	0	0	0	0
Met	0	0	0	0
Largely met	1	13	0.8	0.2
Mixed	3	38	40.1	11
Limited performance	1	13	280.0	78
Not assessed	3	38	38.3	11
<b>Total</b>	<b>8</b>	<b>100</b>	<b>359.2</b>	<b>100</b>

Source: PwC analysis based on RDA evaluation evidence

# National programmes

## Summary

- In total, RDAs have been responsible for the management and delivery of ten national programmes: the major areas of spend have been Business Link, Coalfields Programme and Selective Finance for Investment.
- RDAs' spend on national programmes has been nearly £1.4bn in the relevant period from 2002/03 to 2006/07.
- National evaluation evidence is available for seven of the programmes, and some regional evaluations have also been undertaken: there is, however, limited evidence of the regional impact of the programmes.

## Introduction

In addition to their own projects and programmes, RDAs have been responsible for the management and delivery of up to ten national programmes which have been delivered within parameters closely defined by central government departments. In this section we summarise the available evidence from the national and regional evaluations of the impact of these programmes. We recognise that, for a variety of reasons, not all the programmes have been evaluated by the relevant government department<sup>56</sup>. Those that have rarely provide an assessment of regional impact and not all of the national programmes are relevant to every region (e.g. the Coalfields Programme). The section considers the available evidence in relation to each programme in turn.

Table 48 summarises RDAs' estimated spend in the relevant period on each of the national programmes. In total, RDAs have been responsible for the management and delivery of programme spend of nearly £1.15 billion in the period from 2002/03 to 2006/07.

**Table 48: RDAs' estimated spending on national programmes (2002/03-2006/07)<sup>57</sup>**

National programme	Expenditure (£m)
Business Link	284
Coalfields Programme	233
Grant for R&D	39
Manufacturing Advisory Service	37
Market Towns Initiative	13
Phoenix Fund	2

<sup>56</sup> No national or regional evaluation has yet been completed of the Market Towns Initiative. Regional evaluations have been completed of Support for Regional Tourist Boards and Grant for R&D, and a national evaluation of the latter is currently underway.

<sup>57</sup> Not all RDAs have provided a break down of their spend by programme.

National programme	Expenditure (£m)
Regional Innovation Fund	54
Rural Development Programme for England (& Sustainable Food and Farming Strategy)	9
Selective Finance for Investment	211
Support for Regional Tourist Boards	39
<b>Total</b>	<b>1,149</b>

Source: PwC analysis based on RDA evaluation evidence

## Business Link

From 1999, Business Link (BL) brokered a range of business support services under contract from the Small Business Service (SBS). The only national evaluation of BL covering part of the relevant period relates to the impact of these Local Services on those businesses that received assistance in the six month period from April to September 2003<sup>58</sup>. This evaluation was undertaken prior to the transfer of responsibility for delivery of Business Link services to the RDAs in April 2005. It followed two previous value for money studies<sup>59</sup>.

### Rationale

The rationale for BL was primarily to overcome SMEs reluctance to make use of external advice due to information failures. For example, their ability to distinguish between good and bad advice.

### Impact

Overall, the evaluation concluded that intensive BL assistance increased clients' employment growth rate by 2.4 per cent allowing for additionality<sup>60</sup>. The evaluation also examined spatial differences in the impact of BL but concluded that differences in the targeting of support made it difficult to identify differences in impact between regions.

The impact of BL interventions was estimated to be between £697m and £753m of additional GVA per annum compared to a cost of BL interventions of approximately £150m for the six month period April to September 2003.

### Value for money

The GVA to cost ratio was estimated at between 2.3:1 and 2.5:1 (based on the annual GVA estimate) and the average cost per job was estimated at £11,578 (at 2004-2005 prices). These figures were seen as under-estimates of the overall impact of BL for several reasons because they ignored any potential benefits accruing after June 2005 and multiplier effects.

### Performance against objectives

No assessment was made of performance against objectives.

## The Coalfields Programme

### Rationale

The Coalfields Programme was introduced in 1997 after the Government's Coalfields Task Force (CTF) concluded that: 'The coalfields have a unique combination of concentrated joblessness, physical isolation, poor infrastructure, and severe health problems'<sup>61</sup>. The CTF recognised that these multi-

<sup>58</sup> 'Economic Impact Study of Business Link Local Service', Department for Business Enterprise & Regulatory Reform, November 2006.

<sup>59</sup> 'A study of Business Links', PACEC, 1998 and 'The Business Link tracker study', Roper et al., 2001.

<sup>60</sup> Displacement effects were seen as 'unlikely to be significant'.

<sup>61</sup> CTF, Making the Difference: a new start for England's coalfield communities; June 1998

faceted problems called for an integrated regeneration response involving specific coalfield initiatives and an increased focus of the more generic regeneration programmes and mainstream service providers on problems in the coalfield areas. The former was provided by the reinforcement of the programme delivered through English Partnerships and the RDAs, the establishment of the Coalfields Regeneration Trust (CRT) and the launch of the Coalfields Enterprise Fund (CEF). These three programmes were intended to lay the foundations for sustainable regeneration of the former coalfield areas through physical reclamation and renewal, community capacity rebuilding and human capital development, and the promotion of enterprise and business growth.

An interim national evaluation has been undertaken of the Coalfields Programme (CP) in England<sup>62</sup>. In addition, two RDAs – EMDA and SEEDA – have also completed evaluations of the impact of the programme in their regions.

Table 49 summarises the objectives, expenditure and outputs of each element of the Programme.

**Table 49: Summary of coalfield-specific programme spend and outputs**

	CP	CRT	CEF
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• New uses for around 4,000 ha of former coalfield land</li> <li>• 42,000 new jobs</li> <li>• 2,000,000 m<sup>2</sup> of commercial floorspace</li> <li>• 8,000 new homes</li> <li>• Over £1bn of private sector investment</li> <li>• Far-reaching benefits for local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Resource and empower communities (financially excluded and healthy communities)</li> <li>• Support development of: enterprising communities; lifelong learning communities; attractive communities; and working communities</li> <li>• Promote best practice</li> </ul>	<ul style="list-style-type: none"> <li>• Operate on a commercial basis to deliver a satisfactory financial return to partners by providing venture and development capital in the form of equity and equity related instruments to SMEs based in the traditional coalfield areas of England</li> </ul>
<b>Spend</b>	<ul style="list-style-type: none"> <li>• Over half (£333m) of the currently anticipated lifetime spend figure (£647m) has been spent</li> <li>• Anticipated receipts of up to £401m</li> <li>• Potential surplus</li> </ul>	<ul style="list-style-type: none"> <li>• Grants of £78.7m to 1,960 projects</li> <li>• Round 3 grant allocations of £36.6m for 700 projects</li> </ul>	<ul style="list-style-type: none"> <li>• Nine investments with a total value of £1.76m</li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>• 1,826 ha of land brought back into use</li> <li>• 15,750 jobs delivered</li> <li>• 709,000 m<sup>2</sup> of commercial floor-space</li> <li>• 1,430 homes built</li> <li>• £439m of private sector investment levered</li> </ul>	<ul style="list-style-type: none"> <li>• Exceeded forecast for almost all Round 1 and 2 output categories</li> <li>• Delivered a significant amount of support for community capacity building</li> <li>• Key area of under-performance is in supporting people into jobs</li> </ul>	<ul style="list-style-type: none"> <li>• One business has failed</li> <li>• Two other investments subject to full provision although both continue to trade</li> <li>• No regeneration outputs recorded</li> </ul>

Source: English Partnerships, CRT and other Coalfields Programme specific programme monitoring data

**Impact**

The interim national evaluation found that the additionality of both CP and CRT funding and projects/activities at the local, rather than the regional, level was generally high, although limited evidence came from beneficiaries. The net outputs from the programmes were judged to be some 70-80 per cent of the reported gross outputs. When set against appropriate gross programme costs, the cost-

<sup>62</sup> ‘Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes’, Department for Communities and Local Government, March 2007.

effectiveness of the CP compared favourably with benchmarks drawn from English Partnerships' Best Practice Notes<sup>63</sup> and estimates for other programmes, for example SRB.

Evidence from one regional evaluation which surveyed beneficiaries suggests a mixed pattern of additionality. The gross and net outputs from the Coalfields programme for East Kent is summarised in Table 50. In addition to the gross outputs above, SEEDA's evaluation identified future potential outputs of a further £32.3m of private sector leverage, 924 further jobs created and a further 32,017 sq m of floorspace.

**Table 50: Gross and net outputs of Coalfields programme in East Kent (2002/03-2006/07)**

Output	Gross outputs	Net outputs
Jobs created/safeguarded	1,852	1,117
Business creation	76	64
Brownfield land reclaimed and/or redeveloped (hectares)	152.6	149.7
Greenfield land developed for commercial use (hectares)	6.9	6.9
New floorspace (sq m)	52,954	44,036

Source: East Kent Coalfields Evaluation

Evidence from the interim national evaluation suggests that the CP has improved economic conditions in the coalfields areas. The combined job outputs of CP and CRT (some 10,000 jobs) have added significantly (about 20 per cent) to the growth in workplace-based employment after 1998, particularly in the North Derbyshire, Durham and Kent coalfields. Looking ahead, the CP is projected to deliver around half the increase in jobs required to match the national, non-coalfield rate of increase over 1998-2004.

The picture with respect to social conditions was more mixed. On the one hand, the number of key benefit claimants fell by some 28,000 (out of 480,000 in the coalfields) over the period 1999-2005 and the CRT's output of 5,500 people assisted into employment was only a small proportion of the flow coming off benefits in the period. On the other hand, the CRT assisted 65,000 people to get into education and training and 10,000 to get qualifications: this was seen as a major contribution to reducing the qualification deficit in the coalfields, especially in the Kent, Yorkshire, Nottinghamshire and Northumberland coalfields.

Finally, the CP has made a significant contribution to environmental conditions by enabling derelict land reclamation, particularly in Durham, South Staffordshire and parts of the Yorkshire coalfield. Although some 3,000 hectares of derelict land remain in the coalfields, much of this is expected to be reclaimed through the CP during the period 2004-2012.

SEEDA's evaluation of the East Kent Coalfields Programme estimated that it has added more than £265m to GVA at the regional level and £127m at the local level. These impacts are projected to rise to more than £410m and £205m respectively by the completion of all schemes.

The interim national evaluation does not provide an estimate of the impact on GVA of the CP.

### Value for money

According to SEEDA's evaluation, the cost per net job is estimated to be £15,156 per job and the cost per net hectare of brownfield remediated is £175,786.

### Performance against objectives

The interim national evaluation concluded that the CP has made considerable progress against its objectives and has been effective in developing sites in ways that maximise the potential for achieving its volume and mix of target outputs. It also concluded that the CRT has performed well in terms of delivery

<sup>63</sup> English Partnerships' Best Practice Note 15, Calculating Cost per Job, Issue date: 30/10/03 and English Partnerships' Best Practice Note 27, Contaminated Land Remediation Costs, Issue date: 1 July 2005.

against its output targets, especially for its community-based projects involving support for community groups, community engagement and the provision of advice to beneficiaries. In contrast, it found that the CEF has not operated long enough to provide evidence on its regeneration effectiveness.

Despite these improvements, the interim national evaluation concluded that significant regeneration challenges remain because there are stubborn and substantial deficits in terms of education and training, enterprise, health and, in some cases, employment. This is particularly so for the large proportion of coalfields (by population) whose employment adjustment so far has been weak (e.g. North Staffordshire, Cumbria, Northumberland, Nottinghamshire and North Derbyshire).

## Grants for R&D

Grants for R&D is a national programme which has been delivered by each of the RDAs and the devolved administrations since April 2005. The purpose of Grants for R&D is to support entrepreneurs and SMEs to develop concepts for technologically innovative products and processes that move a concept closer to commercial realisation. The project has two long-term objectives:

- to overcome the reluctance of SMEs to undertake risky R&D by sharing the costs and risk and to foster recognition of the importance of maintaining an ongoing programme of R&D; and
- to help firms with fewer than 10 employees to prove the technical and commercial feasibility of their idea and develop a simple prototype.

As yet, only SWRDA has evaluated Grants for R&D although a national evaluation is underway.

SWRDA invested £4.5m in the programme from 2005/06 to 2007/08 and the estimated total public sector cost over the evaluation period is approximately £9m. This supported a range of R&D activities. The evaluation indicates that SWRDA's support has delivered annual additional GVA of over £800,000.

The evaluation compares various value for money ratios for Grants for R&D to the SMART programme<sup>64</sup>, which reported a ratio of public sector costs to turnover of 2.38:1 and a cost per job of £29,700 (at 2008 prices). It concludes that the cost effectiveness ratios for the South West Grants for R&D is poor, but notes the longer time period the SMART evaluation covered, and the expectation of an improvement in efficiency and cost-effectiveness if the 60% of recipients follow through with their plans to bring a new product/process to market.

The evaluation concludes that the programme has been successful in encouraging the establishment of R&D programmes in companies although there is less evidence that it has encouraged a general increase in R&D across the wider SME community. Overall, the evaluation concluded that the Grants for R&D programme has been relatively successful in meeting its (national) objectives.

## The Manufacturing Advisory Service

### Rationale

The Manufacturing Advisory Service (MAS), which was launched in 2002, represents a significant Government intervention to support the manufacturing sector, in particular SMEs. It aims to encourage SMEs to access business advice that would help them achieve improvements in productivity by overcoming their limited access to affordable best practice information and advice and the tendency to underestimate the benefits of external advice because of lack of experience in engaging with external consultants. Thus, the key objective of the MAS is to improve the performance of companies in the manufacturing sector.

### Impact

The national evaluation of the MAS, which covered the first three years of its operation (2002–2005) and focused on the most significant MAS support packages (the Level 2 diagnostic and the Level 4

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<sup>64</sup> DTI Evaluation Report Series No. 3, Evaluation of SMART (including SPUR), 2001 (PACEC)

consultancy)<sup>65</sup>, concluded that it had outperformed its original objectives by nearly 50% in terms of numbers of diagnostic visits (Level 2 support) and by 100% in terms of consultancy support (Level 4). As a result, it appeared to have widened access to information and shared knowledge in relation to key issues pertinent to best practice manufacturing operations and business. Business beneficiaries expected the MAS to result directly in higher productivity, as well as improved networking capabilities and better links within the supply chain. Companies that received Level 4 consultancy were significantly more likely to have experienced these benefits than companies that received only Level 2 assistance.

Two out of three businesses claimed that they would not have achieved all or part of the improvements they had achieved or as quickly without MAS support. Furthermore, there were strong indications that no other form of business support would have been sought by many of the businesses that used the MAS to improve their operations without the scheme.

Analysis of the survey results, however, indicated that firms which had received MAS support over the period had not performed any better than comparable firms that had not received support. A potential explanation of this finding was that the full benefits of the MAS intervention would need more time before they were apparent.

### **Value for money**

In terms of value for money, it was conservatively estimated that every £1 of public funding allocated to the provision of MAS Level 4 support generated approximately £1.4 - £1.8 of additional GVA for firms supported between 2002 and 2005. The evaluation was not able to isolate the cost of Level 2 and Level 4, or the benefits of providing Level 1 enquiry handling and Level 3 assistance (training and seminars).

Some caution needs to be exercised when interpreting these results due to the interim nature of the evaluation, and because the evaluators adjusted the 50% – 70% deadweight reported by beneficiaries down to 30% based on their assessment that the companies “over estimate their expertise to introduce changes and are less likely to ascribe the benefits to another organisation.” Also the evaluation has not robustly assessed the extent to which the cost savings estimated by beneficiaries are translated into GVA.

The findings of the three regional evaluations of MAS are summarised in Table 51. Some caution is needed when comparing the findings across the regions and with those of the national evaluations due to differences in the period covered and the way in which the various MAS regional centres operate. This means that each reflects existing regional manufacturing initiatives and sector support infrastructure, regional economic and industry priorities, available funding for manufacturing support, RDA business models and the skills and techniques of the regional MAS teams.

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<sup>65</sup> 'Evaluation of the Manufacturing Advisory Service', DTZ Consulting & Research, February 2007.

**Table 51: Summary of findings from regional evaluations of MAS**

	London MAS	South West MAS	Yorks & Humber MAS
<b>Scope of evaluation</b>	July 2005-June 2008	2002-2006	2002-2007
<b>Expenditure (£m)</b>	£7.7m	£2.3m	£3.7m
<b>Impact</b>	<ul style="list-style-type: none"> <li>Jobs created 346</li> <li>Businesses retained and/or expanding 381</li> <li>Businesses supported 1,950</li> <li>Jobs safeguarded around 900</li> <li>Cost savings £23m</li> <li>6% of increase in manufacturing GVA attributed to LMAS</li> </ul>	<ul style="list-style-type: none"> <li>86% of beneficiary businesses at Level 4 rated SWMAS as either excellent or good</li> <li>Over 90% of cases where changes were proposed were implemented by businesses</li> <li>Between 50% and 70% of the benefits of SWMAS would have been achieved without the programme</li> <li>£5.5m - £13.8m of gross cost savings</li> <li>£4.0m - £10.2m of net cost savings</li> </ul>	<ul style="list-style-type: none"> <li>3,078 net jobs created/ safeguarded</li> <li>1,162 businesses assisted</li> <li>£40.6m net increase in sales/ turnover</li> <li>£13.8m net increase in profits</li> <li>£120m in GVA, mainly through Level 4 projects</li> </ul>
<b>Value for money</b>	<ul style="list-style-type: none"> <li>(Net) GVA:cost ratio is 1.6</li> </ul>	<ul style="list-style-type: none"> <li>(Net) GVA:cost ratio is between 1.7 and 4.3</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Performance against objectives</b>	<ul style="list-style-type: none"> <li>LMAS has delivered sustainable results: one third of surveyed businesses expected to benefit indefinitely and over half expected benefit to be sustained for up to 5 years</li> <li>LMAS has addressed the key causes of market failure</li> <li>93% of MAS users would recommend MAS services to others</li> <li>Two-thirds of users (65%) would be more likely to use support in the future as a result of their experiences with MAS</li> </ul>	<ul style="list-style-type: none"> <li>SWMAS had exceeded Level 4 targets but was expected to achieve 80% of Level 2 target</li> </ul>	<ul style="list-style-type: none"> <li>MAS has made important contribution to YF's Tasking Framework targets.</li> <li>Over-achieved on three targets, which are securing private sector leverage, increasing turnover and safeguarding jobs</li> </ul>

Sources: LDA, SWRDA and YF

## Phoenix Fund

### Rationale

The Phoenix Fund was a £189m fund administered by the SBS which ran from 2000 to 2008. Its aim was to tackle social exclusion by supporting innovative projects providing support to enterprise in disadvantaged geographical areas and to groups currently underrepresented among business owners. Specifically, it provided finance to encourage experimentation, evaluate new ideas and identify and spread best practice.

When launched in 2000, the Phoenix Fund had three main elements: the Development Fund, the Challenge Fund and Loan Guarantees to help resource local Community Development Finance Initiatives and a national network of volunteer mentors for pre- and early stage business start-ups known as the Business Volunteer Mentoring Association (BVMA). Only the Development Fund has been evaluated.

### Impact

The Development Fund, which was extended to 2008, had a lifetime budget of £65m. The evaluation of the 96 projects funded in the first two rounds suggests some evidence of success with the Fund although there was limited quantitative evidence of the economic and social impact of the Fund's activities which prevented a judgement on value for money<sup>66</sup>.

The Fund was found to have contributed greatly to the knowledge base on what does and does not work in terms of providing business support to promote social inclusion through enterprise. It had encouraged fresh thinking by defining issues and developing new innovative approaches to providing outreach to those not served by mainstream business support provision. It had also been successful at reaching underrepresented groups: 57 per cent of clients surveyed were women and a third were from black and minority ethnic (BME) groups. Those projects that worked best tended to have both a clearly defined intervention logic (understanding of the issues and how they could make a difference) and methodology (appropriately designed services). The Fund, however, had not transformed the mainstream – specialist providers of business support still receive most of their funding from sources such as European Union funding, beyond the business support mainstream. Moreover, although the Fund was seen as having increased the capacity of specialist business support, the expansion did not appear sustainable once funding ends.

## Regional Innovation Fund

### Rationale

The Regional Innovation Fund (RIF) subsumed funding through the Competitiveness Development Fund (CDF) and the Innovative Clusters Fund (ICF) which DTI provided to the RDAs. In total, the RIF had a budget of £180.9m for the period from April 1999 to March 2004. The aim of the CDF was to contribute to regional competitiveness by targeting “enterprise and innovation; creating and exploiting knowledge; people and skills; information and communication technologies; best practice; sectoral partnerships; and clusters and networks”. The ICF was aimed at supporting cluster development and business incubation in the English Regions. The RIF provided additional ‘regional innovation funding’ over a three year period with £100m forming part of the ‘Single Pot’ funding arrangements for RDAs announced in April 2002.

### Impact

The initial impact of the programme was evaluated in 2002<sup>67</sup>, before the Single Pot was fully effective and whilst the RDAs were still developing their roles. The evaluation concluded that the 508 projects, which spanned a wide range of types, complemented the Government's competitiveness agenda and were strongly embedded within the RESs of the RDAs. Furthermore, on the basis of the case studies undertaken, there was evidence that the RDAs had successfully worked with partners and developed partnerships through RIF in ways which yielded strong leverage in monetary and ‘in kind’ terms. Moreover, despite problems with the monitoring of RIF, the case studies showed strong activity outputs in terms of space occupied in incubators, completion and dissemination of feasibility study results, numbers

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<sup>66</sup> ‘Evaluation – The Phoenix Development Fund’, Peter Ramsden (Freiss), July 2005.

<sup>67</sup> ‘Regional Innovation Fund - Interim Evaluation’, DTZ Piedad Consulting, January 2003.

of 'hits' on e-portal/web sites and numbers of trainees completing courses. Very little evidence was found on intermediate economic outcomes for three main reasons: the interim nature of the evaluation, the fact that a significant number of interventions were focused on institutional level failures and lack of economic impact target setting and monitoring. Moreover, no comment was made on value for money.

## Rural Development Programme for England

The England Rural Development Programme (ERDP) provided a framework for the operation of ten separate but integrated schemes which were designed to protect and improve the countryside, to develop sustainable enterprises and to help rural communities. The most recent assessment of ERDP was the mid-term evaluation in 2003 which focused on the running and evolution of ERDP, rather than its impact. This means that there is not yet evidence of the impact of the Programme.

## Selective Finance for Investment

### Introduction

Selective Finance for Investment in England (SFIE) is a national business support scheme which has assisted the development of the most disadvantaged regions in England by supporting sustainable investment and job creation. It was introduced in April 2004 to replace the financial support provided to business under the Regional Selective Assistance scheme.

### Rationale

The rationale for SFIE was based on:

- incomplete markets which meant that external finance was not available for projects in particular regions;
- opportunities for positive externalities from co-location of businesses; and
- information and coordination asymmetries linked to firm's lack of awareness of sources and mechanisms to access the required project finance.

### Impact

The recently completed evaluation of SFIE covered support of £100m to 5,426 businesses<sup>68</sup>. Generally, more than two-thirds of the sample of SFIE beneficiaries reported business benefits in most areas of impact, most frequently in terms of productivity and sales growth. Levels of deadweight appeared low with most firms citing some form of partial additionality in terms of either achieving business outcomes more quickly or to a greater extent. Complete additionality occurred in around 21 per cent of cases. A large proportion of the expected benefits associated with the assisted investment had yet to accrue.

The evaluation estimated that 8,884 jobs out of the 10,130 jobs which it was intended to safeguard had been secured at the time of the survey in mid-2006. Of the 9,660 'promised' new jobs, 4,289 jobs were estimated to have been created. The evaluation concluded that 1,875 of the safeguarded jobs were additional and that 905 of the created jobs were additional.

In conclusion, the SFIE Scheme has delivered benefits to the UK economy in terms of net additional employment, higher value-added and a set of wider benefits that link to other regional priorities such as regeneration, skill enhancement, supplier networks and broader environmental agenda.

## Support for Regional Tourist Boards

No national evaluation of Regional Tourist Boards has been performed but SEEDA has evaluated Tourism South East (TSE) which was formed in April 2003 from the amalgamation of the Southern and South East England tourist boards. Over the evaluation period from 2003 to 2008, SEEDA invested £9.6m of core funding and approximately £1.2m in project funding and this accounted for around a third

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<sup>68</sup> 'Evaluation of Regional Selective Assistance (RSA) and its successor, Selective Finance for Investment in England (SFIE)', Department for Business Enterprise & Regulatory Reform, March 2008.

of TSE's income since 2003 with the remainder being generated from its substantial membership and through commercial activities.

**Impact**

The gross and net outputs from the TSE programme are summarised in Table 48.

**Table 52: Gross and net outputs of Tourism South East (2002/03 to 2007/08)**

	People assisted in their skills provision	Business assists	Direct physical regeneration spend leveraged (£m)
Gross outputs	9,954	11,057	1.3
Net outputs	4,354	5,299	0.8

Source: Tourism South East Evaluation

The TSE evaluation found that 93%<sup>69</sup> of net outputs are attributable to SEEDA, equating to the provision of skills support to 4,354 individuals; assistance to 5,299 businesses within the industry; the leverage of £816.7k of physical regeneration funding; and the induced expenditure of £93.2m of tourism expenditure through marketing campaigns. Evaluation estimates suggest that TSE's work over the period 2003-08 was worth £144.3 to £182.8m<sup>70</sup> to regional achieved GVA from 2003-2008.

**Performance against objectives**

Over the five-year evaluation period, the evaluation concludes that TSE exceeded all four of its gross output targets.

<sup>69</sup> A high level of attribution has been determined by the evaluator due to SEEDA's role in leveraging other funds.

<sup>70</sup> The evaluator applied a range to GVA estimations in order to account for a potential overall in GVA contributions from skills /business assists and tourism expenditure.

# Annex A – List of evaluations used

This annex lists all those evaluations undertaken across the RDA network which are regarded as at least capable of use and which have been used to underpin the report.

RDA	Evaluation title	Spend covered (£m)
<b>Business development and competitiveness</b>		
AWM	Evaluation of the High/Higher Technology Corridors	38.7
AWM	Evaluation of the Rover Task Force 2000 and MG Rover Task Force 2005 Programmes	36.2
AWM	Evaluation of AWM's clusters programme 2002/03 to 2007/08	72.8
AWM	PARD: Third Interim Programme Report	32.7
AWM	An independent evaluation of the Mercia Spinner Programme	3.2
EMDA	Evaluating the Impact of East Midlands Development Agency	110.2
EEDA	Rural Business Support	2.8
EEDA	Early Stage Business Support	2.9
EEDA	Innovative Actions Programme	1.7
EEDA	Innovation Capital	15.4
EEDA	Innovation Revenue	1.5
EEDA	Attraction of Inward Investment	10.6
EEDA	Sustainable Consumption and Production	2.4
LDA	Impact evaluation of four Access to Finance projects	19.8
LDA	Final Evaluation of the Up and Running programme	1.3
LDA	Up and Running Evaluation – Remedial Work	1.8
LDA	Interim Impact Evaluation of Business London	2.4
LDA	Supply London/London Value Chain Interim Evaluation	0.2
LDA	Evaluation of the Theatre Audience Development Project	0.5
LDA	Evaluation of the London Fashion Forum	1.0
LDA	Collage Arts: Economic Impact Evaluation	0.7
LDA	Impact Evaluation of Heathrow City Enterprise Project	2.2
LDA	Centre for Fashion Enterprise	24.4
LDA	BioLondon: London's Life Sciences Strategy and Action Plan – interim economic impact evaluation	1.1
LDA	British Library Business & IP Centre: A capital resource for enterprise and	

RDA	Evaluation title	Spend covered (£m)
	innovation	
LDA	British Library Business & IP Centre – Additional Survey Analysis	
LDA	JumpStart Evaluation	3.4
LDA	Economic Impacts of the JumpStart Programme	
LDA	Impact Evaluation of the London Pre-Commercial Fund	5.6
LDA	Impact Evaluation of the Secondment Into Knowledge project	0.3
LDA	Impact Evaluation of the SME Innovation Support project	1.3
LDA	Economic Impact Evaluation of the Sub-Regional Partners' Business Retention Programme	2.3
LDA	Enhance Programme Impact Evaluation	3.5
NWDA	Agenda for Change Programme	9.8
NWDA	Bio Core Technology Facility	10.9
NWDA	Bio Investments	10.1
NWDA	BREW Programme	1.5
NWDA	Broadband Investments	12.3
NWDA	Clusters Programme	25.9
NWDA	Daresbury Science and Innovation Centre	16.3
NWDA	East Manchester Economic Programme	2.2
NWDA	ENWORKS NW Minimisation Project	1.0
NWDA	FP6 Dissemination Module 2	1.0
NWDA	Green Business Park	0.8
NWDA	Higher Education Innovation Funds Round 2 (HEIF2)	7.4
NWDA	ICT Aimes Programme	3.4
NWDA	InfoLab21 Programme	10.0
NWDA	Infrastructure Work at Arvato Gravure Printing Site, Speke	2.7
NWDA	Lancashire Digital Technology Centre	2.0
NWDA	Liverpool Digital Project	16.2
NWDA	Liverpool Science Park	6.2
NWDA	Motivating Merseyside Business to Innovate (MMBI)	1.2
NWDA	National Biomanufacturing Centre	31.7
NWDA	North West Business Investment Fund	11.6
NWDA	PowderJect Project	14.1
NWDA	Project Access	16.8
NWDA	Quinn Glass	4.9
NWDA	Regional Rural Programme	6.8
NWDA	Salford Start 2 Centre Managed Workspaces	0.6
NWDA	Social Enterprise	5.2
NWDA	Supply of Defence Diversification Agency Technology Diversification Managers	1.7

RDA	Evaluation title	Spend covered (£m)
	(DDA TDMs)	
NWDA	The North West Science Fund	11.5
ONE	Access to Finance	0.6
ONE	IEF Impact Evaluation of the Business Theme – Enterprise Support	9.4
ONE	A Review of the ONE Sectors Programme	23.7
ONE	E-Business Programme Evaluation	13.7
ONE	ONE Innovation, Industry and Science (IIS) Programme – Strategy for Success	150.6
ONE	Evaluation of ONE Investment, Aftercare and Overseas Function	6.1
ONE	Midas Project Evaluation	0.6
SEEDA	Innovation infrastructure Evaluation	30.3
SEEDA	Individual enterprise Support Evaluation	18.2
SEEDA	Business Competitiveness Evaluation	15.8
SEEDA	Interim Evaluation of the Redundant Buildings Grant and Farm Diversification Programmes	3.8
SEEDA	End point evaluation of SEEDA’s Emerging Technologies Programme – Part I	2.0
SEEDA	Evaluation of the Projects and Partnerships Supported By SEEDA to Achieve Sustainable Use of Natural Resources	5.8
SWRDA	Business Support Economic Impact Review	17.2
SWRDA	ICT as an Economic Enabler	0.2
SWRDA	Beacon South West	1.0
SWRDA	South West Food and Drink	5.7
SWRDA	SWRDA Support for the Aerospace Industry	13.6
SWRDA	BioApproaches	0.7
SWRDA	Coral Reef	3.3
SWRDA	Enterprise Pavilion	2.5
SWRDA	Tamar Science Park	5.0
SWRDA	Gloucestershire Floods	2.0
YF	E-Business Unlimited	6.0
YF	South Yorkshire Design Works	1.0
YF	South Yorkshire Generic and Intermediate Start Up Programme	3.9
YF	York and North Yorkshire Business Support and Enterprise Programme	3.9
YF	Investment in Cluster Initiatives	92.4
YF	Broadband Gap & NYnet	5.2
YF	Centres of Industrial Collaboration	9.1
YF	Industrial Research and Development Award	7.4
YF	Science City York	0.8
YF	South Yorkshire Inward Investment Grants Scheme	12.4

RDA	Evaluation title	Spend covered (£m)
YF	Targeted Export Support Scheme	2.9
YF	Investment in Resource Efficiency	3.8
<b>Regeneration through physical infrastructure</b>		
AWM	Evaluation of major land and property investments	261.5
EEDA	Trinity Lighthouse	2.5
EEDA	Business Premises	22.4
EEDA	Capital Project	19.8
EEDA	Firstsite:newsite	3.7
EEDA	EPIC	2.5
EEDA	Inspire East	1.2
EMDA	Evaluating the Impact of East Midlands Development Agency	241.6
LDA	Area Evaluation: London Riverside <sup>71</sup>	77.4
LDA	Area Evaluation: Park Royal/Wembley <sup>72</sup>	85.8
LDA	Woolwich/North Bexley Area Evaluation <sup>73</sup>	26.8
LDA	Evaluation of the Bernie Grant Centre	3.3
LDA	Evaluation of the Rich Mix Centre	5.8
LDA	Evaluation of Laban Dance Centre	2.9
LDA	Visit London	45.8
NWDA	Ancoats Regeneration Programme	45.0
NWDA	Barrow Call Centre	3.5
NWDA	Central Park	15.0
NWDA	Futures Park, Bacup	3.1
NWDA	George Street Quarter, St Helens	1.3
NWDA	Historic River Wall, Chester	0.8
NWDA	Kingsway Project, Widnes	0.8
NWDA	Land Reclamation	17.3
NWDA	Liverpool Biennial International Festival	0.5
NWDA	Liverpool Commercial District	7.4
NWDA	LLDC SIA	30.3
NWDA	LV Public Realm Interim	19.3
NWDA	LV Waterfront Construction Impacts	38.0
NWDA	Marketing Interim	16.3
NWDA	NML Into the Future	1.8
NWDA	Regional Strategic Sites Programme	55.5

<sup>71</sup> Expenditure covered by this evaluation has been allocated across intervention categories

<sup>72</sup> Expenditure covered by this evaluation has been allocated across intervention categories

<sup>73</sup> Expenditure covered by this evaluation has been allocated across intervention categories.

RDA	Evaluation title	Spend covered (£m)
NWDA	Tourism Interim	8.4
NWDA	Visitor Interim	12.2
NWDA	Whitemoss Business Park	3.9
NWDA	West Lakes Renaissance	31.8
NWDA	World of Glass	0.9
ONE	A Programme-Level Evaluation of ONE's Quality of Place activities	180.9
ONE	Regional Image and Tourism Marketing (Promoting the Region)	12.5
SEEDA	Physical Regeneration Evaluation	126.6
SEEDA	Sea Space Evaluation	31.2
SEEDA	Strategic sites evaluation – Chatham Maritime	21.1
SEEDA	Chatham Maritime University Buildings Evaluation (Drill Hall and Canteen)	7.1
SEEDA	Evaluation of the Oxford Castle and Prison Project	6.1
SEEDA	St Cross Business Park, Isle of Wight: Ex Post Evaluation	5.5
SEEDA	Evaluation of Gosport Business Centre	4.7
SWRDA	Physical Regeneration Economic Impact Review	95.5
SWRDA	Sites and Premises Economic Impact Review	167.5
SWRDA	Rural Renaissance	16.5
SWRDA	Temple Quay I	1.9
SWRDA	National Maritime Museum Cornwall	7.7
SWRDA	The Eden Project	11.0
SWRDA	The Way Ahead	2.6
SWRDA	Creating Excellence	2.5
YF	Bradford Centre Regeneration	17.8
YF	Hull City Build	16.4
YF	Holbeck Urban Village	26.2
YF	Renaissance Market Towns	9.7
YF	Renaissance Towns and Cities	96.8
YF	Sheffield One Urban Regeneration	37.6
YF	Stainborough Park	1.5
YF	Hull Quays	14.5
YF	Rail Rolling Stock	5.9
YF	Modernising Rural Delivery	1.4
YF	Renaissance South Yorkshire	3.7
<b>People and skills</b>		
AWM	An evaluation of AWM's skills interventions	47.1
EEDA	Investing in Communities	36.4
EEDA	Workforce development	4.1

RDA	Evaluation title	Spend covered (£m)
EEDA	Construction skills	2.8
EEDA	University of Essex in Southend	18.7
EMDA	Evaluating the Impact of East Midlands Development Agency	22.4
LDA	Thames Gateway Jobnet Interim Impact Evaluation	1.3
LDA	Impact Evaluation of ESF Opportunities Fund Round 1	12.9
LDA	Impact Evaluation of Non-ESF Opportunities Fund Round 1	
LDA	Impact Evaluation of LDA Objective 3 ESF Co-Financing Programme 2005-2007	9.5
LDA	Impact Evaluation of Non-ESF RSP Productivity Programme	2.3
LDA	Impact Evaluation of Non-ESF RSP Inclusion Programme	1.8
LDA	The Supporting Talent into Enterprise Programme (STEP) 2006-2008	1.6
LDA	Impact Evaluation of ESF RSP Inclusion Programme	1.5
LDA	Impact Evaluation of ESF RSP Productivity Programme	0.9
LDA	Impact Evaluation of On Your Marks Programme	0.6
LDA	Impact Evaluation of Migrants and Refugee Qualifications Programme	0.3
LDA	Evaluation of Southwark Works	3.3
NWDA	BESS Programme	0.9
NWDA	Eastserve Programme	1.5
NWDA	Lancaster University Leadership Centre	4.3
NWDA	Maximising Opportunity in Warrington	0.9
NWDA	Project Unity	34.0
NWDA	URC NEM Whitworth Media Technology Centre	2.0
ONE	ONE Economic Inclusion Programme Evaluation	16.4
ONE	ONE Skills and Higher Education Programme Impact Evaluation	83.7
SEEDA	Skills and Employability Evaluation	14.3
SEEDA	Chatham Maritime University Buildings Evaluation (Drill Hall and Canteen)	7.1
SEEDA	MKOBBS Sub-region Area Programmes End of Programme Evaluation	3.9
SEEDA	Evaluation of Exodus	3.5
SEEDA	Evaluation of the SEEDABasic Skills Programme	2.3
SEEDA	NHS Skills for Life Programme-Evaluation	2.1
SEEDA	Management Development Evaluation	2.0
SEEDA	Evaluation of Great Ideas in Science and Technology (GRIST)	1.0
SEEDA	Redundancy Support Service Evaluation	0.9
SEEDA	Skills Gateway Interim Evaluation Report	0.2
SEEDA	UP for Enterprise -Phase One Roll-Out: Project Evaluation	0.2
SWRDA	Skills and Learning Economic Impact Review	19.5
SWRDA	South West Opportunities for Older People	0.6
SWRDA	Advanced Engineering Skills	2.9

RDA	Evaluation title	Spend covered (£m)
SWRDA	Combined Universities in Cornwall	14.7
SWRDA	Genesis – Somerset Sustainable Construction Centre	1.2
SWRDA	Relocation of Gloucester FE College	1.1
SWRDA	Strengthening Community Foundations	0.1
SWRDA	BEM/SLIM	2.0
YF	Graduates Yorkshire	1.5
YF	South Yorkshire Transitional Labour Market	5.7
YF	Directions Finningley	5.7
YF	Train to Gain	7.8
YF	South Yorkshire Social infrastructure Programme	6.8
YF	West Yorkshire Skills Programme	1.4
YF	University Centre Barnsley	2.0
<b>Other interventions</b>		
AWM	An evaluation of the Single Regeneration Budget	218.0
AWM	An Interim Evaluation of the Regeneration Zones Programme	280.2
EEDA	Meta-evaluation of SRB	64.9
EEDA	An area-based evaluation of EEDA's impact - Ipswich	24.8
EMDA	Evaluating the Impact of East Midlands Development Agency	329.8
LDA	An evaluation of the Single Regeneration Budget	507.8
NWDA	Beacons East Manchester (Round 5)	19.2
NWDA	Blackburn Town Centre Renaissance	5.4
NWDA	Cheshire Rural Recovery Programme	6.5
NWDA	Halton Focus for Change (Round 5)	9.1
NWDA	Hyndburn PACT (Round 6)	6.5
NWDA	Lancashire Rural Recovery Programme	7.0
NWDA	Sefton Village Partnership	0.8
NWDA	An evaluation of the Single Regeneration Budget	286.2
NWDA	West Lancashire Investing in Business Programme	3.2
ONE	An evaluation of the Single Regeneration Budget	205.0
SEEDA	An evaluation of the Single Regeneration Budget	128.8
SEEDA	Evaluation of the Area Investment Frameworks in the South East	31.5
SWRDA	An evaluation of the Single Regeneration Budget	55.2
SWRDA	Business Economy Module and Skills Learning Intelligence Module	2.0
SWRDA	Office of National Statistics Regional Presence	-
YF	An evaluation of the Single Regeneration Budget	331.5
YF	Yorkshire Futures	2.2
YF	Churches Regional Commission	2.2

RDA	Evaluation title	Spend covered (£m)
<b>National programmes</b>		
EEDA	Intermediate Evaluation of the Manufacturing Advisory Service (MAS) - East	2.2
LDA	Evaluation of London MAS	6.8
NWDA	Coalfields Evaluation Programme	3.2
NWDA	Evaluation of the Market Towns Initiative	9.5
SEEDA	Tourism South East Evaluation	7.1
SEEDA	East Kent Coalfields Evaluation	20.9
SWRDA	Grants for R&D	4.5
SWRDA	South West Manufacturing Advisory Service (interim)	1.1
YF	Manufacturing Advisory Service	3.7

# Annex B – Methodology for estimating impact

This annex provides further details of the methodology we have used to assess the impact of RDAs' spending on regional GVA.

Many of the evaluations we have reviewed seek to estimate the impact of RDAs' spending in terms of GVA. The basis of these estimates is, however, often inconsistent across interventions. For example:

- the scope of the estimated impacts on GVA is variable: the majority of evaluations focus on the impacts associated with jobs created and safeguarded whereas a few also take account of other impacts, for example those linked to improvements in productivity and enhanced earnings (where individuals' skills have been improved);
- the time period covered by the estimates of impacts on GVA also varies: some evaluations in effect provide only estimates of the impacts which have resulted from, say, employment in a single year, whereas others take account of the potential persistence of these benefits over a longer period;
- the treatment of future potential benefits is inconsistent: not all evaluations provide estimates of (any) further benefits which might be expected to be realised in the future, and this is especially relevant where the evaluations are interim evaluations of long-term capital projects; and
- not all evaluations take account of inflation (by adjusting both costs and benefits to a common price basis) and the timing of benefits through the application of an appropriate discount rate.

To overcome these differences in the evidence base, we have estimated the potential impact of RDAs' spending on GVA on a consistent basis. To do this, we have estimated the impact on GVA arising from the net jobs created and safeguarded because this is the most frequently estimated (net) output measure. We have used the estimates of the number of net jobs created and safeguarded from the evaluations which have been used to underpin the Regional Annexes as the starting point for our analysis. We have considered achieved jobs separately from future potential jobs (i.e. those which have not yet been realised but are anticipated to materialise at some point in the future).

To convert the estimated number of jobs created and safeguarded into a stream of benefits, we have made a set of assumptions regarding the key parameters which determine the profile of benefits:

- the time to deliver the intervention which generates the impacts: the period over which the RDAs' spending occurs before any benefits are realised;
- the period over which the benefits are assumed to build up before they reach their full expected potential;
- the persistence of the benefits: how many years the stream of benefits is expected to persist; and
- the rate at which the benefits decay over time: this is the proportion of annual benefits which are expected to be lost from one year to the next as a result of changes in the underlying social and

economic conditions (e.g. as beneficiaries change jobs and businesses relocate or make other investment decisions).

Few (if any) of the RDAs' interventions have been in place long enough to be able to observe these key assumptions. To overcome this lack of evidence, therefore, we have developed our assumptions, where possible, taking account of the evidence available from other evaluations of similar interventions as well as those which have been undertaken as part this work. Our key assumptions are summarised in Table 53.

**Table 53: Key assumptions underpinning estimates of impact on GVA**

Intervention type	Time to deliver (years)	Period over which benefits build (years)	Persistence of benefits (years)	Decay (% per annum)	Net present value of benefit stream
Individual enterprise level support	1	1	3	10	2.45
Sector/ cluster support	1	1	3	10	2.45
Promotion and development of science, R&D and innovation infrastructure	1	3	3	10	3.20
Inward investment promotion	1	1	5	10	3.60
Bringing land back into use	5	3	10	10	5.18
Public realm	3	2	10	10	5.30
Image, events and tourism	1	1	2	10	1.75
Skills and workforce development	1	1	3	10	2.45
Matching people to jobs	1	1	1	0	0.93
Supporting the development of educational infrastructure	5	1	10	10	4.70
Other – place	2	2	2	10	2.08
Cross cutting theme evaluations - place	5	3	10	10	5.18

The GVA per job is derived from data from National Statistics, as shown in Table 54.

**Table 54: Estimates of GVA per worker (2006)**

	GVA (workplace based, £m, 2006)	Total employee jobs ('000, June 2006)	GVA per worker (£, 2006)
West Midlands	88,997	2,348	37,903
East of England	98,967	2,349	42,132
East Midlands	74,113	1,831	40,477
London	217,549	3,988	54,551
North West	111,252	2,976	37,383
North East	38,788	1,047	37,047
South East	167,356	3,679	45,490
South West	89,501	2,218	40,352

	GVA (workplace based, £m, 2006)	Total employee jobs ('000, June 2006)	GVA per worker (£, 2006)
Yorkshire and the Humber	82,116	2,211	37,140
England	968,639	22,646	42,773

As part of our analysis we have generated three different estimates of the impact on GVA:

- the annual achieved GVA which is estimated as an annual flow of benefits based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job;
- the cumulative achieved GVA which is the estimated net present value (NPV) of the flow of benefits over time implied by the assumptions in Table 53: again, the benefits are based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job; and
- the total achieved and future potential GVA which differs from the cumulative achieved GVA in that it also includes the estimated NPV of the flow of benefits expected to accrue from the future potential jobs which are expected to result from the RDAs' interventions.

Several of the evaluations we have used provide estimates of the future potential jobs created and safeguarded by an intervention. In some cases, the evaluations indicate that no further future potential jobs are expected. Many of the evaluations, however, are silent on whether future potential jobs are to be expected and some have not considered the scale of future potential jobs. In estimating the impact on GVA of these latter evaluations, we have assumed that:

- all capital projects should be excluded on the basis that they may give rise to future potential jobs over and above those already achieved; and
- all revenue projects should be included with the number of future potential jobs assumed to be zero on the basis that we would expect the impact of these interventions to be evident in the estimated achieved jobs.

We have examined the sensitivity of our findings to these assumptions.

As part of our analysis, we have examined the sensitivity of the results to the key assumptions we have made about the profile and persistence of the expected benefit stream. Table 55 summarises the impact of a one year increase or decrease in the time to deliver the programme and project, the period over which the benefits build to their peak and the persistence of the benefits. It also considers the effect of a 10% increase and decrease in the rate at which the benefits decay over time. The table shows the change in the factor used to convert the annual flow of benefits into an expected cumulative NPV of the flow over the period of the expected benefits as a result of a change in the underlying assumptions.

The key results of the sensitivity analysis are as follows:

- for most intervention types, the key assumption is the period over which the benefits are expected to persist: for example, if the benefits of individual enterprise support or sector/cluster support were to persist for one more year, the benefits would increase by 25% and, in the case of matching people to jobs, they would double;
- the exceptions are those interventions involving capital programmes where the projects take time to deliver and the benefits are assumed to persist for several years: in these cases, it is the rate at which the benefits decay over time which is the significant factor driving the NPV of the benefits, for example if benefits decay at 20% per annum rather than 10%, the NPV of the benefits reduces by around 25%;
- the time to deliver the project has little effect on the NPV of the benefit stream: each additional year reduces the benefits by 3% across all intervention types; and

- the rate at which the benefits decay over time: this is the proportion of annual benefits which are expected to be lost from one year to the next as a result of changes in the underlying social and economic conditions (e.g. as beneficiaries change jobs and businesses relocate or make other investment decisions).

**Table 55: Sensitivity analysis**

Sub-theme	Base	Time to deliver (years)				Build period (years)				Persistence (years)				Decay (% per annum)			
		NPV	%	NPV	%	NPV	%	NPV	%	NPV	%	NPV	%	NPV	%	NPV	%
Sensitivity		1		-1		1		-1		1		-1		10%		-10%	
Individual enterprise level support	2.45	2.37	-3%	2.54	3%	2.15	-12%	n/a	n/a	3.06	25%	1.75	-29%	2.21	-10%	2.71	10%
Sector/ cluster support	2.45	2.37	-3%	2.54	3%	2.15	-12%	n/a	n/a	3.06	25%	1.75	-29%	2.21	-10%	2.71	10%
Promotion and development of science, R&D and innovation infrastructure	3.20	3.09	-3%	3.31	3%	3.55	11%	2.83	-11%	3.77	18%	2.54	-21%	2.98	-7%	3.44	7%
Inward investment promotion	3.60	3.48	-3%	3.72	4%	3.43	-5%	n/a	n/a	4.06	13%	3.06	-15%	2.98	-17%	4.36	21%
Bringing land back into use	5.18	5.00	-3%	5.36	4%	5.40	4%	4.94	-5%	5.37	4%	4.96	-4%	3.89	-25%	7.33	42%
Public realm	5.30	5.12	-3%	5.48	4%	5.55	5%	5.03	-5%	5.50	4%	5.06	-5%	3.86	-27%	7.68	45%
Image, events and tourism	1.75	1.69	-3%	1.81	3%	1.37	-22%	n/a	n/a	2.45	40%	0.93	-47%	1.66	-5%	1.84	5%
Skills and workforce development	2.45	2.37	-3%	2.54	3%	2.15	-12%	n/a	n/a	3.06	25%	1.75	-29%	2.21	-10%	2.71	10%
Matching people to jobs	0.93	0.90	-3%	0.97	4%	0.47	-49%	n/a	n/a	1.84	97%	0.00	-100%	0.93	0%	0.93	0%
Supporting the development of educational infrastructure	4.70	4.54	-3%	4.86	3%	4.72	0%	n/a	n/a	4.90	4%	4.46	-5%	3.31	-30%	7.00	49%

# Annex C – Business development and competitiveness interventions – sub-theme analysis

## Introduction

This annex provides further details of the impact of RDAs' interventions to promote business development and competitiveness for six sub-themes:

- individual enterprise level support;
- sector/cluster support;
- science, R&D & innovation infrastructure;
- inward investment;
- sustainable consumption/production; and
- internationalisation of indigenous businesses.

The overall RDA spend covered by IEF compliant evaluations in each sub-theme is set out in Table 56 below.

**Table 56: Summary of evaluation evidence for business development and competitiveness interventions**

Intervention sub-theme	Evaluations	Expenditure covered by evaluations (£m)
Individual enterprise level support	28	260.8
Sector/cluster support	24	364.9
Science, R&D & innovation infrastructure	31	387.3
Inward investment	9	72.8
Sustainable consumption/production	9	21.2
Internationalisation of indigenous businesses	2	5.4
Other business	7	43.2
<b>Total</b>	<b>110</b>	<b>1,155.6</b>

Source: PwC analysis based on RDA evaluation evidence

The evidence of impact presented follows a common structure which:

- summarises the evidence with respect to the gross and net outputs of each intervention;
- explains the estimated outcomes associated with each intervention;
- summarises the evidence with respect to the value for money of each intervention; and
- reports the evidence of performance against objectives.

## Individual enterprise level support

### Impact

The gross and net attributable outputs associated with the individual enterprise support interventions are summarised in Table 57. For each output measure we include evaluations in our analysis that provide estimates of both gross and net outputs, along with the estimate of additionality. Across the 28 evaluations in this sub-theme, the majority have included a measure of jobs created/safeguarded, with fewer evaluations considering the number of businesses created and assisted. In addition to these measures a range of other outputs relating to these programmes have been recorded, for example people assisted in skills development. In addition to the outputs achieved to date, three evaluations estimate future potential jobs<sup>74</sup>.

**Table 57: Summary of Individual enterprise support achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	23	243.8	71,951	29,370	41
Businesses created	11	141.0	4,865	1,900	39
Businesses assisted	14	144.5	53,475	16,992	32

Source: PwC analysis based on RDA evaluation evidence

Table 57 shows that the key outputs from individual enterprise support intervention have been jobs created/safeguarded. The number of net jobs created/safeguarded represents a significant output associated with spend of £244m. In addition, individual enterprise support interventions have also assisted and created significant numbers of businesses.

To understand which individual intervention make significant contributions it is useful to consider the contributions of individual projects and programmes. Four programme level evaluations make significant contributions to jobs created/safeguarded within this sub-theme: EMDA's business support programme (11,130); SEEDA's enterprise support programme (2,245); and AWM's High Technology corridors (2,795) and MG Rover programmes (6,396). Two evaluations record significant numbers of businesses created: ONE's enterprise support programme (519) and SEEDA's enterprise support programme (600). Significant numbers of business assists have also been recorded in the programme level evaluations, highlighted above.

Additionality levels across the three key outputs recorded range from 20 to 80% although, on average, they exceed the available benchmarks. The levels of additionality are driven mainly by the levels of deadweight (average of 40%)<sup>75</sup> and displacement (average of 33%) (i.e.40% of the gross outputs would have arisen without RDA support and 33% of the benefits are at the expense of other firms in the region).

<sup>74</sup> East Manchester Economic Programme, NWDA 480 net future potential jobs created/safeguarded, London Riverside LDA 200 net future potential jobs created/safeguarded, Early stage support EEDA 280 net future potential jobs created/safeguarded

<sup>75</sup> The average level of deadweight across individual enterprise support interventions is 40% but the range is from 0% to 80%.

The available benchmark<sup>76</sup> finds that the deadweight associated with generic business support activities is 85% and for access to finance 65%, which is significantly higher than for individual enterprise support interventions. The average levels reported in RDA individual enterprise support interventions are significantly below this level. The EP Guidance also estimates displacement for generic business support at 49%, which is above the average level reported in the evaluations. Levels of leakage and substitution recorded are generally low, in the 5% to 10% range. This is broadly consistent with those in the EP Guidance.

Table 58 shows three different estimates of the impact on GVA of individual enterprise support interventions:

- the achieved GVA which is estimated as an annual flow of benefits based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job;
- the cumulative achieved GVA which is the estimated net present value (NPV) of the flow of benefits over time implied by our assumptions: the benefits are based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job; and
- the total achieved and future potential GVA which differs from the cumulative achieved GVA in that it also includes the estimated net present value (NPV) of the flow of benefits expected to accrue from the future potential jobs which are expected to result from the RDAs' interventions.

A full explanation of the approach and assumptions used to estimate the GVA impact is in Annex B.

**Table 58: Summary of impact of Individual enterprise support on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>77</sup>	Achieved & future potential GVA (cumulative NPV, £m)
243.8	1,197.3	2,934.8	225.6	3,192.0

Source: PwC analysis based on RDA evaluation evidence

The results show that individual enterprise support interventions have already produced GVA returns which exceed their cost. As these impacts persist there is the potential for significant continued benefits from RDA investment. In addition to the GVA outcomes reported above, the evaluations also note a wider set of outcomes such as improvements to turnover, exports and profitability. A range of more qualitative outcomes were also captured, such as increased competitiveness, improved business confidence and developing an enterprise culture.

It is important to recognise, therefore, that our estimates of GVA will not fully capture the impacts of individual enterprise support programmes that focus on improving productivity of businesses. To estimate these impacts some evaluations have sought to estimate, through beneficiary surveys, the impact of the intervention on the productivity of the businesses supported by capturing the net turnover impacts of the support. For example the evaluation of AWM's High Technology Corridors asked businesses to report the improvement in their turnover since the support was provided. The evaluation of LDA's access to finance programme also looked at the impact on business turnover as a means to assess the GVA impact of the programme and the evaluation recorded a GVA to cost ratio in excess of our estimate based on net jobs created/safeguarded.

<sup>76</sup> Additionality Guide, Third Edition, English Partnerships, 2008.

<sup>77</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

## Value for money

Table 59 gives the GVA to cost ratio of individual enterprise support interventions based on the estimate of GVA presented in Table 58.

**Table 59: Summary of Individual enterprise support value for money**

Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved &future potential GVA (cumulative NPV, £m):cost
4.9	12.0	14.1 <sup>78</sup>

Source: PwC analysis based on RDA evaluation evidence

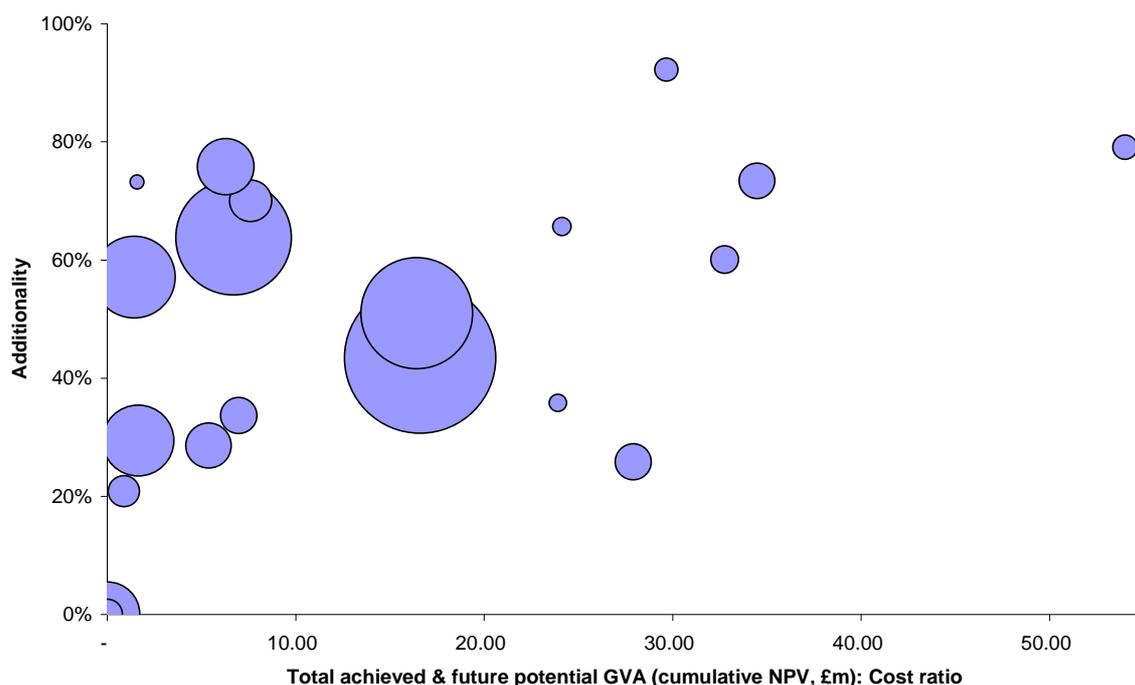
As can be seen from Table 59, individual enterprise support interventions have provided a positive return, with each £1 of expenditure generating £4.90 in annual GVA returns. The cumulative achieved GVA:cost ratio, which takes the persistence of achieved impacts into account, is higher, giving a GVA return of £12.00 per £1 invested. For individual enterprise support interventions, we assume that the benefits of support build up over a single year and persist over two years, with relatively high levels of decay, before falling to zero. This pattern reflects the nature of the support, with businesses gaining quick benefits, which are eroded relatively quickly over time. Taking into account future potential job impacts raises the GVA to cost ratio to £14.10 per £1 invested.

There is considerable variation within the average GVA to cost ratios presented in Table 59 between interventions. Figure 5 compares the total achieved and future potential GVA (on the horizontal axis) and the estimate of additionality (on the vertical axis). The size of each bubbles represents the amount of spend. In addition, four outliers have not been presented<sup>79</sup>.

<sup>78</sup> This estimate excludes 29,487 future potential jobs created/safeguarded estimated by SEEDA's individual enterprise support evaluation. Including these jobs increases the estimate to 27.8:1.

<sup>79</sup> These include the LDA's Up and Running programme, which we estimate to have achieved an annual GVA to cost ratio of 38:1, rising to over 90:1 with persistence effects considered, however no GVA to cost ratio was estimated in the evaluation and the overall return should be considered against an overall programme spend of £27.9m rather than the £1.3m expenditure incurred by the LDA. The GVA to cost ratio for SEEDA's Individual Enterprise Support Programmes of 194 also appears to be an outlier, due to nearly 30,000 future potential jobs created/safeguarded. ONE's access to finance programme with an estimated GVA to cost ratio of over 100:1 and SWRDA's general business support interventions with a GVA to cost ratio of over 95:1 are also excluded.

**Figure 5: Individual enterprise support GVA returns compared to additionality**



Source: PwC analysis based on RDA evidence

Figure 5 shows that some interventions generate very positive returns with a GVA to cost ratio in excess of 20 to 1. As discussed above additionality varies predominantly between 20% and 80% and there is no discernable relationship between additionality and GVA returns. Similarly, there is no apparent relationship between the size of the intervention and the overall returns: some larger interventions have performed well, delivering high returns, whilst others have resulted in limited returns on investment.

The variation in the GVA to cost ratios can be partly explained by the nature of the intervention, as Table 60 demonstrates: programme level interventions appear to offer a higher return. There are several large programmes which offer high GVA returns, for example: EMDA’s business support programme, SEEDA’s redundant buildings and individual enterprise support programme and AWM’s MG Rover programme, all offer total GVA to cost ratios in excess of 15. Given the available data, however, it is not difficult to determine the reasons for this difference in performance.

**Table 60: Individual enterprise support interventions, project versus programme performance**

	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
Project	40.4	3.9	9.5	13.0
Programme	185.2	5.1	12.5	14.4 <sup>80</sup>

Source: PwC analysis based on RDA evaluation evidence

<sup>80</sup> This estimate excludes 29,487 future potential jobs created/safeguarded estimated by SEEDA’s individual enterprise support evaluation. Including these jobs increases the estimate to 30.7 to 1.

In addition to GVA it is also possible to measure the value for money of individual enterprise support interventions by considering measures of cost per unit of output.

**Table 61: Individual enterprise support cost effectiveness per net unit of output**

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Jobs created/safeguarded	23	243.8	8,301
Businesses created	11	141.0	74,196
Businesses assisted	14	144.5	8,502

Source: PwC analysis based on RDA evaluation evidence

Comparison of the cost per unit of output measures in Table 61 against benchmarks derived from other comparable evaluations highlights the positive performance of individual enterprise support interventions in terms of the cost per net job. The benchmarks quoted in evaluations for individual enterprise support jobs created/safeguarded include:

- £26,810-30,800<sup>81</sup> – benchmarks derived for AWM;
- £11,578<sup>82</sup> – evaluation of the Business Link Local Service; and
- £12,000<sup>83</sup> - English Partnerships' benchmark.

There are very few available benchmarks for businesses created or assisted apart from a set of benchmarks derived for AWM<sup>84</sup>:

- cost per net business created: £27,300; and
- cost per net business assisted: £14,200.

Against this benchmark, the average cost per business created appears to be higher, although this benchmark does not distinguish between the type of business created and the value that different types of businesses might generate. Performance against business assists has been positive, with an average cost per net business assist below the benchmark level. It should be noted that our analysis has focused on the total programme cost when assessing cost per unit of output, for example if the programme cost is £100m and the number of jobs created is 1,000, this would give a cost per job of £100,000. Where programmes have delivered a diverse range of outputs (for example if £20 of the programme related to skills), then this methodology may potentially over estimate the cost per unit of output.

### Performance against objectives

The performance against objectives recorded for each of the individual enterprise support interventions is summarised in Table 62. It shows a varied performance. Only seven evaluations (covering a limited amount of spend) either exceeded or met their objectives and over a third of interventions have had mixed performance against their original objectives. Analysis of the impact of the interventions against their objectives shows that there appears to be a limited relationship between impact and performance against objectives.

<sup>81</sup> 'Identification of benchmarks' report to AWM, AWM, 2003.

<sup>82</sup> Economic impact of Business Link Local Service, URN, 2007.

<sup>83</sup> English Partnerships

<sup>84</sup> 'Identification of benchmarks' report to AWM, AWM, 2003.

**Table 62: Assessment of individual enterprise support interventions performance against objectives**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Achieved & future potential GVA (cumulative NPV):cost
Exceeded	5	18	27.4	10	8.2
Met	2	7	9.9	4	14.3
Largely met	4	14	7.7	3	28.2
Mixed	9	32	56.2	22	6.6
Limited performance	1	4	38.7	15	6.7
Not assessed	7	25	120.9	46	18.6
<b>Total</b>	<b>28</b>	<b>100</b>	<b>260.8</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

## Sector/cluster support

### Impact

The achieved gross and net outputs associated with sector/cluster support interventions are summarised in Table 63.

**Table 63: Summary of sector/cluster support achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	19	342.6	42,073	28,235	67
Businesses created	5	20.2	244	123	50
Businesses assisted	4	17.1	11,264	4,384	39

Source: PwC analysis based on RDA evaluation evidence

The outputs shown in Table 63 show that the most commonly reported output across sector/cluster support interventions is jobs created/safeguarded, with over 28,000 net jobs created/safeguarded. There are significant contributions to the number of jobs created/safeguarded from four of the programme level clusters evaluations: AWM (4,154), ONE (2,222), SEEDA (2,704) and YF (14,853). In addition to the jobs created/safeguarded to date, five evaluations estimate over 50,000 future potential jobs associated with sector/cluster support initiatives.<sup>85</sup>

There is more limited evidence on the number of business created/assisted due to very limited recording of net businesses created/assisted. The number of business created relates largely to 41 net businesses created out of the LDA's Collage Art's programme, The outputs reported in Table 63 are likely to only capture a limited amount of the outputs relating to the total spend (£364.9m), with four evaluations reporting no net outputs.<sup>86</sup>

<sup>85</sup> The most significant of these is SEEDA's business competitiveness evaluation, which estimates 42,232 future potential jobs.

<sup>86</sup> It is not possible to determine if this is because the evaluation has not adequately recorded outputs or if there were no outputs as a result of the intervention.

The key additionality ratio to consider from Table 63 relates to jobs created/safeguarded, where 67%<sup>87</sup> of the gross jobs created/safeguarded translate into net jobs, which compares favourably to the benchmarks discussed above. Additionality can also be compared to individual enterprise support, where additionality for jobs created/safeguarded was 16% lower and 11% lower for business created. The extent of additionality varies across the three types of outputs, with additionality being highest for jobs created/safeguarded and lowest for businesses created, although these figures should be interpreted cautiously as they are derived from only a limited number of evaluations.

From the limited information underlying the overall gross-to-net ratios it is difficult to draw firm conclusions of the patterns emerging. The key factor in the gross to net ratio appears to be the level of deadweight, which is around 40% across the different interventions although it varies significantly within and between interventions<sup>88</sup>. For example, the evaluation of AWM’s clusters programme found that deadweight varied between 0% to 38% depending on the cluster. Average leakage for sector/cluster intervention is around 16%, with considerable variation between interventions (ranging from 1% to 59%).

Our estimates of the GVA outcomes, consistent with the methodology presented above, arising from RDAs’ sector/cluster support interventions are outlined in Table 64. It shows that the achieved annual returns from sector/cluster support exceeds costs, and the impact will increase over time as these impacts persist. In addition to the GVA outcomes that can be attributed to sector/cluster support the evaluations also note a range of other outcomes from improving the diversity of the economy to increasing the confidence of specific sectors.

**Table 64: Summary of impact of Sector/cluster support interventions on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>89</sup>	Achieved & future potential GVA (cumulative NPV, £m)
342.6	1,080.3	2,647.9	334.0	2909.1

Source: PwC analysis based on RDA evaluation evidence

The GVA outcomes above may potentially under estimate the returns from sector/cluster support interventions where the focus has been on productivity improvements. The evaluations of sector/cluster support conducted by SEEDA, LDA and AWM have all attempted to capture these impacts by estimating the net change in turnover that is attributable to the support provided. For example SEEDA’s evaluation of its Sector support programme estimated that the future potential GVA impact could be in the range £1,119 -1,229m, compared to our total GVA estimate based on jobs of £304m. AWM’s evaluation estimated a total GVA return (based on turnover) of £543m compared to our estimate of £397m. However, given the limited information on turnover across all sector/cluster support evaluations, it has not been possible to estimate GVA from turnover as an alternative estimate of GVA.

**Value for money**

Table 65 gives the GVA to cost ratio of sector/cluster support interventions based on our estimates of GVA presented above.

<sup>87</sup> The level of additionality has varied from between 7% to near 100%.

<sup>88</sup> Range of 2% to 73% and standard deviation of 23%.

<sup>89</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

**Table 65: Summary of Sector/cluster support value for money**

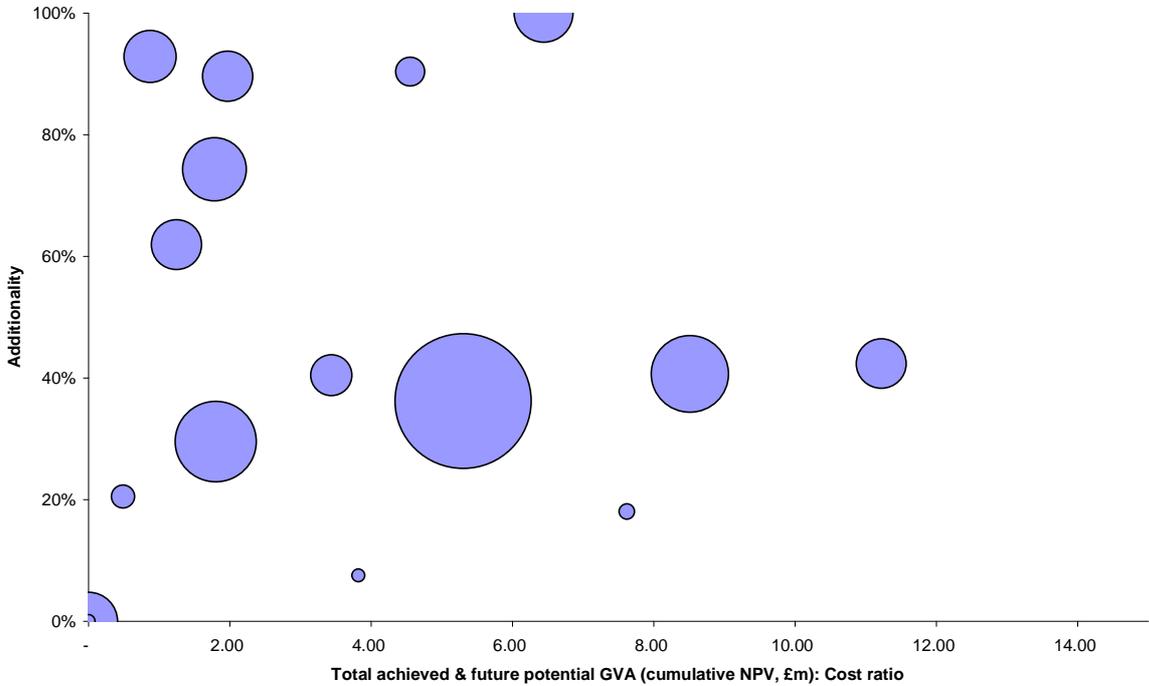
Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
3.2	7.7	8.7 <sup>90</sup>

Source: PwC analysis based on RDA evidence

As can be seen from Table 65 sector/cluster support interventions have provided a positive return, with each £1 of expenditure generating £3.20 in annual achieved GVA returns, although this is below the level of returns from individual enterprise support interventions. The total returns, which also includes the estimated net present value (NPV) of the flow of benefits expected to accrue from the future potential jobs, are higher and give a GVA return of over £7.70 per £1 invested. As discussed above, we recognise that estimating the impact of sector/cluster support on the basis of jobs created/safeguarded will potentially underestimate the impact of interventions that have aimed to improve productivity.

Within the GVA to cost estimates there is considerable variation (see Figure 6<sup>91</sup>) in the total achieved and future potential GVA returns and the levels of additionality.

**Figure 6: Sector/cluster support returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

The GVA returns are positive and from the majority of interventions are expected to have a GVA return greater than costs<sup>92</sup>. There are also some interventions which have resulted in significant returns, with GVA returns greater than costs by more than a factor of 10. The level of additionality has varied from 7% to near 100%. However, there does not appear to be a relationship between additionality and GVA return; some interventions have reported high levels of additionality with low returns, others have reported low levels of additionality with high returns.

<sup>90</sup> This estimate excludes 42,232 future potential jobs created/safeguarded estimated by SEEDA's sector support evaluation. Including these jobs increases the estimate to 23.0:1.

<sup>91</sup> To ensure a reasonable scale can be draw we have excluded three outliers from the graph. NWDA's national bio-manufacturing centre and SEEDA's Business Competitiveness (Sector support) and YF's Cluster support.

<sup>92</sup> NWDA, Bio Core Technology Facility.

## Performance against objectives

Table 66 shows the performance of RDAs' sector/cluster support interventions against their objectives. Evaluations covering nearly 35% of spend have largely met their objectives and a further 11% have had mixed performance against their objectives. Four evaluations covering 36% of spend have had only limited performance against objectives and for six evaluations covering 16% of spend there has been no assessment of performance against objectives. There is no clear relationship between performance against objectives and the GVA to cost ratio.

**Table 66: Sector/cluster support performance against objectives**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Achieved & future potential GVA (cumulative NPV):cost
Exceeded	1	4	6.8	2	3.4
Met	-	-	-	-	-
Largely met	4	17	127.2	34.8	15.6
Mixed	9	38	38.6	11	4.5
Limited performance	4	17	132.6	36	3.6
Not assessed	6	25	59.7	16	9.7
<b>Total</b>	<b>24</b>	<b>100</b>	<b>364.9</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

## Science, R&D & innovation infrastructure

### Impact

The achieved gross and net outputs associated with the science, R&D and innovation infrastructure interventions are summarised in Table 67. For each output measure we include evaluations in our analysis that provide estimates of both gross and net outputs, along with the estimate of additionality. In addition to these measures a range of other outputs relating to these programmes have been recorded, for example people assisted in skills development and brownfield land remediated. In addition to the outputs achieved to date, nine evaluations<sup>93</sup> estimate that there are 26,572 net future potential jobs that are anticipated to arise in the future.

Table 67 shows that the key output relating to science, R&D and innovation infrastructure interventions is the number of net jobs created/safeguarded, which is greater than the number of jobs for sector/cluster support but around a third of the number of jobs through individual enterprise support interventions. Across the 31 evaluations in this sub-theme, 25 (covering 88% of spend) have included a measure of jobs created/safeguarded. Three programme evaluations have contributed a significant number of net jobs created/safeguarded including: AWM's premium automotive research and development programme (3,729) NWDA project access (1128) ONE sector programme (1301). Fewer evaluations have estimated the number of net businesses created (11) and assisted (7). Of the additional businesses created, half are related to the ONE sector programme.

**Table 67: Summary of Science, R&D and innovation infrastructure outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
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<sup>93</sup> The most significant of which is SEEDA's Innovation infrastructure programme where 25,343 jobs are forecast to be created/safeguarded.

Jobs created/safeguarded	25	354.3	20,412	9,339	46
Businesses created	11	234.8	384	150	39
Businesses assisted	7	75.2	4,527	3,052	67

Source: PwC analysis based on RDA evaluation evidence

The levels of additionality for science, R&D and innovation infrastructure are higher compared to individual enterprise support, with the exception of businesses created. They also compare favourably to the additionality benchmarks highlighted above.

Our estimates of the GVA outcomes arising from RDAs' science, R&D and innovation infrastructure interventions are outlined in Table 68. They show that the achieved GVA returns from science, R&D and innovation infrastructure interventions cover the expenditure. Factoring the persistence of these achieved benefits and future potential benefits into account approximately trebles the achieved GVA.

**Table 68: Summary of impact of Science, R&D and innovation infrastructure interventions on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>94</sup>	Achieved & future potential GVA (cumulative NPV, £m)
354.3	374.2	1,197.7	85.1	702.7

Source: PwC analysis based on RDA evaluation evidence

### Value for money

Table 69 gives the GVA to cost ratio of science, R&D and innovation infrastructure interventions based on the estimates of GVA presented above. As can be seen, science, R&D and innovation infrastructure have covered their costs, with each £1 of expenditure generating £1.10 in annual achieved GVA returns. These returns are expected to persist and will approximately treble over time. As highlighted above, taking future potential impacts into account will deliver higher GVA returns of approximately £8 per £1 of expenditure.

**Table 69: Summary of Science, R&D and innovation infrastructure value for money**

Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
1.1	3.4	8.3 <sup>95</sup>

Source: PwC analysis based on RDA evaluation evidence

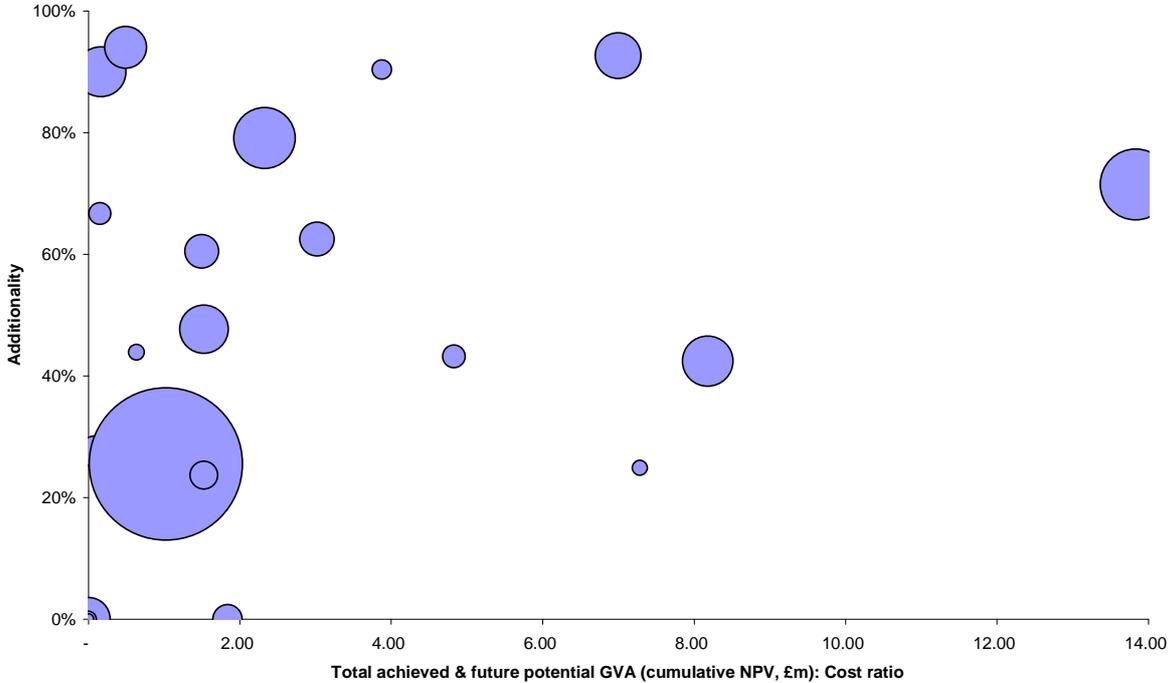
It is important to recognise the limitations of the figures presented above in capturing the overall impact of science, R&D and innovation infrastructure interventions. The estimate of GVA presented above is based on the number of net additional jobs created and safeguarded multiplied by the regional average GVA per job. Given the high value-added nature of jobs in science and R&D activities this methodology will potentially under-estimate the GVA impact of these jobs. In addition, some of the impacts are unlikely to be fully captured by job outputs alone or may be under-estimated, for example a spin-out activity may create no additional jobs, but it will still impact on GVA. Given these limitations, the results presented above can be considered towards to the lower end of the potential range of impact.

<sup>94</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

<sup>95</sup> This estimate excludes 25,343 future potential jobs created/safeguarded from SEEDA's Innovation infrastructure evaluation. Including these jobs increases the estimate to 44.0:1.

Within the average GVA to cost ratios presented in Table 69 there is a range of GVA returns and additionality from different interventions. Figure 7 compares the total GVA return and the estimate of additionality, where the size of the bubbles represents the amount of spend. In addition, there are several outliers that have not been presented<sup>96</sup>. Figure 7 shows that the majority of interventions have achieved GVA returns between zero and four. Our analysis also shows that there are five interventions that will achieve GVA to cost ratios of less than one. There are, however, a number of interventions that will achieve returns significantly in excess of costs.

**Figure 7: Science, R&D and innovation infrastructure total GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

It is also possible to assess the cost per net unit of output associated with Science, R&D and innovation infrastructure.

**Table 70: Science, R&D and innovation infrastructure cost effectiveness per net unit of output**

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Jobs created/safeguarded	25	354.3	37,938
Businesses created	11	234.8	1,564,603
Businesses assisted	7	75.2	24,640

Source: PwC analysis based on RDA evaluation evidence

Given the diversity of the interventions within this sub-theme, it is difficult to find appropriate benchmarks against which to compare the unit costs. The costs per unit of output are all greater than those presented for individual enterprise and sector/cluster support interventions. The cost per net business created is substantially higher, although this may be due to the types of businesses created, which are likely to be higher added value businesses.

<sup>96</sup> These include the LDA's Secondment into knowledge, British Library business and IP centre and SWRDA's Coral Reef.

## Performance against objectives

Table 71 shows the performance of RDAs' sector/cluster support interventions against their objectives. The majority of project/programme, where performance against objectives has been assessed, have met their objectives or recorded mixed performance and a significant proportion of programmes did not assess performance against objectives. There is limited evidence that performance against objectives and performance are linked and it is not possible to estimate the total achieved and future potential GVA to cost ratio for interventions with exceeded, met and those showing limited performance, as future potential jobs have not been assessed in these evaluations.

**Table 71: Science, R&D and innovation infrastructure performance against objectives**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Achieved & future potential GVA (cumulative NPV):cost
Exceeded	2	6	13.2	3	-
Met	-	-	-	-	-
Largely met	12	39	98.1	25	8.3
Mixed	7	23	38.7	10	42.0
Limited performance	5	16	36.5	9	-
Not assessed	5	16	200.8	52	5.6
<b>Total</b>	<b>31</b>	<b>100</b>	<b>387.3</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

## Inward investment

### Impact

The achieved gross and net outputs jobs created/safeguarded associated with inward investment interventions are summarised in Table 72. There is only limited information for businesses created/assisted<sup>97</sup> and there are a range of additional outputs, for example new investments and investor developments, which have not been consistently recorded in evaluations for inward investment. In addition to these outputs, interventions focusing on tourism have recorded outputs relating to the number of visitors attracted<sup>98</sup>.

**Table 72: Summary of Inward investment outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	7	56.6	43,441	18,517	43

Source: PwC analysis based on RDA evaluation evidence

Inward investment interventions have created/safeguarded a significant number of jobs, approximately double the number for sector/cluster support interventions and science, R&D and innovation infrastructure interventions. It is important to note, however, that the total number of jobs created/safeguard includes 14,149 net jobs ONE's inward investment programme. Whilst we believe that this estimate is robust, including this intervention in the subsequent averages could produce potentially

<sup>97</sup> A total of 17 net businesses have been created and 59 net businesses assisted as a result of inward investment interventions.

<sup>98</sup> LDA's visit London evaluation recorded a total of 175,740 net visitors to London and a total economic benefit to London of £879m.

misleading results, we have therefore excluded this evaluation and any spend associated with it from the subsequent analysis, noting the impact on any results.

The estimate of additionality has a large range (4-68%) and is consistent with the estimate for individual enterprise support, but lower the level of additionality in science, R&D and innovation infrastructure interventions. The level of additionality appears to be influenced mainly by the level of deadweight recorded in evaluations, which appears to be relatively high at 55% compared to other business development and competitiveness interventions. Levels of leakage and displacement are captured across only a limited number of evaluations.

The additionality factor in Table 72 reflects additionality at a regional level only. Very few of the evaluations we have considered have looked at the additionality of the intervention at the national level. Of the evaluations we have reviewed, only the evaluation of Arvato Gravure Printing Site project considers the potential implications of national additionality, noting that the investing company Arvato was considering a number of sites elsewhere in England and Wales.

Our estimates of the GVA outcomes arising from inward investment interventions are outlined in Table 73. It shows that the achieved impact from inward investments exceeds cost and there are significant future potential impacts to come. As highlighted above the majority of inward investments estimate net jobs and we would expect the majority of impacts relating to inward investment to be employment related. On this basis we would expect our estimate of GVA to capture the majority of GVA impacts.

**Table 73: Summary of impact of Inward investment on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>99</sup>	Achieved & future potential GVA (cumulative NPV, £m)
56.6	188.8	679.3	45.7	937.9

Source: PwC analysis based on RDA evaluation evidence

Value for money

Table 74 gives the GVA to cost ratio of inward investment interventions based on the estimates of GVA presented in Table 73 above. It demonstrates that inward investment interventions has achieved GVA returns of £3.70 per £1 invested and have the potential to significantly exceed these returns, due to the long term nature of inward investment, which can be expected to deliver benefits over a number of years.

**Table 74: Summary of Inward investment interventions value for money**

Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
3.7 <sup>100</sup>	13.5 <sup>101</sup>	20.5 <sup>102</sup>

Source: PwC analysis based on RDA evaluation evidence

<sup>99</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations

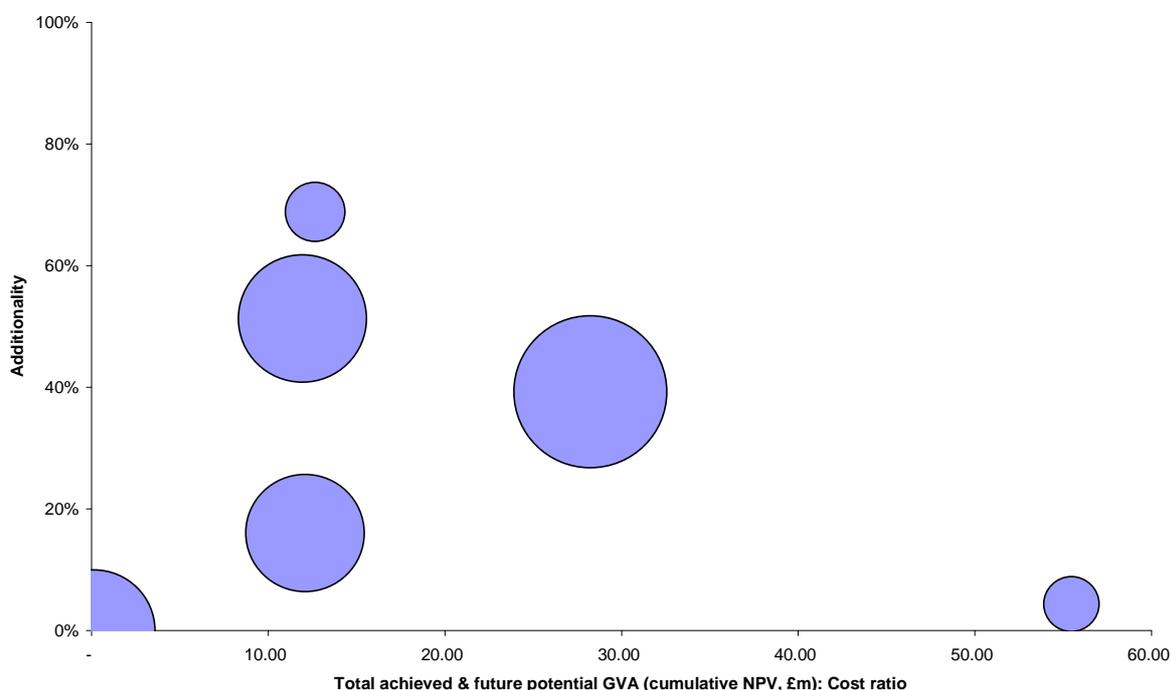
<sup>100</sup> This estimate excludes 14,149 achieved jobs created/safeguarded estimated by ONE's inward investment evaluation. Including these jobs increases the estimate to 12.6:1.

<sup>101</sup> This estimate excludes 14,149 achieved jobs created/safeguarded estimated by ONE's inward investment evaluation. Including these jobs increases the estimate to 45.3:1.

<sup>102</sup> This estimate excludes 3,866 future potential jobs created/safeguarded estimated by SEEDA's inward investment evaluation. Including these jobs increases the estimate to 33.4:1.

Figure 8 illustrates the significant variation in GVA returns from inward investment. Several interventions have achieved significant returns of over £20 GVA per £1 invested. These high estimates reflect the significant numbers of additional jobs that have been delivered, with limited RDA investment<sup>103</sup>.

**Figure 8: Inward Investment total GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

It is also possible to estimate the cost per job of inward investment interventions. Comparing these to the benchmarks highlighted above, inward investment programmes are broadly consistent with individual enterprise and sector/cluster support programmes.

**Table 75: Inward investment cost effectiveness per net unit of output**

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Jobs created/safeguarded	7	56.6	11,563 <sup>104</sup>

Source: PwC analysis based on RDA evidence

### Performance against objectives

Table 76 shows the performance of RDAs' inward investment interventions against their objectives. Only six of the nine evaluations assessed performance against objectives: one has exceeded its objectives and one has fully met its target. Three evaluations covering nearly 40% of the spend on inward investment interventions have not assessed performance against objectives. There does not appear to be a clear relationship between performance against objectives and the GVA to cost ratio for inward investment interventions.

<sup>103</sup> This analysis excludes SEEDA's Inward Investment Programme.

<sup>104</sup> This estimate excludes outliers from ONE's evaluation of inward investment.

**Table 76: Inward investment performance against objectives**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Achieved & future potential GVA (cumulative NPV):cost
Exceeded	1	11	2.7	4	12.7
Met	1	11	12.4	17	11.9
Largely met	3	33	15.8	22	-
Mixed	-	-	-	-	0
Limited performance	1	11	2.3	3	55.5
Not assessed	3	33	39.6	54	22.2
<b>Total</b>	<b>9</b>	<b>100</b>	<b>72.8</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

## Sustainable consumption/production

RDA spending on interventions that consider sustainable consumption and production has been addressed by eight evaluations which cover £22m of spend. These interventions seek to bring about efficiency improvements in businesses, through the adoption of more sustainable working practices.

The only output systematically recorded across this sub-theme is the number of jobs created and safeguarded (see Table 77). The levels of additionality are broadly consistent with other business development and competitiveness interventions.

**Table 77: Summary of sustainable consumption/production outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	7	14.8	1,169	515	44

Source: PwC analysis based on RDA evaluation evidence

Table 78 shows our estimates of the impact of the RDAs' sustainable consumption/production interventions on GVA.

**Table 78: Summary of impact of sustainable consumption/production interventions on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>105</sup>	Achieved & future potential GVA (cumulative NPV, £m)
14.8	21.6	53.0	14.8	53.0

Source: PwC analysis based on RDA evaluation evidence

<sup>105</sup> Spend has been excluded for those evaluations where future potential has not been assessed in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

Table 79 shows our estimates of the GVA to cost ratios for the RDAs' interventions. It shows that the returns are below those of RDAs' business development and competitiveness interventions as a whole.

**Table 79: Summary of sustainable consumption/production value for money**

Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
1.5	3.6	3.6

Source: PwC analysis based on RDA evaluation evidence

**Internationalisation of indigenous businesses**

This sub-theme contains only two interventions, which aim to improve the export potential and ultimately performance of indigenous businesses within the RDA region. The evaluations cover £5.4m of expenditure and estimate that 627 net jobs have been created/safeguarded.

**Other business development and competitiveness projects and programme**

Seven other business development and competitiveness interventions have been evaluated. The evaluations cover disparate activities with spend of £39m. The outputs are summarised in Table 80.

**Table 80: Other business development and competitiveness projects and programmes outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	3	38.4	1,283	1,167	91

Source: PwC analysis based on RDA evaluation evidence

# Annex D – Regeneration through physical infrastructure interventions – sub-theme analysis

## Introduction

This annex provides further details of the impact of RDAs' interventions to promote regeneration. These evaluations have been grouped into four distinct sub-themes:

- bringing land back into use;
- public realm;
- image, events and tourism;
- cross-cutting regeneration interventions; and
- other regeneration interventions.

The expenditure covered by IEF compliant evaluations broken down by sub-theme is set out in Table 81.

**Table 81: Summary of evaluation evidence for regeneration through physical infrastructure interventions (2002/03-2006/07)**

Intervention sub-theme	Number of IEF compliant evaluations	Spend covered by IEF compliant evaluations (£m)
Bringing land back into use	40	746.3
Public realm	12	336.6
Image, events and tourism	14	206.2
Cross-cutting regeneration interventions	9	624.5
Other regeneration interventions	7	34.1
<b>Total</b>	<b>82</b>	<b>1,947.7</b>

Source: PwC analysis based on RDA evaluation evidence

## Bringing land back into use

### Impact

The main gross and net attributable outputs associated with RDA interventions to bring land back into use are presented in Table 82: 32 out of the 40 evaluations in this sub-theme (covering £560m out of a total spend of £746m) contain estimates of the gross and net jobs created and safeguarded, 11 contain gross and net land remediation outputs and four contain gross and net business creation outputs. Not all

interventions will have been intended to deliver all of these types of outputs and some interventions delivered multiple outputs.

Eight of the evaluations included in this sub-theme provided no estimate of the net outputs summarised in the table. For example, the evaluation of SEEDA’s Gosport Business Park did not consider net impact; NWDA’s George Street Quarter project evaluation estimated gross and net outputs in different categories to those that are captured in the table below; and EMDA’s housing site development projects were not considered to have had any permanent employment impacts, as they did not generate employment floorspace.

**Table 82: Summary of bring land back into use interventions achieved outputs and additionality**

Output	Number of evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	32	560.0	26,687	13,300	50
Land remediated	11	191.5	45.7	40.3	88
Businesses created	4	101.0	106	81	76

Source: PwC analysis based on RDA evaluation evidence

At the time of evaluation, the RDAs’ interventions to bring land back into use had created or safeguarded more than 13,000 net jobs, contributed to the remediation of over 40 net additional hectares of land and the creation of over 80 net additional businesses:

- the largest contributors to net jobs created and safeguarded under this sub-theme are: SEEDA’s Chatham Maritime project (3,630) and St. Cross Business Park project (988); NWDA’s Regional Strategic Sites Programme (1,586) and Liverpool Commercial District project (1,493); and EMDA’s Commercial Site Development Programme (1,032);
- four evaluations in this sub-theme reported net business creation outputs: Futures Park, Bacup (NWDA); Sea Space (SEEDA); Holbeck Urban Village (YF) and Sites and Premises: Workspace (SWRDA); and
- of the eleven evaluated interventions that reported land remediation outputs the biggest contributor was SEEDA’s Residential-led schemes (16 hectares).

Interventions in this sub-theme have generated levels of net impact ranging from 50% of the gross jobs created and safeguarded through to 88% for land remediation. Levels of project or programme additionality varied significantly between interventions and regions:

- deadweight ranged from 5% for the NWDA Liverpool Commercial District project through to 98% for the EEDA Business Premises project;
- leakage ranged from 1% for SWRDA’s Sites and Premises: Workspace projects through to 85% for SEEDA’s Sea Space programme;
- displacement ranged from zero (in several interventions, such as NWDA’s George Street Quarter project and EMDA’s Site Servicing programme) through to 89% for the LDA’s Rich Mix Centre, Bernie Grant Centre and Laban Dance Centre projects; and
- substitution was rarely a factor in this sub-theme, but a notable exception was the 61% estimated in NWDA’s Liverpool Commercial District project.

In this sub-theme there does not appear to be a clear pattern overall between size of intervention and levels of additionality. It is, therefore, unclear if smaller projects have more of a net impact than larger programmes, or vice versa. Furthermore, it is very difficult to assess overall levels of sub-theme

additionality at a regional level, as levels of additionality tend to vary significantly between interventions and there are often too few evaluations from which to draw consistent themes.

Table 83 shows the future potential outputs identified within the evaluations. This demonstrates that a significant amount of outputs were still to be realised at the time the interventions in this sub-theme were evaluated. This reflects the long-term nature and impact of the interventions in this sub-theme and also reflects the interim nature of many of the evaluations. The 15 evaluations that estimated future potential employment impact anticipated that those interventions had the potential to create or safeguard another 6,645 net jobs in the future, almost half as many as were estimated to have been achieved by 32 interventions at the time of evaluation. The vast majority of these potential jobs (11,285) were expected to occur in Yorkshire & Humber. Three evaluations expected a further 28 hectares of net remediated land; no evaluations expected future gross and net additional businesses, although one evaluation (for SWRDA's Sites and Premises: Workspace projects) expected the creation of an additional 135 net businesses (twice the achieved level to date) without expecting future gross business creation.

**Table 83: Summary of bring land back into use interventions future potential outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	15	286.2	12,852	6,645	52
Land remediated	3	131.0	29.7	28.2	95
Businesses created	1	26.2	25	6	24

Source: PwC analysis based on RDA evaluation evidence

There is significant uncertainty associated with these levels of forecast outputs, as they are based on expected rather than actual events, and may be susceptible to changes in future economic conditions. It is also worth noting that the future potential outputs in Table 83 are highly dependent on a small number of evaluations, so are therefore sensitive to the accuracy of a small number of forecasts.

The achieved and future potential GVA impacts of the RDAs' interventions in this sub-theme are presented in Table 84. We have calculated these GVA impacts on a consistent basis across all interventions nationally, on the basis of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three GVA totals are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the duration of benefits) and the total cumulative impact of achieved and future potential outputs (including the duration or persistence of benefits).

**Table 84: Summary of interventions to bring land back into use impact on GVA**

Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>106</sup>	Achieved & future potential GVA (cumulative NPV, £m)
560.0	549.6	2,846.1	399.6	2,595.0

Source: PwC analysis based on RDA evaluation evidence

The 32 interventions have recorded gross and net employment impacts, covering £560m of expenditure, have produced an achieved annual GVA to date of £549m. In order to estimate the full potential economic impacts of these interventions, we have made assumptions about how long the benefits will

<sup>106</sup> Spend has been excluded for those evaluations where future potential has not been assessed, in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

last and applied these to the achieved net outputs reported by the evaluations, resulting in a Net Present Value (NPV) GVA for achieved outputs of £2,846m. When all future potential outputs are included, the NPV rises to £2,595m, although this relates to a lower spend of £400m.

Table 84 illustrates that the majority of this sub-theme’s overall impact is still to be realised, reflecting the long-term nature and impact of the interventions in this theme. The overall GVA total is driven by a small number of evaluations and by our assumptions about the persistence of benefits. As so much of the overall impact is still to be achieved, there must be significant uncertainty about the exact size and nature of total impact.

The GVA figures in this analysis are based solely on net achieved and future potential jobs created and safeguarded. Most of the evaluations in this sub-theme calculated GVA on the basis of net jobs, which is consistent with our analysis. A minority of evaluations calculated GVA through different measures, such as business turnover; however, we anticipate that these additional impacts will be captured through net job figures, as increased turnover is likely to result in increased employment.

**Value for money**

We have expressed the value for money of RDAs’ interventions to bring land back into use in terms of achieved and future potential GVA to cost ratios and in terms of the unit costs of net outputs. All value for money information is based on our estimates, which provide consistent estimates across RDAs and make adjustments for different assumptions across RDAs.

Table 85 presents GVA to cost ratios for this sub-theme. At the time of evaluation, interventions to bring land back into use had achieved a GVA to cost ratio of 1.0 to 1, indicating a return of £1 for every £1 invested. When the anticipated duration of the benefits of achieved outputs is taken into account, the GVA to cost ratio rises to 5.1 to 1. Adding in the benefits of future potential outputs results in a potential GVA to cost ratio of 6.5 to 1.

**Table 85: Value for money of RDAs’ interventions to bring land back into use**

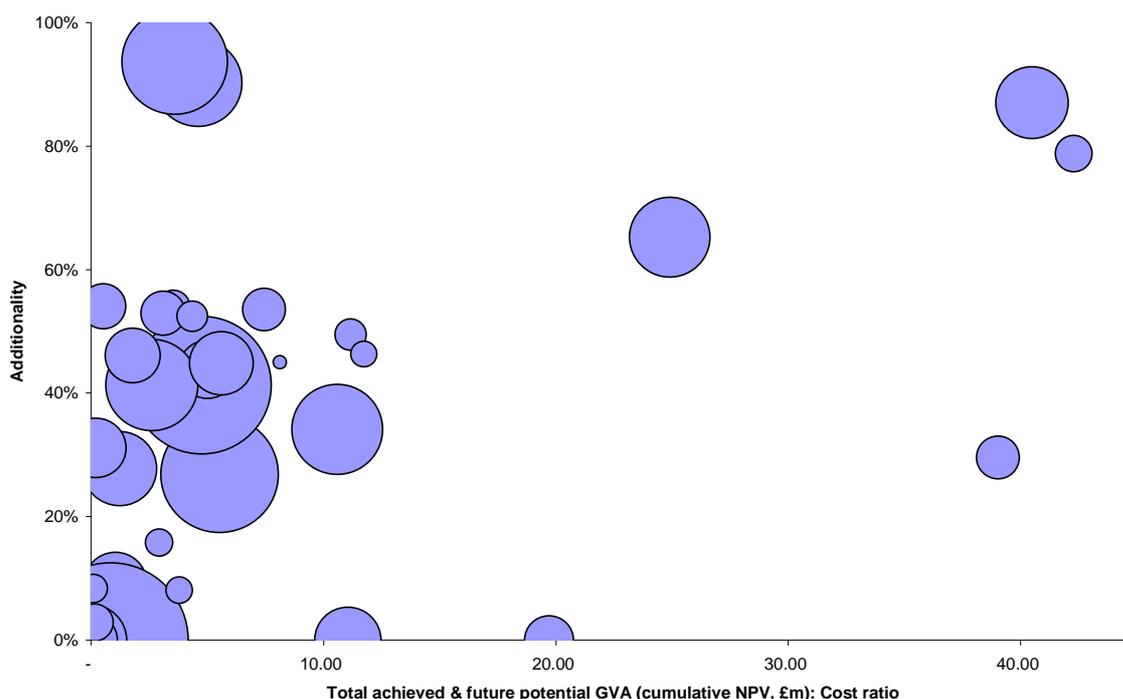
Evaluations	Expenditure covered by evaluations (£m)	Achieved GVA:cost ratio	NPV achieved GVA:cost Ratio	Achieved & future potential GVA (cumulative NPV):cost ratio
32	560.0	1.0	5.1	6.5

Source: PwC analysis based on RDA evaluation evidence

These ratios again illustrate the long-term nature of many of the interventions in this sub-theme but also highlight how much of the potential impact of these interventions is anticipated, rather than achieved. As with the GVA figures, these future potential GVA to cost ratios are reliant on our assumptions about the persistence of impact and on the accuracy of a small number of evaluations.

Figure 9 illustrates the relationship between GVA to cost ratios and additionality (the bubbles relate to the size of expenditure). The diagram does not indicate any clear correlation between value for money and either additionality or size of intervention, so it is not clear if larger interventions or interventions with higher net impact generate better returns on investment.

**Figure 9: Value for money of RDA interventions to bring land back into use**



Source: PwC analysis based on RDA evaluation evidence

In terms of unit costs, we have calculated cost per job for RDA interventions in this sub-theme at £42,101. Cost per hectare of land remediated is estimated to be £4,748,326. Cost per net business created is estimated at £1,246,914.

### Performance against objectives

The performance of the interventions in this sub-theme against their objectives, as assessed in the evaluation evidence, is presented in Table 86. The table also shows the anticipated overall GVA to cost ratios associated with interventions at different levels of performance.

**Table 86: Performance against objectives of RDA interventions to bring land back into use**

Performance against objectives	Evaluations		Spend		Achieved & future potential GVA (cumulative NPV):cost ratio
	Number	%	Number	%	
Exceeded	2	5	76.2	10	4.6
Met	4	10	126.5	17	1.2
Largely met	8	20	66.7	9	25.1
Mixed	9	23	219.0	29	3.8
Limited performance	2	5	38.4	5	-
Not assessed	15	38	219.5	29	6.5
<b>Total</b>	<b>40</b>	<b>100</b>	<b>746.3</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

Of the 25 evaluations that assessed performance, six interventions covering £203m of spend were considered to have met or exceeded their targets. A further eight interventions, covering £67m of spend,

largely met their targets. Nine evaluations reported mixed performance and two reported limited performance against objectives. There is no discernible link between interventions' value for money and their performance against objectives.

It is also worth noting the large number of interventions where performance against objectives was not assessed. This is a likely indicator of the early stage that many of the interventions in this sub-theme were at when they were evaluated, which again illustrates the long-term nature of impact in this sub-theme and also highlights the uncertain nature of the forecasts that drive estimates of future potential impact.

## Public realm

### Impact

The primary gross and net attributable outputs associated with RDA public realm interventions are presented in Table 87. As the table illustrates, eight out of the 12 evaluations in this sub-theme (covering £295m out of a total spend of £337m) contain estimates of the gross and net jobs created and safeguarded, four contain gross and net land remediation outputs and three contain gross and net business creation outputs. Not all interventions will have been intended to deliver all outputs and some interventions have delivered multiple outputs.

**Table 87: Summary of public realm interventions achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	8	295.4	6,151	2,484	40
Land remediated	4	207.7	256.9	148.4	58
Businesses created	3	35.5	93	73	78

Source: PwC analysis based on RDA evaluation evidence

At the time of evaluation, the RDAs' public realm interventions had created or safeguarded almost 2,500 net jobs, contributed to the remediation of around 150 net additional hectares of land and the creation of more than 70 net additional businesses. At 40, the additionality of net jobs created and safeguarded is lower than for RDAs' interventions to bring land back into use; the net impact of land remediation, at 58% is lower than for RDAs' interventions to bring land back into use. The net impact of business creation under this sub-theme, at 78%, is slightly higher than for interventions to bring land back into use.

The largest contributors to net jobs created and safeguarded under this sub-theme were SWRDA's Sites and Premises: Transport and Community Infrastructure projects (808), ONE's Quality of Place programme (666), EMDA's Community, Sports and Training Facilities Site Development programme (354) and EEDA's Capital Projects (247). EEDA's Capital Projects also contributed 65 of the 73 net businesses created and 37 of the 148 net hectares of land remediated. ONE's Quality of Place programme was the biggest contributor to net land remediation, at 108 hectares.

As only eight evaluations provided an estimate of net impact, it is difficult to undertake a meaningful analysis of patterns of additionality, either by size of intervention or by region. However, from the additionality information available, we note that deadweight was relatively high, ranging from 45% to 60% in five of the eight evaluations; leakage was low, at 5% or 6% in all five of the evaluations where it was estimated; and displacement was generally low, at 30% or lower in six of the seven evaluations where it was estimated (with SEEDA's Oxford Castle and Prison project at 79% being the exception). Substitution was not a factor in this sub-theme.

Table 88 illustrates that very few evaluations in this sub-theme provided estimates of future potential impact. The two evaluations that estimated future employment impact expected that those interventions would create or safeguard another 1,184 net jobs in the future, almost half as many as were estimated to have been achieved overall by eight interventions at the time of evaluation. EEDA's Capital Projects

(1,112) accounts for the vast majority of these potential jobs and was also the only evaluation to estimate future additional businesses created and net remediated land.

**Table 88: Summary of public realm interventions future potential outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	2	54.2	1,805	1,184	66
Land remediated	1	19.8	22.7	22.7	100
Businesses created	1	19.8	12	10	83

Source: PwC analysis based on RDA evaluation evidence

It is clear that the picture presented here for achieved and future potential outputs depends on a very small number of evaluations. Although it appears that many outputs were still to be realised at the time the interventions in this sub-theme were evaluated, there are not enough evaluations with estimates of future potential to provide a meaningful comparison between achieved and anticipated impacts.

There is significant uncertainty about the levels of forecast outputs, as they are based on expected rather than actual events and may be susceptible to changes in future economic conditions. The future potential outputs in Table 88 are dependent on only a few evaluations, so are therefore sensitive to the accuracy of a small number of predictions.

The achieved and future potential GVA impacts of the RDAs' interventions in this sub-theme are presented in Table 89. We have estimated these GVA impacts on a consistent basis across all interventions nationally, on the basis of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three GVA totals are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of benefits).

**Table 89: GVA impacts of RDA public realm interventions**

Evaluations	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>107</sup>	Achieved & future potential GVA (cumulative NPV, £m)
8	295.4	99.1	524.6	91.1	792.3

Source: PwC analysis based on RDA evaluation evidence

The eight interventions in this analysis that have recorded net employment impacts, covering £295m of expenditure, have produced an achieved annual GVA to date of £99m. In order to estimate the full economic impacts of these interventions, we have made assumptions about how long the benefits of these interventions can be expected to persist and applied these assumptions to the achieved and potential net outputs reported by the evaluations. Based on these assumptions, we estimate that the NPV of the GVA associated with the achieved outputs is £524m. When future potential outputs are also included, the NPV of the achieved and potential benefits of the interventions in this sub-theme rise to £792m on the basis of £91m expenditure.

<sup>107</sup> Spend has been excluded for those evaluations where future potential has not been assessed, in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

Table 89 illustrates that this sub-theme has currently achieved a limited GVA impact. ONE’s Quality of Place programme has a significant effect on the overall GVA total achieved to date, as it accounts for more than half the expenditure in this sub-theme but has by our estimates only achieved an annual GVA return of £25m, based on the 666 net jobs the programme’s evaluation assessed it as having created.

Most of the potential impact of this sub-theme is still to be realised. This reflects the long-term nature and impact of physical regeneration interventions but it is important to note that the anticipated overall GVA impact presented here is largely driven by our assumptions about the persistence of benefits and by the expected outputs of a very small number of evaluations – as such, the scale and nature of future benefits are subject to significant uncertainty.

The GVA figures in this analysis are based solely on net achieved and future potential jobs created and safeguarded. Almost all the evaluations in this sub-theme estimated GVA on the basis of net jobs, which is consistent with our analysis. One evaluation estimated GVA impacts through changes in business turnover and another through changes in visitor expenditure; we anticipate that these additional impacts will be captured through net job figures, as changes in turnover and visitor expenditure are likely to lead to changes in employment levels.

**Value for money**

We have expressed the value for money of RDAs’ public realm interventions in terms of achieved and future potential GVA to cost ratios and in terms of the unit costs of net outputs. All value for money information is based on our estimates, which provide consistent estimates across RDAs.

Table 90 presents the GVA to cost ratios for this sub-theme. At the time of evaluation, public realm interventions had achieved a GVA to cost ratio of 0.3 to 1, indicating a return of 30p for every £1 invested. When the anticipated persistence of the benefits of achieved outputs is taken into account, the GVA to cost ratio rises to 1.8 to 1. Adding in the benefits of future potential outputs results in the GVA to cost ratio rising to 8.7 to 1.

**Table 90: Value for money of RDAs’ public realm interventions**

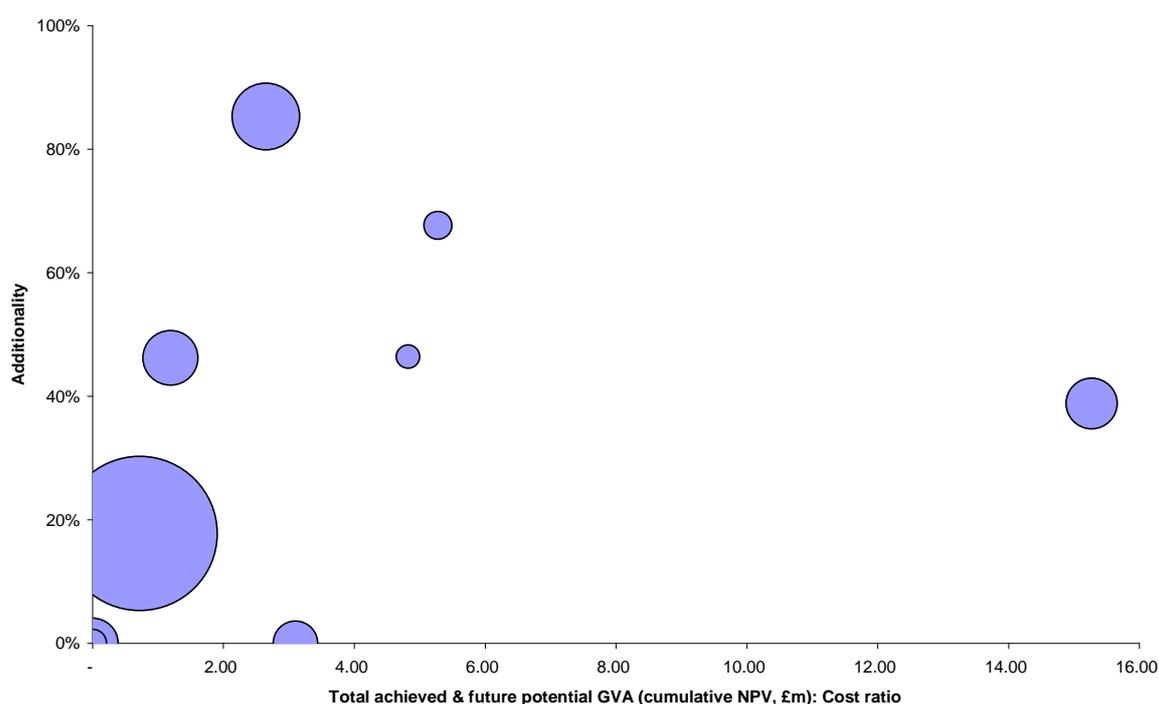
Evaluations	Expenditure covered by evaluations (£m)	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost ratio
8	295.4	0.3	1.8	8.7

Source: PwC analysis based on RDA evaluation evidence

These ratios illustrate that the RDAs’ public realm interventions have generated relatively low returns to date and also highlight how much of the potential impact of these interventions is anticipated, rather than achieved. As with the GVA figures, these future potential GVA to cost ratios are reliant on assumptions about the persistence of benefits and on a very small number of evaluations. ONE’s Quality of Place programme has a significant effect on the overall value for money picture – the programme accounts for more than half the expenditure in this sub-theme but has by our estimates only achieved a GVA return of 0.76:1, based on a £180m programme creating 666 jobs. However, it is worth noting that this programme has also achieved additional impacts not captured in this analysis. For example, the programme levered in £1.2bn of gross public and private sector expenditure and this may also have had a beneficial economic impact on the region, although the programme’s evaluation did not estimate net impact.

Figure 10 illustrates the relationship between GVA to cost ratios and additionality, with the bubbles relating to the size of expenditure. Although the diagram does not indicate any relationship between value for money and the size of the intervention, interventions with higher levels of additionality seem to have often generated better returns on investment than those with lower levels of additionality. However, there are too few observations from which to draw firm conclusions.

**Figure 10: Value for money of RDA public realm interventions**



Source: PwC analysis based on RDA evaluation evidence

In terms of unit costs, we have estimated cost per job for RDA interventions in this sub-theme at £118,945. Cost per hectare of land remediated is estimated to be £1,399,447 and cost per net business created is estimated at £486,301.

### Performance against objectives

The performance of the interventions in this sub-theme against their objectives, as assessed in the evaluation evidence, is presented in Table 91 below. It shows the anticipated overall GVA to cost ratios associated with interventions at different levels of performance.

**Table 91: Performance against objectives of RDA public realm interventions**

Performance against objectives	Evaluations		Spend		Achieved & future potential GVA (cumulative NPV):cost ratio
	Number	%	(£m)	%	
Exceeded	-	-	-	-	-
Met	-	-	-	-	-
Largely met	2	12	12.0	4	-
Mixed	2	17	34.9	10	15.3
Limited performance	1	8	17.3	5	-
Not assessed	7	58	272.4	81	6.9
<b>Total</b>	<b>12</b>	<b>100</b>	<b>336.6</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

Only five of the 12 evaluations in this sub-theme provided an assessment of performance against objectives, which may be because the impact of some interventions has been assessed at an interim stage. Of these, two interventions covering £12m of spend were considered to have largely met their objectives. A further two evaluations reported mixed performance and one reported limited performance against objectives. There is no discernible link between interventions' value for money and their performance against objectives, although it is worth noting the sub-theme's comparatively low overall return on investment and the lack of any interventions that wholly met or exceeded their objectives. The small number of interventions that have been evaluated, and the interim nature of some of those evaluations, makes it difficult to draw firm conclusions about the relationship between performance against objectives and value for money.

## Image, events and tourism

### Impact

The primary gross and net attributable outputs associated with RDA image, events and tourism interventions are presented in Table 92. As illustrated, six out of the 14 evaluations in this sub-theme (covering £79m out of a total spend of £206m) contain estimates of the gross and net jobs created and safeguarded. Only one evaluation contains gross and net land remediation outputs and there is also only one evaluation with gross and net business creation outputs.

Six evaluations in this sub-theme contained no suitable net outputs for the analysis in Table 24. EEDA's Firstsite:newsite and EPIC projects were at too early a stage for the interim evaluations to assess impact; NWDA's LV Waterfront Construction Impacts project was also at a formative stage when evaluated; the evaluation of NWDA's Liverpool Biennial International Festival project was not able to quantify additionality coefficients from the research undertaken; and NWDA's Tourism Programme and Regional Marketing Programme evaluations estimated outputs in different categories than those that are captured in the table below.

**Table 92: Summary of image, events and tourism interventions achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	6	78.5	2,909	992	34
Land remediated (hectares)	1	38.0	0.5	0.5	100
Businesses created	1	30.7	7	4	57

Source: PwC analysis based on RDA evaluation evidence

At the time of evaluation, the RDAs' image, events and tourism interventions had created or safeguarded nearly 1,000 net jobs. The largest contributors to this total were SWRDA's Eden Project (348) and SWRDA's Tourism/Cultural projects (395). It is not possible to meaningfully assess this sub-theme's contribution to land remediation or business creation, due to a lack of evaluation evidence.

At 34%, the additionality of net jobs created and safeguarded is the lowest of the physical regeneration sub-themes. Levels of project or programme additionality varied significantly between interventions and regions, even with the limited evidence that is available:

- deadweight (estimated in eight evaluations) ranged from 11% for SWRDA's National Maritime Museum Cornwall project through to 78% for the Eden Project, which also took place in the South West;
- leakage was only estimated in four evaluations – it was 5% or below in three of the four but was 27% for SWRDA's National Maritime Museum Cornwall project;
- displacement was only estimated in five evaluations but ranged from 5% for SWRDA's Eden Project through to 50% for NWDA's Regional Marketing Programme;

- substitution was not a factor in this sub-theme.

There is not enough evidence available to assess whether there are any patterns of additionality in this sub-theme by the size, type or location of intervention.

The achieved and future potential GVA impacts of the RDAs' interventions in this sub-theme are presented in Table 93. We have calculated these GVA impacts on a consistent basis across all interventions nationally, on the basis of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three GVA totals are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of benefits).

**Table 93: GVA impacts of RDAs' image, events and tourism interventions**

Evaluations	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>108</sup>	Achieved & future potential GVA (cumulative NPV, £m)
6	78.5	39.5	68.9	78.5	127.8

Source: PwC analysis based on RDA evaluation evidence

The six interventions in this analysis that have recorded net employment impacts, covering £78.5m of expenditure, have produced an achieved annual GVA to date of £40m. In order to estimate the full economic impacts of these interventions, we have made assumptions about how long the benefits of these interventions will last and applied those assumptions to the achieved and potential net outputs reported by the evaluations, resulting in a Net Present Value (NPV) GVA for achieved outputs of £69m. When all future potential outputs are included, the NPV of interventions in this sub-theme rises to £128m.

Although GVA is estimated to grow over time the overall impact of this sub-theme is not anticipated to be very large, certainly not in comparison to some of the other physical regeneration sub-themes. This is partly because of the limited outputs that the interventions had achieved by the time of evaluation but is also because we have assumed that the benefits of these interventions will persist for only two years, which is much less than for the other regeneration sub-themes (but which is consistent with tourism evaluation practice, as the benefits of tourism investment are assumed to be short lived).

Any analysis of GVA impact in this sub-theme is severely hampered by the lack of sufficient information, which is at least partly due to some of the interventions in this sub-theme being evaluated before it was possible to provide an assessment of impact. For this reason, it is possible that the GVA impacts presented here may underestimate the full effects of the interventions in this sub-theme; however, it is too early to tell.

The GVA figures in this analysis are based solely on net achieved and future potential jobs created and safeguarded. Most of the evaluations in this sub-theme calculated GVA on the basis of net jobs, which is consistent with our analysis. Two evaluations calculated GVA through business turnover but we anticipate that these additional impacts will be captured through our net job figures, as increased turnover is likely to result in increased employment.

### Value for money

We have expressed the value for money of RDAs' interventions to bring land back into use in terms of achieved and future potential GVA to cost ratios and in terms of the unit costs of net outputs. All value for

<sup>108</sup> Spend has been excluded for those evaluations where future potential has not been assessed, in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

money information is based on our estimates, which provide consistent estimates across RDAs and make adjustments for different assumptions across RDAs.

Table 94 presents GVA to cost ratios for this sub-theme. At the time of evaluation, image, events and tourism interventions had achieved a GVA to cost ratio of 0.5 to 1, indicating a return of 50p for every £1 invested. When the anticipated duration of the benefits of achieved outputs is taken into account, the GVA to cost ratio rises to 0.9 to 1. Adding in the benefits of future potential outputs results in a potential GVA to cost ratio of 1.6 to 1.

**Table 94: Value for money of RDA image, events and tourism interventions**

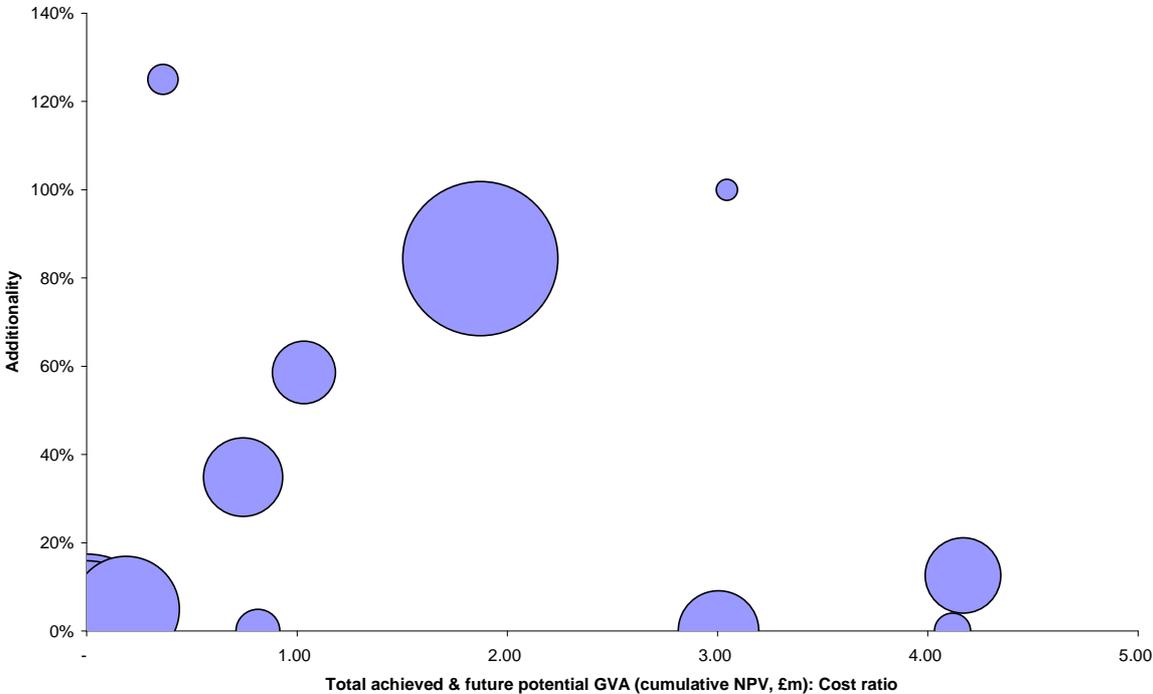
Evaluations	Expenditure covered by evaluations (£m)	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost
6	78.5	0.5	0.9	1.6

Source: PwC analysis based on RDA evaluation evidence

These ratios illustrate that the RDAs’ image, events and tourism interventions have generated relatively low returns to date. Even though the picture is likely to improve over time, the best case scenario from our estimates, assuming all potential outputs are realised, still results in a return of only £1.60 for every £1 invested. Given the formative stage that many of the interventions in this sub-theme were at when they were evaluated for this report, it is difficult to draw firm conclusions about this sub-theme’s overall value for money.

Figure 11 illustrates the relationship between GVA to cost ratios and additionality, with the bubbles relating to the size of expenditure. The diagram does not indicate any relationship between value for money and either the additionality or size of the intervention. However, for the reasons outlined above, there is insufficient data from which to draw firm conclusions.

**Figure 11: Value for money of RDA image, events and tourism interventions**



Source: PwC analysis based on RDA evaluation evidence

In terms of unit costs, we have calculated cost per job for RDA interventions in this sub-theme at £79,133. There is not enough evidence to calculate unit costs for land remediated or businesses created.

## Performance against objectives

The performance of the interventions in this sub-theme against their objectives, as assessed in the evaluation evidence, is presented in Table 95 below which also shows the anticipated overall GVA to cost ratios associated with interventions at different levels of performance.

**Table 95: Performance against objectives of RDA image, events and tourism interventions**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Future potential GVA (cumulative):cost ratio
Exceeded	1	7	11.0	5	2.2
Met	-	-	-	-	-
Largely met	-	-	-	-	-
Mixed	-	-	-	-	-
Limited performance	-	-	-	-	-
Not assessed	13	93	195.2	95	1.7
<b>Total</b>	<b>14</b>	<b>100</b>	<b>206.2</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

Table 95 illustrates that many of the interventions in this sub-theme were not at a stage where impact could be fully assessed when they were evaluated for this report.

## Cross-cutting regeneration interventions

### Impact

The primary gross and net attributable outputs associated with RDA cross-cutting regeneration interventions are presented in Table 96. Nine out of nine evaluations in this sub-theme contain estimates of gross and net jobs created and safeguarded; eight estimate gross and net land remediated and four estimate gross and net businesses created. Not all interventions will have been intended to deliver all outputs and clearly, some interventions have delivered multiple outputs.

**Table 96: Summary of cross-cutting regeneration interventions achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross output	Net outputs	Additionality (%)
Jobs created/safeguarded	9	624.5	18,616	7,854	42
Land remediated (hectares)	8	580.0	368.8	300.8	82
Businesses created	4	337.7	224	122	54

Source: PwC analysis based on RDA evaluation evidence

At the time of evaluation, the RDAs' cross-cutting regeneration interventions had created or safeguarded nearly 8,000 net jobs. Interventions in this sub-theme also contributed to the remediation of around 300 net additional hectares of land and the creation of more than 120 net additional businesses:

- the largest contributors to net jobs created and safeguarded under this sub-theme were AWM's Land and Property programme (3,050), LDA's Wembley/Park Royal area programme (1,396), and SWRDA's Rural Renaissance Programme (1,223);

- AWM's Land and Property programme was also the largest contributor to land remediation (160 hectares), followed by SWRDA's Physical Regeneration projects (50 hectares) and LDA's Woolwich/North Bexley area programme (41 hectares);
- SWRDA's Rural Renaissance Programme accounted for the bulk of net businesses created (81 out of 122).

At 42%, the additionality of net jobs created and safeguarded is broadly comparable to that for the public realm and bringing land back into use sub-themes, although it is the lowest of the three; the net impacts of land remediation (82%) and business creation (54%) are relatively high compared to other physical regeneration sub-themes. For the most part, levels of project or programme additionality varied noticeably between interventions and regions:

- deadweight was relatively high (between 40% and 68%) in five of the six evaluations where it was assessed, with SWRDA's Rural Renaissance programme (4%) being the exception;
- leakage was only assessed in four interventions, ranging from 4% to 26%;
- displacement ranged from 5% for SWRDA's Rural Renaissance programme through to 38% for NWDA's West Lakes Renaissance programme; and
- substitution was only a factor in one evaluation, for the LDA's Wembley/Park Royal area programme (4%).

With only nine interventions covered, it is difficult to ascertain any clear pattern between size of intervention and levels of additionality and there is not enough evidence from which to draw consistent themes at a national level, as only four regions are covered by this analysis.

Table 97 shows the future potential outputs identified within the evaluations. It illustrates the scale of impact still to be achieved by interventions in this sub-theme, particularly in relation to job creation. The four evaluations that estimated gross and net future potential employment impact anticipated that those interventions had the potential to create or safeguard another 14,859 net jobs, almost twice as many net jobs as had been achieved by nine interventions at the time of evaluation. AWM's Land and Property Programme accounted for approximately two-thirds of the total (7,818). Three evaluations expected the creation of an additional 117 net hectares of remediated land (more than two thirds of the total achieved by eight interventions at the time of evaluation) and one evaluation expected the creation of 12 net additional businesses.

**Table 97: Summary of cross-cutting regeneration interventions future potential outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	4	408.2	35,535	14,859	42
Land remediated (hectares)	4	438.5	210.0	117.0	56
Businesses created	1	261.4	19	12	63

Source: PwC analysis based on RDA evaluation evidence

The scale of impact that was still to be realised at the time of evaluation is an indication that many of these interventions were evaluated at a relatively early stage in their lifecycle. As such, there must be a significant degree of uncertainty about the levels of forecast outputs, as they are necessarily based on expected rather than actual events and are likely to be susceptible to changes in future economic conditions. Although the amount of spend and impact reported in Table 97 is significant, the future potential outputs are clearly dependent on only a small number of evaluations, so are therefore sensitive to the accuracy of a small number of predictions. For example, AWM's Land and Property Programme

features in all three output categories, accounting for 8,000 of the 12,000 potential jobs, 60 of the 117 potential hectares of remediated land and all 12 of the potential new businesses. The accuracy of the predictions of future outputs in this evaluation is therefore pivotal to the potential impact of this sub-theme as a whole.

The achieved and future potential GVA impacts of the RDAs' interventions in this sub-theme are presented in Table 98. We have estimated these GVA impacts on a consistent basis across all interventions nationally, on the basis of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three GVA totals are presented, showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of benefits).

**Table 98: GVA impacts of RDA cross-cutting regeneration interventions**

Evaluations	Expenditure covered by evaluations with achieved net jobs created/ safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Expenditure covered by evaluations with achieved and future potential jobs (£m) <sup>109</sup>	Achieved & future potential GVA (cumulative NPV, £m)
9	624.5	333.7	1,727.9	529.6	5,202.6

Source: PwC analysis based on RDA evaluation evidence

The nine interventions in this analysis that have recorded gross and net employment impacts, covering £625m of expenditure, have produced an achieved annual GVA to date of £334m. In order to estimate the full economic impacts of these interventions, we have made assumptions about how long the benefits of these interventions can be expected to persist and applied these assumptions to the achieved and potential net outputs reported by the evaluations. Based on these assumptions, we estimate that the NPV of the GVA associated with the achieved outputs is £1,728m. When future potential outputs are also included, the NPV GVA of the achieved and potential outputs of the interventions in this sub-theme rises to £5,203m.

Table 98 illustrates that a significant amount of the overall impact of this sub-theme is potential and is still to be realised. This reflects the long-term nature and impact of the evaluated interventions in this sub-theme but it is worth remembering that this overall GVA total is driven by a very small number of evaluations. Only four evaluations estimated gross and net future potential jobs created, the output which drives our GVA estimates. The future potential GVA total is therefore sensitive to the accuracy of the expected outputs of a small number of evaluations.

**Value for money**

We have expressed the value for money of RDAs' interventions to bring land back into use in terms of achieved and future potential GVA to cost ratios and in terms of the unit costs of net outputs. All value for money information is based on our estimates, which provide consistent estimates across RDAs and make adjustments for different assumptions across RDAs.

Table 99 presents the GVA to cost ratios for this sub-theme. At the time of evaluation, other regeneration interventions had achieved a GVA to cost ratio of 0.5 to 1, indicating a return of 50p for every £1 invested. When the anticipated persistence of the benefits of achieved outputs is taken into account, the GVA to cost ratio rises to 2.8 to 1. Adding in the benefits of future potential outputs raises the GVA to cost ratio substantially, to 9.8 to 1.

<sup>109</sup> Spend has been excluded for those evaluations where future potential has not been assessed, in order to match spend with the associated future potential jobs where these have been estimated by the relevant evaluations.

**Table 99: Value for money of RDA cross-cutting regeneration interventions**

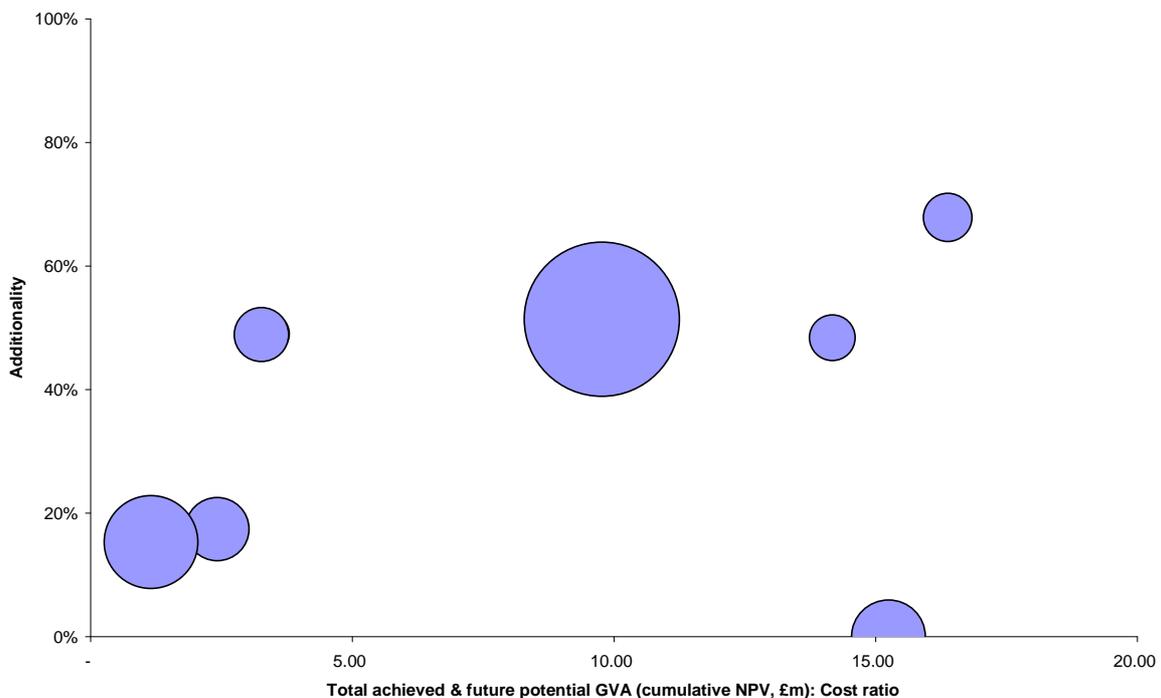
Evaluations	Expenditure covered by evaluations (£m)	Achieved GVA (annual):cost	Achieved GVA (cumulative, NPV):cost	Achieved & future potential GVA (cumulative NPV):cost ratio
8	624.5	0.5	2.8	9.8

Source: PwC analysis based on RDA evaluation evidence

The overall anticipated value for money of this sub-theme is expected to be very positive, if all potential benefits are realised and if those benefits last for as long as anticipated. These ratios again illustrate the long-term nature of many of the interventions in this sub-theme but also highlight how much of the potential impact of these interventions is anticipated, rather than achieved. As with the GVA figures, these future potential GVA to cost ratios are based on a relatively small number of evaluations, of interventions that are often at relatively early stages in their lifecycle and with anticipated returns that are based on expected rather than achieved outputs.

Figure 12 illustrates the relationship between NPV future potential GVA to cost ratios and additionality, with the bubbles relating to the size of expenditure. It would appear that the value for money of cross-cutting regeneration interventions generally increases as additionality increases.

**Figure 12: Value for money of RDA cross-cutting regeneration interventions**



Source: PwC analysis based on RDA evaluation evidence

In terms of unit costs, we have estimated cost per job for RDA interventions in this sub-theme at £79,514. Cost per hectare of land remediated is estimated to be £1,927,935 and cost per net business created is estimated at £2,768,033.

### Performance against objectives

The performance of the interventions against their objectives, as assessed in the evaluation evidence, is presented in Table 100 which also shows the anticipated overall GVA to cost ratios associated with interventions at different levels of performance.

**Table 100: Performance against objectives of RDA cross-cutting regeneration interventions**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Future potential GVA (cumulative):cost ratio
Exceeded	-	-	-	-	-
Met	1	11	25.9	4	9.9
Largely met	1	11	32.1	5	-
Mixed	3	33	146.8	24	17.3
Limited performance	2	22	62.8	10	-
Not assessed	2	22	356.9	57	6.7
<b>Total</b>	<b>9</b>	<b>100</b>	<b>624.5</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

Seven of the nine evaluations in this sub-theme provided an assessment of performance against objectives. Of those, five reported mixed or limited performance against objectives, which gives a clear indication that many of the interventions were at an early stage when they were evaluated.

## Other regeneration interventions

### Impact

There are no gross or net attributable outputs associated with these other regeneration interventions.

# Annex E – People and skills interventions – sub-theme analysis

## Introduction

This annex provides further details of the impact of RDAs’ interventions to promote people and skills interventions for distinct sub-themes:

- skills and workforce development: interventions aim to increase demand for skills and employment to support economic and social progression and increase business performance;
- matching people to jobs: includes interventions that provide skills, training and employment support to help people into the workforce, with a particular focus on marginalised workers, such as BME (black, minority, ethnic), women, lone parents, older people, disabled and refugees;
- supporting the development educational infrastructure: are interventions that providing funding support for capital projects that provide skills and training facilities; and
- hybrid people: includes evaluations which cover all people interventions for AWM and EMDA and other related skills and community and social enterprise projects that did not match the other defined sub-themes.

**Table 101: Summary of evaluation evidence for people and skills interventions**

Intervention theme/sub-theme	Evaluations	Expenditure covered by evaluations (£m)
Skills and workforce development	28	183.2
Matching people to jobs	17	80.5
Supporting the development of educational infrastructure	8	72.0
Hybrid – people	5	73.2
<b>Total</b>	<b>58</b>	<b>408.8</b>

Source: PwC analysis based on RDA evaluation evidence

The evidence of impact presented follows a common structure which:

- summarises the evidence with respect to the gross and net outputs of each intervention;
- explains the estimated outcomes associated with each intervention;
- summarises the evidence with respect to the value for money of each intervention; and
- reports the evidence of performance against objectives.

## Skills workforce development

### Impact

Table 102 summarises the gross and net outputs of the skills workforce development projects evaluated. Skills assists is the net output quantified most commonly across the evidence base, results from 16 evaluations indicate that nearly 159,000 skills assists were delivered, of which 70% are net additional. Net jobs created/safeguarded are reported in seven evaluations, with three estimating net additional business creation. While the majority of the 28 evaluations provided data on the gross skills assists, only the 16 that provide an estimate of net outputs are included below. Only two evaluations estimated future potential jobs created and safeguarded.<sup>110</sup>

**Table 102: Summary of skills workforce development projects outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	7	107.7	1,398	1,023	73
Future potential jobs created/safeguarded	2	12.2	57	43	75
People assisted into employment	12	123.6	29,271	12,737	44
Skills assists	16	137.3	158,696	110,513	70
Businesses created	3	90.1	447	431	96

Source: PwC analysis based on RDA evaluation evidence

The evaluation evidence indicates that 70% of skills assists provided were additional. The additionality of interventions focused at improving basic skills and achieving equity outcomes are polarised; they comprise almost all the interventions with the highest level of additionality as well as some of the interventions with the lowest levels of additionality. For example the additionality of LDA's ESF Inclusion programme is 30%, compared to 70% for the non-ESF Inclusion programme. While there was a slightly different focus in the activities delivered by these programmes, ESF Inclusion delivered more employment support, while non-ESF delivered significantly more skills assists, this does not explain the difference in additionality as the ESF Inclusion programme saw lower additionality for both types of outputs.

The additionality of skills assists focused on improving vocational and sector specific skills generally tended to be low or just below the average across this intervention sub-theme. This indicates that employers are more likely to access similar training programmes or provide training programmes without support from the RDAs, compared to individuals accessing basic skills assists and information, advice and guidance.

There is insufficient information across the evidence base to break down the types of skills assists between NVQ level qualifications, basic and general skills assists. Of the few evaluations that do provide data on people assisted in obtaining qualifications the additionality of these interventions is higher than, or equal to, the additionality of the general skills assists. For example, 41% of the general skills assists provided by the West Yorkshire Skills programme were additional compared to 66% of the people assisted to gain a qualification. The average additionality of the package of ESF and non-ESF funded workforce development skills programmes commissioned by the LDA saw a narrower difference between the two types of skills programmes, with 63% of general skills assists being additional, compared to 67% for NVQ Level 2 skills assists.

<sup>110</sup> SEEDA's skills and employability evaluation estimates 38 net future potential jobs and YF's Directions Finningley estimated 5 net future potential jobs.

Evidence from seven evaluations suggests that, on average, 73% of jobs created and safeguarded were net additional. The majority of the interventions that have resulted in net jobs created and safeguarded are those targeted at improving vocational skills through programmes provided through employers and businesses. The deadweight of jobs created ranges from 10% to 90%, while variable there does not seem to be any observable pattern for the differences in additionality.

Our estimates of the achieved and future potential GVA impacts of the RDAs' interventions in this sub-theme are presented in Table 103. We have calculated these GVA impacts on a consistent basis across all interventions nationally on the basis of the net jobs created or safeguarded that were recorded in the RDAs' evaluation evidence. Three estimates of the impact on GVA are presented showing the annual impact of achieved outputs, the total cumulative impact of achieved outputs (including the persistence of benefits) and the total cumulative impact of achieved and future potential outputs (including the persistence of benefits).

Based on the seven evaluations that estimate job impacts, we estimate that the skills and workforce development interventions have achieved a total regional annual GVA impact of £40.5m. Based on the assumption that the benefits would persist for three years, the NPV of the cumulative impact on GVA is estimated to be £99.4m. There are virtually no future additional GVA impacts expected from the interventions on an annual basis due to the limited future potential jobs estimated by the evidence base, including these increases the GVA to £104.1.

**Table 103: Summary of skills workforce interventions on GVA**

Evaluations	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Achieved & future potential GVA (cumulative NPV, £m)
7	107.7	40.5	99.4	104.1

Source: PwC analysis based on RDA evaluation evidence

Our estimate of the additional GVA only reflects the economic activity generated by the additional jobs created and safeguarded. The increased skills gained by individuals who participate in training programmes may be rewarded by higher earnings for the same job, or may be successful in securing a new job with higher earnings. Similarly, increasing the training and skills of its employees should be more efficient or productive which should generate an increase in business turnover. Such productivity benefits were included as a component of the GVA estimate in half of the ten evaluations that provided a GVA estimate. As a result, the PwC estimate of net additional GVA for skills and workforce development interventions is lower than that provided by the evidence base. This estimate is also likely to understate the economic activity generated by interventions aimed at addressing equity objectives by improving access of marginalised workers to the labour market, as few of these interventions provide estimates of net additional jobs.

### Value for money

Table 104 shows that the estimated achieved annual GVA to cost ratio for skills workforce development interventions is 0.4:1 which indicates that the return is slightly less than the costs. Even without the estimates of increased productivity, the achieved cumulative return on skills and workforce development projects, which takes account of persistence, is 0.9:1. This shows that the returns on the interventions arising from the creation or safeguarding of additional job exceeds the costs. As there are limited future jobs estimated, the future potential GVA to cost ratio is only slightly greater than the achieved cumulative return at 1.0:1, indicating that overall skills and workforce development interventions will cover their costs.

**Table 104: Summary of skills and workforce development interventions value for money**

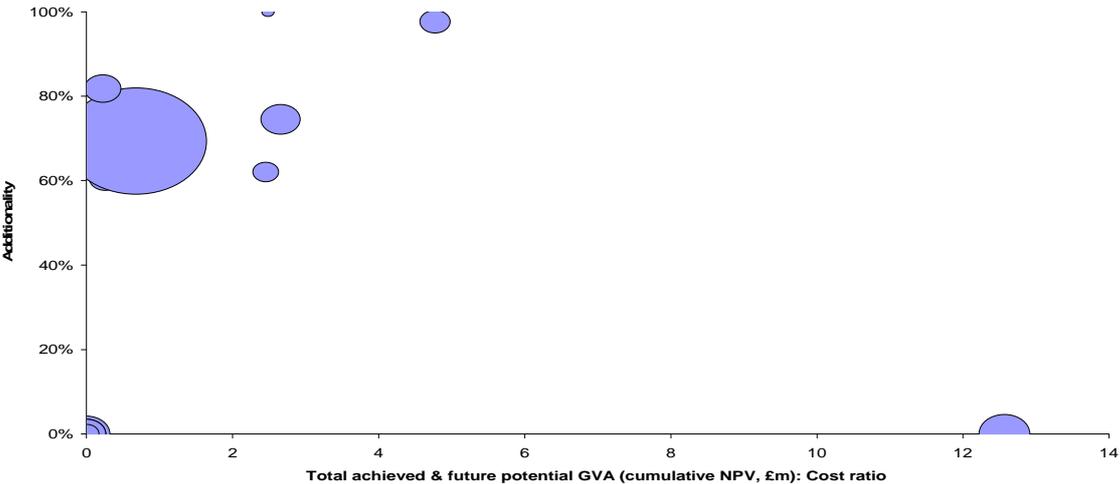
Evaluations	Expenditure covered by evaluations (£m)	Achieved annual GVA:cost ratio	Achieved cumulative NPV GVA:cost ratio	Achieved & future potential GVA (cumulative NPV):cost
7	107.7	0.4	0.9	1.0

Source: PwC analysis based on RDA evaluation evidence

Figure 13 shows the variability in the achieved cumulative GVA to cost ratio between the interventions evaluated. The GVA to cost ratio return ranges from 0.7:1 and 4:1 for the majority of interventions. The majority of these interventions are projects, with one programme evaluation and one multi-project evaluation<sup>111</sup>. For several evaluations it has not been possible to estimate GVA as there are no jobs reported. There is no clear observable pattern between the difference between the returns and additionality.

As the evidence base used varying approaches to estimate net additional GVA, it is difficult to directly compare the GVA results presented in Table 104 to those provided by evaluations. However, as estimates for increases in productivity have not been included, it likely that the estimates calculated in this report are lower.

**Figure 13: Skills and workforce development interventions GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

Table 105 summarises the average cost per net unit of output for the skills and workforce development interventions.

**Table 105: Skills and workforce development interventions cost effectiveness per unit of output**

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Jobs created/safeguarded	7	107.7	105,268
People assisted into employment	12	123.3	9,677
Skills assists	16	137.3	1,242

<sup>111</sup> This evaluation included a large number of projects, however it was not a programme.

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Businesses created	3	90.1	209,049

Source: PwC analysis based on RDA evaluation evidence

The average cost per job across the seven evaluations that estimated the net jobs created and safeguarded is £105,268, and the average cost per net skills assist is £1,242 (based on information from 16 evaluations). As many of the interventions do not aim to create jobs directly, the former figure may be a misleading indicator of the efficiency of skills and workforce development interventions. Similarly, the estimate of the cost per skills assist needs to be interpreted with caution as it bundles together a large range of skills interventions from attendance at one day seminars or workshops, to 1 – 2 year NVQ programmes. The low average cost per skills assist indicates that the majority of skills assists have been more short term in nature.

### Performance against objectives

Of the evaluations that assessed performance against objectives, 29% largely met, met or exceeded the project/programme objectives. The two largest evaluations exceeded objectives, which include ONE skills and higher education and NWDA's Project Unity, therefore 50% of expenditure has exceeded objectives. The achievement of objectives was mixed or partial for 50% of interventions, with the remaining evaluations not assessing performance against objectives. While 54% of interventions saw mixed or limited performance against objectives, these interventions were smaller in nature and represent approximately 25% of expenditure. A large proportion of interventions with mixed performance against objectives are LDA's ESF and non-ESF programmes. There does not appear to be a pattern in the returns of skills and workforce development interventions and their performance against objectives.

**Table 106: Performance against objectives and GVA returns of skills and workforce development interventions**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Achieved & future potential GVA (cumulative NPV):cost ratio
Exceeded	3	11	91.9	50	0.8
Met	2	7	12.2	7	1.5
Largely met	3	11	8.3	5	-
Mixed	14	50	38.1	21	2.5
Limited performance	1	4	7.8	4	-
Not assessed	5	18	24.9	14	-
<b>Total</b>	<b>28</b>	<b>100</b>	<b>183.2</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

### Matching people to jobs

#### Impact

Of the thirteen evaluations of interventions which match people to jobs ten delivered 25,304 net skills assists. A slightly different set of six interventions created or safeguarded 1,146 net additional jobs. The four evaluations which estimated 151 net businesses were created represent 27% of expenditure in this sub-theme. None of the evaluations identifies any further future potential outputs.

**Table 107: Summary of matching people to jobs achieved outputs and additionality**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	6	56.4	2,433	1,146	47
People assisted into employment	8	68.5	24,724	14,608	59
Skills assists	10	55.0	41,328	25,304	61
Businesses created	4	49.1	252	151	60

Source: PwC analysis based on RDA evaluation evidence

All of the interventions that match people to jobs that contribute to gross and net outputs are programmes or multi-project evaluations. Therefore the evaluations results are the average of individual projects evaluations, which in some cases lacks the granularity to identify trends in additionality and impact results.

The four evaluations<sup>112</sup> that estimate businesses created include the three largest interventions, which also drive the majority of the skills assists (89%) and job outputs (95%). Therefore, the majority of the results are being driven by interventions from three RDAs. This level of representation must be considered when interpreting the results of matching people to skills intervention.

Similar to the skills and workforce development interventions, the additionality of matching people to jobs skills assists is higher than the additionality of jobs created and safeguarded. On average, 61% of skills assists were additional and this reflects an average deadweight of 40% and displacement of 20%. The additionality of skills assists is between 70 – 80% for the majority of programmes but the average is driven down by one of the largest interventions which reported 50% net additionality. The approach taken for this study was to survey project managers rather than end beneficiaries, which is likely to be less accurate and may explain some of the difference in estimates between the studies.

The average additionality of net jobs created or safeguarded is 47% but ranges from 23% to 63%. Interventions at both ends of these ranges aim to tackle issues of inclusion by providing training and employment support to marginalised workers. There is no observable correlation between additionality of net jobs created and safeguarded across the seven different interventions evaluated.

The additionality of the jobs created and skills assists from matching people to jobs is lower than the skills and workforce development activities, which is 70% for skills assists and 73% for net additional jobs. This is an interesting trend as it would be expected that it would be easier for higher skilled workers to access to skills assists and jobs without government support, than marginalised workers. This indicates that skills and training interventions aimed at increasing the demand for higher skilled workforce is more likely to influence the behaviour and outcomes of businesses, compared to programmes that provide support to marginalised workers to access the labour market. Individuals are likely to already be seeking training support and attempting to access employment, and hence may attribute less of their outcomes to the support obtained through RDA funded programmes.

Based on the 1,146 net additional jobs created and safeguarded identified within seven evaluations, we estimate that the total annual impact on GVA is £47.6m. If the benefits persist for one year and there are no future potential outputs, the annual impact on GVA is same as the NPV of the achieved and future potential cumulative impact on GVA.

<sup>112</sup> These evaluations include NWDA's Business and Employment Support Strategy Programme (£0.9m); EEDA's Investing in Communities and Investing in Communities – Rural programmes (total expenditure of £36.4m for both programmes); and ONE Economic inclusion programme (£11m).

**Table 108: Summary of matching people to jobs interventions on GVA**

Evaluations	Expenditure covered by evaluations with achieved net jobs created/safeguarded (£m)	Achieved GVA (annual, £m)	Achieved GVA (cumulative, NPV, £m)	Achieved & future potential GVA (cumulative NPV, £m)
6	56.4	47.6	47.6	47.6

Source: PwC analysis based on RDA evaluation evidence

Table 108 shows the NPV of the cumulative achieved GVA to cost ratio of matching people to jobs against the additionality of jobs created and safeguarded. While there are a relatively small number of interventions for comparison, the results indicate that the return on investment of matching people to jobs interventions is likely to be below or close to 1:1, with additionality of net jobs between 20 – 60%. The scale of RDA expenditure on the intervention does not appear to be related to the GVA returns or the extent of additionality. The outlier is NWDA’s BESS programme which has achieved a return of 6.6:1 and additionality of 70%. This intervention has resulted in high number net jobs compared to the amount of RDA expenditure. This may be partly explained by the inclusion of business support projects within this programme, which aim to improve business performance by increasing local recruitment and attracting inward investment. Such business support programmes would typically result in greater direct economic activity than interventions focused on skills and learning objectives.

The majority of the net jobs created are from evaluations that are focused in two regions, East of England and the North East, therefore the GVA estimate reflects the average GVA per worker in these regions.

### Value for money

Based on the estimate of GVA above, the ratio of the NPV of the cumulative achieved GVA to cost is 0.8:1. As we assume that the benefits of matching people to jobs last for one year, the cumulative GVA to cost ratio is the same as annual return. This indicates that the benefits of the interventions in terms of increased employment do not match the cost of the RDA investment. This outcome reflects the higher cost and lower productivity outcomes of providing skills assists and employment opportunities for marginalised workers in this sub-theme, compared to providing high level skills assists and vocational training to businesses and individuals in skills and workforce development interventions.

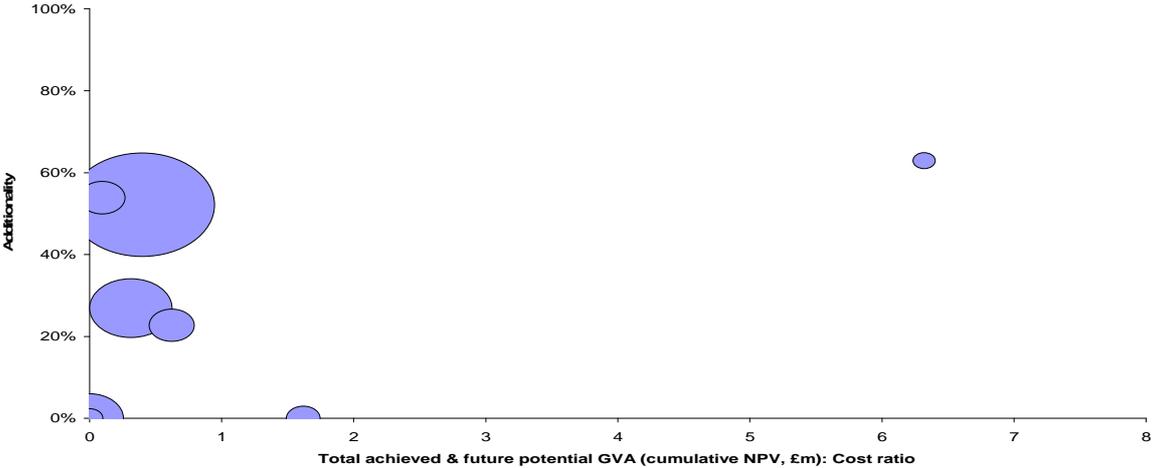
**Table 109: Summary of matching people to jobs value for money**

Achieved annual GVA:cost ratio	Achieved cumulative NPV GVA:cost ratio	Achieved & future potential GVA (cumulative NPV):cost
0.8	0.8	0.8

Source: PwC analysis based on RDA evaluation evidence

Figure 14 shows the NPV of the cumulative achieved GVA to cost ratio of matching people to jobs against the additionality of jobs created and safeguarded. While there are a relatively small number of interventions for comparison, the results indicate that the return on investment of matching people to jobs interventions is likely to be below or close to 1:1, with additionality of net jobs between 20 – 60%. The scale of RDA expenditure on the intervention does not appear to be related to the scale of the returns or the extent of additionality. The outlier is NWDA’s BESS programme which has achieved a return of 6.6:1 and additionality of 70%. As stated above, this particularly programme contains business support initiatives, which may be partly responsible for driving higher returns on investment.

**Figure 14: Matching people to jobs interventions GVA returns compared to additionality**



Source: PwC analysis based on RDA evaluation evidence

Unit costs have been presented in Table 110. The average cost per job of matching people to jobs, which is £49,215, is half of that for skills and workforce development. The range of cost per job estimates is, however, wide ranging from £5,521 for NWDA’s BESS programme to £528,600 for LDA’s London Riverside People and Skills intervention<sup>113</sup>. This variation is likely to reflect the different types of activity delivered by these programmes with some focusing on skills and training development, while others provide support to help beneficiaries into work, such as sponsored work placements or information and guidance on seeking work, which are more likely to result in jobs in the short term.

**Table 110: Matching people to jobs cost effectiveness per unit of output**

Output	Evaluations	Expenditure covered by evaluations (£m)	Cost per net unit of output (£)
Jobs created/safeguarded	6	56.4	49,215
People assisted into employment	8	68.5	5,310
Skills assists	10	65.0	2,570
Businesses created	4	49.1	325,166

Source: PwC analysis based on RDA evaluation evidence

The cost per skills assists of matching people to jobs interventions is double that of skills and workforce development interventions. This trend in unit cost indicates that it is more expensive to deliver supply focused skills interventions, which is likely to reflect the higher cost of reaching and supporting marginalised workers. It may also indicate that while higher level skills and qualifications would be more expensive than basic skills assists, this may be offset by more cost intensive employment support and work placements. It may also be because the former type of intervention is principally targeted at ‘supporting people into employment’ outputs, rather than ‘skills’ outputs. Indeed, many individuals may be helped into employment without any skills support at all.

**Performance against objectives**

Overall, interventions which match people to jobs have generally performed well against their objectives. Around half of the evaluated interventions exceeded, met or largely met their objectives. The two largest evaluations exceeded and largely met objectives, which means that 74% of expenditure has at least

<sup>113</sup> These cost per jobs have been calculated based on net regional jobs created/safeguarded divided by total expenditure, and may differ from the cost per job listed in the evaluation.

largely met objectives. For example, EEDA's area based intervention, which is the largest intervention in terms of spend, which largely met its objectives. On the other hand, LDA's skills interventions delivered through their area interventions have delivered a more mixed performance against objectives. There does not seem to be a clear correlation between types of interventions, return on investment and performance against objectives.

**Table 111: Performance against objectives and GVA returns of matching people to jobs interventions**

Performance against objectives	Number of evaluations	%	Expenditure covered by evaluations (£m)	%	Future potential GVA (cumulative):cost ratio
Exceeded	2	12	12.7	16	0.3
Met	2	12	1.6	2	-
Largely met	5	29	45.2	56.2	0.5
Mixed	4	24	16.7	21	2.6
Limited performance	1	6	0.2	0	-
Not assessed	3	18	4.1	5	-
<b>Total</b>	<b>17</b>	<b>100</b>	<b>80.5</b>	<b>100</b>	<b>-</b>

Source: PwC analysis based on RDA evaluation evidence

## Hybrid people evaluations

There are two evaluations that have been classified as hybrid people interventions which measure the impact of a broad range of AWM's and EMDA's people and skills interventions. AWM's 'People and skills' evaluation covers £47m of expenditure and EMDA's 'Employment learning and skills' evaluation covers £22m of expenditure.

The rationale behind these hybrid people interventions is the same as those stated above for the skills and workforce development and matching people to jobs sub-themes. Both regions have sought to encourage the development of higher level skills in the workforce and to increase the demand for higher skilled jobs. EMDA also sought to address specific geographical areas within the region which suffer from high levels of deprivation.

This hybrid sub-theme is the product of the decision taken by AWM and EMDA to measure the impact of their people and skills activities by one evaluation. While these evaluations do include some activities that were delivered by cohesive programmes, this is not the main reason that the activities were evaluated by one evaluation.

The gross and net outputs of hybrid people interventions are shown in Table 112. Evidence from both evaluations indicates 2,893 net jobs have been created/safeguarded, and the AWM intervention has provided 8,744 net skills assists<sup>114</sup>.

<sup>114</sup> Net skills assists were not quantified by the EMDA evaluation.

**Table 112: Achieved gross and net outputs from hybrid people evaluations**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	2	69.5	7,464	2,893	39
Skills assists	1	47.1	33,600	8,744	26

Source: PwC analysis based on RDA evaluation evidence

Due to the low number of interventions included in this sub-theme, it is not possible to undertake a detailed analysis of the key drivers of additionality and return on investment. However, it is interesting to note that the additionality of skills assists and jobs, to a lesser extent, are lower for the hybrid people interventions compared to the other sub-themes. The skills assists are from AWM's hybrid interventions (as the EMDA evaluation focuses on jobs), and are significantly lower than the average net additionality of 67% for skills and workforce development and 62% for matching people to jobs. The evaluation notes that the gross to net ratios are primarily informed by businesses, due to the limitations of completed surveys of individuals. The majority 57% of businesses reported that they would have still generated the benefits in the absence of the intervention, and the low level of overall additionality may reflect the lower likelihood of businesses to attribute benefits to RDA sponsored programmes compared to individuals.

The annual GVA return of hybrid interventions is £115.9m. The cumulative NPV GVA estimate assumes the three year persistence, and hence increases significantly to £284m. This indicates strong positive returns on investment compared to the other people and skills sub-themes, of 1.7:1 in the short term, increasing to a cumulative return of 4.1. This strong return may partially reflect the shift in AWM's strategy away from supporting the development of basic skills in 2004/05 towards higher level skills, which are likely to lead to a higher number of net jobs.

### Supporting the development of educational infrastructure

RDAs also provide funding support for the development of educational infrastructure. RDA funding support for educational infrastructure often matches other publicly provided funding to help an existing educational institution to either develop or relocate their facilities in order to expand their activities. The main rationale for the RDA is to increase provision of education within the region, typically focusing on increasing the supply of higher level skills.

There are eight evaluations of educational infrastructure interventions with total expenditure of £72m. The outputs of this relatively small sub-theme are summarised in Table 113. Overall, 7,701 net additional skills assists were delivered and 1,662 net additional jobs created and safeguarded.

**Table 113: Achieved gross and net outputs from supporting the development of educational infrastructure**

Output	Evaluations	Expenditure covered by evaluations (£m)	Gross outputs	Net outputs	Additionality (%)
Jobs created/safeguarded	5	56.5	2,641	1,662	63
People assisted into employment	1	2.0	121	74	61
Skills assists	5	49.7	12,828	7,701	60
Businesses created	2	38.7	29	14	48

Source: PwC analysis based on RDA evaluation evidence

Due to the low number of interventions and relatively small expenditure covered by this sub-theme, a robust analysis of the key drivers of additionality and return on investment is not possible. However, it

can be seen that overall the additionality of the net skills assists are in line with the trends observed above for skills and workforce development and matching people to jobs interventions, while the additionality of net jobs created is significantly lower. The main reason for this is RDA activities have helped to develop infrastructure to enable educational institutions to expand or relocate, instead of creating new facilities that would attract net additional jobs.

The annual achieved GVA from these interventions is estimated to be £62.8m, with a cumulative NPV GVA of £294.9m assuming the benefits from the education infrastructure development persist for 10 years. There is no estimate of future potential employment or GVA impacts in the evaluations. Therefore, the return on investment is an annual GVA to cost ratio of 1.1:1 and cumulative GVA to cost ratio of 5.2:1. It is important to note that this type of intervention does not focus on jobs in the short-term but more at enabling better skills leading to high value jobs and hence GVA in the medium term. However, as the estimates focuses on GVA from jobs created rather than increased productivity of individuals educated at these institutions, this medium-term increase in GVA is not reflected in the estimate. The capital cost of these interventions is also reflected in both the GVA return on investment and also the unit cost, with the average cost per skills assist of £6,454 significantly higher than that observed in the skills and workforce development (£1,242) and matching people to jobs (£2,570) interventions.

# Annex F – Glossary of terms

## **Additionality**

An impact arising from an intervention is additional if it would not have occurred in the absence of the intervention.

## **Appraisal**

The process of defining objectives, examining options and weighing up the costs benefits, risks and uncertainties of those options before a decision is made.

## **Attribution**

The apportionment of impacts to take account of different sources of funding.

## **Base case**

The best estimate of how much a proposal will cost in economic terms, including an allowance for risk and optimism.

## **Benchmarks**

Standards by which the performance of an intervention can be assessed in a non-arbitrary fashion. Ideally, benchmarks should allow us to compare the performance of an intervention with that of other policy instruments in the same field of action or in a related one.

## **Control group**

A group of organisations or individuals which have not been exposed to an intervention. The control group should resemble the programme group (the subjects which have been exposed to the intervention), so that systematic differences between the two groups may be attributed to the effects of the intervention once other plausible alternative hypotheses have been eliminated or discounted.

## **Co-ordination failures**

Co-ordination problems may prevent private firms and individuals from overcoming market failures or the consequences of the failures above. Co-ordination problems are more likely where there are large and heterogeneous groups of potential beneficiaries; unknown shared interests; high initial costs of coordination; or, no incentives or mechanisms in place to overcome the free rider problem.

## **Cost-benefit analysis**

Analysis which quantifies in monetary terms as many of the costs and benefits of a proposal as feasible, including items for which the market does not provide a satisfactory measure of economic value.

## **Cost-effectiveness analysis**

Analysis that compares the costs of alternative ways of producing the same or similar outputs.

## **Counterfactual**

The situation which would have arisen had an intervention not taken place. We can never know the counterfactual situation with certainty. Real world evaluation designs tend to be based on an estimate of the counterfactual derived either from comparing subjects who were exposed to an intervention with a control group who were not exposed, or from examining subjects before and after exposure.

## **Crowding out**

The extent to which an increase in demand occasioned by government policy is offset by a decrease in private sector demand.

## **Deadweight**

Expenditure to promote a desired activity that would in fact have occurred without the expenditure.

## **Discounting**

A method used to convert future costs or benefits to present values using a discount rate.

## **Discounted cash flow (DCF)**

A technique for appraising investments. It reflects the principle that the value to an investor (whether an individual or a firm) of a sum of money depends on when it is received.

## **Discount rate**

The annual percentage rate at which the present value of a future pound, or other unit of account, is assumed to fall away through time.

## **Displacement**

The degree to which an increase in productive capacity promoted by an intervention is at the expense of other individuals, groups or areas.

## **Economic cost (or opportunity cost)**

The value of the most valuable alternative use.

## **Economic efficiency**

This is achieved when nobody can be made better off without someone else being made worse off.

## **Effectiveness**

A measure of the extent to which a project, programme or policy achieves its objectives.

## **Efficiency**

An assessment of how economically an intervention's inputs have been converted into outputs.

## **Evaluation**

Retrospective analysis of a project, programme, or policy to assess how successful or otherwise it has been, and what lessons can be learnt for the future.

## **Externality**

The non-market impacts of an intervention or activity which are not borne by those who generate them.

## **Formative evaluation**

An evaluation concerned with examining ways of improving and enhancing the implementation and management of interventions.

## **GDP deflator**

An index of the general price level in the economy as a whole, measured by the ratio of gross domestic product (GDP) in nominal (i.e. cash) terms to GDP at constant prices.

## **Gross outputs**

The total outputs resulting directly from a programme or project (before taking account of attribution and additionality).

## **Gross attributable outputs**

The proportion of total outputs that would not otherwise have been secured without the intervention.

## **Gross value added**

Gross value added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

## **Impact Evaluation Framework**

The Impact Evaluation Framework (IEF) explains the purpose, approach and methods for the evaluation of the impact of the English Regional Development Agencies (RDAs) and their contribution to the achievement of regional and national objectives.

## **Information asymmetry**

Information asymmetries may take several forms, for example adverse selection, moral hazard or uncertainty. Where there is unequal or asymmetric information between parties, particularly about the quality of the good or service on offer, the 'uninformed' side of the transaction finds itself trading with exactly those people they would not want to. This is referred to as adverse selection and discourages the efficient operation of the market. Alternatively, a reluctance to offer services can arise where the parties to a transaction face different incentives after a service has been purchased, for example in relation to insurance. Thirdly, uncertainty or a lack of information about future returns may prevent efficient investment decisions which may be exacerbated by incomplete markets for finance or insurance because of adverse selection and moral hazard.

## **Impacts**

A general term used to describe the effects of a programme on society. Impacts can be either positive or negative and foreseen or unforeseen. Initial impacts are called results, whilst longer-term impacts are called outcomes.

## **Inputs**

The human and financial resources involved in the implementation of an intervention.

## **Intervention**

A generic term used to cover all public actions.

## **Internal rate of return (IRR)**

The discount rate that would give a project a present value of zero.

## **Intervention logic**

The conceptual link from an intervention's inputs to the production of its outputs and, subsequently, to its impacts on society in terms of results and outcomes. The examination of the programme's intervention logic will be of central importance in most evaluations.

## **Market failure**

An imperfection in the market mechanism that prevents the achievement of economic efficiency.

## **Market value**

The price at which a commodity can be bought or sold, determined through the interaction of buyers and sellers in a market.

## **Monitoring**

The continuous process of examining the delivery of programme outputs to intended beneficiaries, which is carried out during the execution of a programme with the intention of immediately correcting any deviation from operational objectives. Evaluation, on the other hand, is carried out at a discrete point in time, and consists of an in-depth study.

## **Monte Carlo analysis**

A technique that allows assessment of the consequences of simultaneous uncertainty about key inputs, taking account of correlations between these inputs.

## **Moral hazard**

An example of information asymmetry where a contract or relationship places incentives upon one party to take (or not take) unobservable steps which are prejudicial to another party.

## **National programmes**

Ten national programmes have been defined and agreed for the purpose of this report: the Coalfields Programme, the Regional Innovation Fund, the Manufacturing Advisory Service, Regional Tourist Board Support, the Rural Development Programme for England and Sustainable Food and Farming, Market Town Initiative, Business Link, Regional Selective Assistance/Selective Finance for Investment, Grant for Research & Development and Phoenix Fund.

## **Needs**

The socio-economic problems which an intervention aims to address, expressed from the point of view of its target population.

## **Net outputs**

The total outputs resulting from an intervention after taking account of attribution and other additionality.

## **Net present value (NPV)**

The discounted value of a stream of either future costs or benefits.

## **Opportunity cost (or Economic cost)**

The value of the most valuable of alternative uses.

## **Optimism bias**

The demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters, including capital costs, operating costs, works duration and benefits delivery.

## **Outcomes**

The longer-term impact, usually expressed in terms of broad socio-economic consequences, which can be attributed to an intervention (e.g. a reduction in the number of long-term unemployed).

## **Outputs**

The goods and services produced by an intervention (e.g. training courses for the long-term unemployed).

## **Policy**

A set of activities, which may differ in type and have different direct beneficiaries, directed towards common general objectives. Policies are not delimited in terms of time schedule or budget.

## **Programme**

A set of organised but often varied activities (a programme may encompass several different projects, measures and processes) directed towards the achievement of specific objectives. Programmes have a definite time schedule and budget.

## **Project**

A single, non-divisible public intervention directed towards the attainment of operational objectives, with a fixed time schedule and a dedicated budget.

## **Public good**

A public good is where one person's consumption of it does not prevent anyone else from consuming it as well (non-rival) and where it is also impossible to restrict consumption of the good to those who pay for its provision (non-excludable).

## **Real terms**

The value of expenditure at a specified general price level: that is a cash price or expenditure divided by a general price index.

## **Relevant spend**

The project and programme expenditure by RDAs in the period between 2002/2003 and 2006/2007 (inclusive) other than on national programmes and administration. Relevant spend has been the focus of RDAs' recent evaluation activities.

## **Risk**

The likelihood, measured by its probability that a particular event will occur.

## **Sample**

A set of individuals or items selected from a given population so that properties and parameters of the population may be estimated, or so that hypotheses about that population may be estimated.

## **Selection bias**

Could not the differences between the control group and the programme group be due to initial differences in their characteristics rather than the effects of the intervention we are trying to evaluate?

## **Sensitivity analysis**

Analysis of the effects on an appraisal of varying the projected values of important variables.

## **Social benefit**

The total increase in the welfare of society from an economic action - the sum of the benefit to the agent performing the action plus the benefit accruing to society as a result of the action.

## **Social cost**

The total cost to society of an economic activity - the sum of the opportunity costs of the resources used by the agent carrying out the activity, plus any additional costs imposed on society from the activity.

## **Stakeholders**

The various individuals and organisations who are directly and indirectly affected by the implementation and results of a given intervention, and who are likely to have an interest in its evaluation (e.g. programme managers, policy-makers, and the programme's target population).

## **Stated preference**

Willingness to pay for something that is non-marketed, as derived from people's responses to questions about preferences for various combinations of situations and/ or controlled discussion groups.

## **Strategic Added Value**

Strategic Added Value reflects the ability of RDAs to influence their partners' and stakeholders' behaviour and performance other than through their programme and project spend. It may take several forms:

- leadership and catalyst – communicating effectively economic development needs, opportunities and solutions to stakeholders;
- influence – affecting the behaviour and allocation of funds and/or activities by stakeholders;
- leverage – securing funds to contribute to the objectives of the Regional Economic Strategy;
- synergy – improving information and knowledge exchange with and between stakeholders, and coordination of stakeholders, for a more effective policy response; and
- engagement – mechanisms that involve stakeholders in the design and delivery of activities.

## **Substitution**

The situation in which a firm substitutes one activity for a similar activity (such as recruiting a different job applicant) to take advantage of government assistance.

## **Summative evaluation**

An evaluation concerned with determining the essential effectiveness of programmes. Summative evaluations tend to be conducted for the benefit of external actors (groups who are not directly involved in the management of a programme), for reasons of accountability or to assist in the allocation of budgetary resources.

## **Sustainability**

To what extent a programme's positive impacts can be expected to last after the intervention has ceased.

## **Target population**

The intended beneficiaries (individuals, households, groups, firms) of an intervention. An intervention may have more than one target population.

## **Thematic evaluation**

An evaluation which focuses on one or more themes which are common to several different interventions (programmes or other activities), for example, effects on the environment or on small and medium-sized enterprises.

## **Time preference rate**

Preference for consumption (or other costs or benefits) sooner rather than later, expressed as an annual percentage rate.

## **Uncertainty**

The condition in which the number of possible outcomes is greater than the number of actual outcomes and it is impossible to attach probabilities to each possible outcome.

## **Value for money**

Value for money defines the relationship between economy, efficiency and effectiveness.

## **Variance**

A descriptive statistic which provides a measure of dispersion.

# Annex G – Glossary of acronyms

3Rs	Assessing the Impacts of Spatial Interventions-Regeneration Renewal and Regional Development (The '3Rs' guidance)
AWM	Advantage West Midlands
BERD	Business Enterprise Research and Development
BERR	Department for Business, Enterprise & Regulatory Reform
BTEC	Business Training and Education Council
CLG	Department for Communities & Local Government
CPA	Comprehensive Performance Assessment
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment Food and Rural Areas
DfES	Department for Education and Skills
DfT	Department for Transport
DIUS	Department for Innovation, Universities and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EC	European Commission
EEDA	East of England Development Agency
EMDA	East Midlands Development Agency
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FDI	Foreign Direct Investment
FTE	Full Time Equivalent
GCSE	General Certificate of Secondary Education
GLA	Greater London Authority
GNVQ	General National Vocational Qualification
GO	Government Offices of the Regions
GVA	Gross Value Added
HMT	Her Majesty's Treasury
ICT	Information and Communication Technologies
IEF	Impact Evaluation Framework

IIP	Investors in People
ILO	International Labour Organisation
IMD	Index of Multiple Deprivation
IPA	Independent Performance Assessment
IT	Information Technology
LDA	London Development Agency
LFS	Labour Force Survey
LSC	Learning and Skills Council
MEANS	Methods for Evaluating Actions of a Structural Nature – a set of handbooks published by the European Commission in 1999 on methods for evaluating structural policies
NAIRU	Non Accelerating Inflation Rate of Unemployment
NAO	National Audit Office
NI	National Insurance
NLUD	National Land Use Database
NVQ	National Vocational Qualification
NWDA	Northwest Regional Development Agency
ODPM	Office of the Deputy Prime Minister
OECD	Organisation for Economic Co-operation and Development
OffPAT	Office of Project Advice & Training
ONE	One North East
ONS	Office for National Statistics
OST	Office of Science and Technology
PDL	Previously Developed Land
PPG3	Planning Policy Guidance 3 (Housing)
PSA	Public Sector Agreement
PwC	PricewaterhouseCoopers LLP
R&D	Research and development
RDA	Regional Development Agency
RES	Regional Economic Strategy
RTO	Research and Technology Organisation
SAV	Strategic Added Value
SBS	Small Business Service
SEEDA	South East England Development Agency
SFIE	Selective Finance for Investment
SMEs	Small and Medium Size Enterprises
SOA	Super Output Areas
SPAG	Single Programme Appraisal Guidance
SRB	Single Regeneration Budget
SSDA	Sector Skills Development Agency

SWRDA	South West Regional Development Agency
TFP	Total Factor Productivity
UK	United Kingdom
UKTI	UK Trade and Investment
URCs	Urban Regeneration Companies
VAT	Value Added Tax
YF	Yorkshire Forward

# Annex H – References

This Annex provides details of the other source documents which have been used to underpin the report.

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