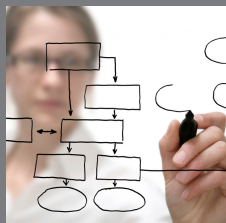


Final Report

**FINAL EVALUATION OF
BUSINESS & ENTERPRISE
NORTH EAST
One North East**

November 2010



CONSULTING
INPLACE

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TABLE OF CONTENTS

Executive Summary	i
1. Introduction	1
2. Three year performance comparisons	4
3. Approach to measuring economic impact	10
4. Non-intensive Impact judgements for 2009/10	12
5. Overall impact judgements for 2007 - 2010	20
6. Comparison to original 2006 Green Book Appraisal	25
7. Counter-factual analysis	29
8. Conclusions	32

Appendix I - Previous evaluation findings

LIST OF FIGURES

Figure 2.1: Key Performance Indicators Single Programme - 2007-2010	5
Figure 2.2: Expenditure/Outputs/ Results Phase 1 Business Link IDB and Solutions Funding December 2008-March 2010	7
Figure 2.3: Skills outputs	8
Figure 2.4: NEEIC Fund Management 2009/10	9
Figure 3.2: Summary of impact analyses	11
Figure 4.1: Pre-starts represent greatest cohort of assists	12
Figure 4.2: Our sample is representative of the population	13
Figure 4.3: High deadweight for non-intensive support and a low overall additionality ratio	14
Figure 4.4: Lower, but expected, measure of additionality for non-intensive support	15
Figure 4.5: Biggest impact is in increasing turnover as opposed to safeguarding or minimising loss	15
Figure 4.6: GVA-Turnover Ratios for broad industrial groups	16
Figure 4.7: Net additional GVA attributable totals £340k	16
Figure 4.8: Scaling up benefits shows £13m of additional GVA	16
Figure 4.9: Accounting for the persistence of benefits increases additional GVA by c.£10m	17
Figure 4.10: BENE Cost Estimates	17
Figure 5.1: Adjusting attributable GVA for additionality	20

Figure 5.2: Scaling up benefits suggests £12.7m of additional GVA	20
Figure 5.3: Sales Additionality ratios – intensively assisted businesses	21
Figure 5.4: Gross to net calculation: CRM GVA (without persistence effects)	22
Figure 5.5: Quantitative impact evidence	23
Figure 6.1: Evaluation Framework and Comparable Performance of core KPIs	27

About Consulting Inplace

Consulting Inplace is a national economic and social policy consultancy. We have offices in London, Birmingham and Bradford, and expertise in four broad areas – communities, economies, skills and enterprise. Our origins go back to 1986 when we were established as part of West Midlands Enterprise Limited, trading as WM Enterprise. Our initial focus was very narrow: undertaking research and consultancy within the West Midlands region, partly to support the company’s investment division. Since then we have transformed ourselves into something very different. We now employ around 25 consultants and work for a huge range of clients across the UK in the public, voluntary and private sectors on a diverse and exciting range of consultancy projects.

Executive Summary

Background

- In July 2008, ONE North East (ONE) commissioned Consulting Inplace to conduct a longitudinal evaluation of the regional Business Link service delivered by Business and Enterprise North East (BENE). This report presents the final report of the longitudinal evaluation of the regional business support services delivered by BENE assessing performance over the three year period of 2007-2010. The report covers Business Link, the North East of England Investment Centre (NEEIC) and the North East of England Service Provider Register (NEESPR).

Performance

- The service has performed well against its targets over the three year period, particularly years two and three. Performance in year one was adversely affected by the major change associated with the transition from four sub-regional providers to a single regional provider.
- This corresponds with performance against BENE's output and financial targets over the three year period, which after an initial year of mixed performance improved considerably over years two and three on the vast majority of its key performance indicators.
- Customer satisfaction ratings against a range of indicators have improved over time and the North East Business Link Service, as run by BENE, has consistently rated highest nationally compared to other regional Business Link providers.
- Stakeholder satisfaction has improved over the three year period and there is tangible evidence of Strategic Added Value offered through the Business Link service; although some concerns still remain, particularly with the start up service.

Strategy

- Various strategic decisions ONE and the former Learning and Skills Council North East (LSCNE) (now the Skills Funding Agency SFA) have taken have proven to have a considerable beneficial effect on the overall Business Link offer in the North East. The decision to integrate Train to Gain and other skills funding into the core Information, Diagnostic and Brokerage (IDB) offer and incorporate skills as a fundamental component of the core offer has been replicated in most other regions of the country.
- Most successful has been the decision to channel the majority of grant monies on offer in the region through one integrated mechanism, the North East of England Investment Centre (NEEIC), which has expedited the process of matching client need to appropriate funding available in a much more efficient and targeted way than doing so through separate mechanisms.
- Over time, the NEEIC (or the 'Investment Centre' as it is also known) has developed into a significant channel of regional funding to businesses and individuals, investing £17.3 million in 2009/10, up from £11.6 million in 2008/09. There is considerable evidence of value for money, as for certain funding streams operating through the NEEIC, it costs an estimated 5% for administration and processing compared to 15-20% for administering similar funds elsewhere.

Overall impact judgements for 2007-2010

- Assessment of impact was carried out in accordance with the BIS/RDA's Impact Evaluation Framework (IEF+).
- Judgement of impact is principally drawn from three beneficiary surveys conducted over the evaluation period, as well as from actual GVA data available from published accounts in year two of the evaluation. Three separate surveys of approximately 1,100 BENE beneficiaries in total provided qualitative and quantitative information of clients' experiences of using the Business Link service and its overall impact.
- During the first year of the service, net additional GVA generated by Business Link support was estimated to be £12.7m. With persistence effects, this figure more than doubles to £29.1m.
- During the second year of the service, £102m of additional GVA was generated as a result of 4,400 businesses intensively supported by the service. In terms of value for money (VfM), the intensive support delivered an impressive £8 return for every £1 invested.
- In the final year of the service where we sought to obtain an indication of the impact of BENE on non-intensively support businesses, the service generated £35.2m of GVA impact. This component also provided good value for money as the non-intensive service only cost £5.4m to provide – translating to £6.50 for every £1 spent for a two hour intervention. This figure includes increases in turnover as well as an estimate for 'turnover safeguarded'. If we examine just those businesses with increased turnover, the GVA impact becomes £32m with a VfM return of £5.90 for every £1 invested.
- While there are some differences in performance and impact evidence is not comprehensive, the information we have suggests that impact of the service has improved over time and the GVA return on investment has been impressive overall.

Original Strategic Case

- All of the key objectives within the original strategic case for creating a regional Business Link service and investment Centre have been met to a large degree:
- The *efficiency* objective - sought in terms of cost reduction and a more streamlined service has been largely achieved through the introduction of a single regional back office, allowing for more customer-facing delivery. Economies of scale have been reaped from the move from a sub-regional to regional provision, aided by systems developments which have gradually overcome teething problems in the first year. Annual efficiency cost savings for the regional Business Link service post April 2007 continue to be in the region of £2.3m on the basis of staff costs and occupancy costs alone; compared to the estimated costs of the four sub-regional operations combined operating prior to April 2007. Back office costs have been reduced from 25% to 15% as a percentage of total costs
- *Consistency* – has been generated through the presence of a single regional Business Link and NEEIC 'offers', although there have been some necessary geographic variations as a result of sub-regional priorities. There have been significant increases in penetration into rural and deprived areas and among businesses requiring support during the recession. However, there has been less success in making the start-up offer consistent

- *Co-ordination* – Business Link is now positioned as the primary access channel for business support (as part of the Solutions for Business portfolio). The NEEIC is employed as the default vehicle for grant support (with certain Local Authorities utilising it also). There has been some concern among stakeholders in years one and two at the lack of information and contact from BENE, but this has shown marked improvement, particularly among Local Authorities
- *Sustainability* - The IDB model has become embedded over time and the NEEIC has emerged as a sustainable mechanism for channelling support to businesses
- *Economic impact* – All of the evidence collected suggests that this has been considerable and generated a high level of gross value added for the region.

The counter-factual - What if the Business Link service had not existed?

- IEF evaluation require an estimate of the counter factual to try and assess what the impact would have been on clients and the region if the service had not been in operation at all; to assess this we use both quantitative and qualitative evidence
- Progress on the business support simplification programme would have been more difficult to implement. In terms of regional value added, stakeholders believed that it would have been much more difficult to attain ONE's targets for business support and creation and to measure how the regional enterprise economy was developing.
- Without an appropriate mechanism to administer and dispense regional funds out to businesses in a targeted and efficient way the region would have most likely fared worse over the 2007-2010 period; particularly during the recession. For example, the NEEIC has become an increasingly efficient and speedy distribution channel for regional funding and has proved to be crucial in getting finance out to businesses in need swiftly during the recessionary period.
- There is some evidence of deadweight. Our survey evidence estimates deadweight to be in the range of 60-72%; although this does suggest that 28-40% of increases in turnover for client businesses over the three year period are directly attributable to the support offered by BENE.

Key conclusions

- Despite initial problems in getting the service up and running, our judgement is that Business and Enterprise North East, under the management and partnership of One North East and LSC NE, has performed very well in achieving the aims and objectives for which it was contracted to deliver as well as its key targets. Perhaps the greatest success in strategic terms has been the performance and impact of the NEEIC.
- In terms of efficiency and cost-savings, economies of scale have been reaped from the move from a sub-regional to regional provision, aided by systems developments which have gradually overcome the teething problems experienced in the first year.
- The areas where the service has not performed as consistently is in terms of getting its start up offer right. This has perhaps been the biggest criticism of stakeholders and partners that have worked with BENE over the period.
- However the design and configuration of business support evolves in the months and years to come, there are opportunities to capitalise on the relationships, good practice and collaborations formed through the delivery of the North East Business Link service. A positive legacy remains and the evidence points to a significant return on the public investment made in the Business Link service.

1. Introduction

This section introduces the final report of the longitudinal evaluation of the regional Business Link service provided by Business and Enterprise North East (BENE). It constitutes the fifth main output of the longitudinal study and provides an overall assessment of the impact and performance of BENE since April 2007, when it secured the North East Business Link contract, to March 2010. The evaluation also assesses the performance of BENE in its delivery of Skills Brokerage, which includes its role as the region's Train to Gain provider. The Skills contracts have been jointly managed by a partnership between ONE North East and the former Learning and Skills Council North East (LSC) now the Skills Funding Agency (SFA).

1.1 Context and focus of the evaluation

In July 2008, ONE North East (ONE) commissioned Consulting Inplace to conduct a longitudinal evaluation of the regional Business Link service provided by Business and Enterprise North East (BENE). The main areas of focus for the evaluation were to:

- Assess the value for money provided by the service and the impact of the Information, Diagnostic and Brokerage (IDB) model on BENE customers in the North East
- Gauge performance of the service in the period since April 2007 up to March 2010
- Assess the performance of BENE in relation to the provision of the Train to Gain Skills Brokerage service over the same period
- Use the evaluation process as a tool for learning lessons, to maximise the quality and effectiveness of future business support and where best to target provision.¹

While the evaluation focuses primarily on the IDB service it also covers all main funding agreements awarded to BENE from ONE during the three year period April 2007-March 2010, including the core and supplementary projects and additional projects or funding that was invested in the service during the three year period; one example being European Regional Development Fund (ERDF) funding. The evaluation therefore includes activity managed through the North East of England Investment Centre (NEEIC) as well as that funded by the former Learning and Skills Council North East (LSC NE) to BENE through the Train to Gain service and skills brokerage. The evaluation also includes an assessment of the North East of England Service Provider Register (NEESPR), which was the main mechanism for brokering appropriate private and public sector support to clients as identified through the Diagnostic component of the service.

¹ The evaluation was both formative and summative; therefore used to learn lessons and improve the service on an ongoing basis as well as evaluate key indicators of impact at specific time points during the contract

The commission consisted of five main pieces of work:

1. The first Interim Evaluation, conducted between September – October 2008, that reviewed the performance of BENE since they secured the regional Business Link contract in the North East in April 2007
2. An evaluation paper conducted during the same period which discretely evaluated the Tourism Skills Brokers project
3. A paper that evaluated the Information, Diagnostic and Brokerage (IDB) model, providing an in-depth focus on diverse client journeys; as well as a review of BENE's internal operations, people and systems
4. The second Interim Evaluation, deliberately repeated a year after the first, to assess performance over the year and evaluate the extent to which the service had improved since the previous year
5. This final evaluation paper which makes an overall assessment of the performance of BENE since April 2007, which calculates performance against the programme's Key Performance Indicators (KPIs); calculates the net impact of the service in terms of Gross Value Added (GVA) as well as estimating what the overall return on investment has been to the North East region over the period.

1.1.1 Summary of evaluation findings to date

A full summary of the findings from previous evaluations undertaken as part of this commission is provided in Appendix I of this report.

1.2 Aims and objectives of the report

The main aims and objectives of this report are as follows:

- To provide full 3 year comparisons of the performance of each component of the service in terms of achievement of outputs and other targets attached to funding streams
- To assess the impact of clients receiving **Intensively Assisted** support from the service
- To assess the impact of clients receiving **Non-Intensively Assisted** support from the service
- To assess the impact of the service on clients at different stages of business maturity - Pre-Start, Start-Up and Established businesses
- To provide overall impact and value for money judgements for 2007-2010
- To compare how actual performance compares with that which was projected – particularly through comparison to the original Green Book Appraisals undertaken in 2006
- To make an informed counter-factual analysis – that is, what would have happened in the absence of the BENE intervention?
- To use the cost and impact data available to make an informed assessment of the return on investment over the three period from BENE
- To make final and overall conclusions on the impact of the service over the period.

1.3 Policy context and structure of the report

The report is prepared at a time where there is enormous uncertainty around the future of the regional Business Links and the Regional Development Agencies under whose remit the Business Links operate. This follows the announcement that RDAs will be replaced by Local Enterprise Partnerships and the Business Link service in its current form likely to be radically revised as part of Coalition Government policy. The evaluation is also pertinent to the period of 'austerity' we are in, where every cost to the public purse is under scrutiny; therefore it is helpful to provide an overall assessment of the 'return on investment' and provide insights into which aspects of the service have worked best.

The report is structured accordingly:

- A three year comparison of performance of the Business Link service by its KPIs, other outputs and by its main funding streams. This includes funding through ERDF, European Social Fund (ESF) and the core ONE grant for the Information, Diagnostic and Brokerage (IDB) service.
- Estimates and assessments of the impact of the Intensively Assisted and Non-intensively Assisted components of the core contract on businesses, as measured in terms of Gross Value Added (GVA)²
- Overall impact judgements, using the cost and impact data to convert into a three year Return on Investment estimate
- Comparison of actual performance compared to estimates generated in the two original Green Book Appraisals carried out in 2006
- A brief counter factual analysis estimating what the impact would have been without the regional Business Link intervention
- Our overall conclusions of the performance of the service over the three years
- A summary of evaluation findings to date from previous evaluations undertaken in Appendix I at the end of this report.

² Which is measured by Net Profit before interest and tax + depreciation + payroll

2. Three year performance comparisons

This section provides a brief analysis of the performance of the service over a three year period against key performance indicators. These are *outputs* achieved via the Business Link service or the NEEIC and *funding* as provided through Single Programme, ERDF funding and the Learning and Skills Council.

2.1 Overall Summary: Three Years

In previous interim reports we have commented upon annual changes in BENE's Key Performance Indicators (KPIs). Extending this assessment over the three year period shows the service has performed well against its targets, particularly over the last couple of years. Indeed, this represents a significant turnaround and progress from the initial period of evaluation in 2007/08, when the service was adversely affected by the radical transformation from four sub-regional operators to a single regional provider. Figure 2.1 summarises the KPI targets and actual performance for each of the years 2007/08, 2008/9 and 2009/10 for Single Programme.

Indicators where particularly strong progress has been achieved include the penetration of the business base, job creation and numbers of businesses supported. In all these areas BENE has exceeded its targets, which is commendable as they were achieved during the longest recession in the UK since the Second World War. There has clearly been significant progress in supporting employment and businesses through the period. However, the recession has impacted on business survival, with numbers created and surviving (both 12 and 24 months) having fallen below target in the past year. In addition, 24 month survival rates appear to have fallen significantly relative to previous years and target numbers.

There has been a steady increase in the number of in-depth and primary diagnostics conducted. In terms of operational measures, and as the service has got to full capacity and extended its reach, actual performance on both measures in 2009/10 is more than double the targets set and numbers achieved for 2007/8. This includes a particularly strong performance on in-depth diagnostics.

During the three year period lower than target levels of leverage was achieved. This is primarily due to 100% funding for business planning support which led to an overall lower level of private sector contribution than expected. During the third and final quarters of the 2009/10 period the significant amount of leverage attained in those two periods (£8.6m) raised the annual total to exceed target for the first time in the three year period. With regard to skills support the figures demonstrate an improvement over the period, and further detail on this is shown in 2.3 later in this section.

Figure 2.1: Key Performance Indicators Single Programme - 2007-2010

Key Performance Indicator (KPI)	2007-08 performance			2008-09 performance			2009-10 performance		
	Contractual Target	Actual Performance	% Achievement	Contractual Target	Actual Performance	% Achievement	Contractual Target	Actual Performance	% Achievement
Penetration (no of businesses using the BLNE service)	30,000	26,364	87.9	32,548	34,344	105.5	32,555	33,275	102.2
In Depth Diagnostics	10,082	10,000	99.2	10,150	13,054	128.6	17,200 ³	21,666 ⁴	126%
Primary Diagnostics	7,492	6,673	89	12,441	12,947	104.1	13,500	15,460	114.5
Customer Satisfaction (average)	90%	84%	93%	90%	91.5%	101.6%	90%	91.1%	101.2
No. of Jobs Created - O1(a)	5,420	3,878	71.5	4,800	5,400	112.5	4,420	5,167	116.9
Employment Support (O5)	400	410	102.5	410	1,247	304	1,464	1,437	98.1
No. of Businesses Created - O2(i)	3,873	3,827	98.8	4,000	4,384	109.6	4,000	4,231	105.8
No. of Businesses Created and Surviving 12 months - O2(iii)	2,829	3,029	107.1	2,857	2,858	100	3,360	3,069	91.3
No. of Businesses Created and Surviving 24 months – O2(iv)	2,263	2,272	100	2,285	2,306	101	2,564	1,446	56.4
No. of Businesses Supported (O3)	15,467	11,654	75.3	18,000	20,061	111.4	19,508	19,751	101.2
Leverage (O7)	£2.37m	£1.7m	71	£10.8m	£7.2m	66	£9.87m	£13.4m	135.8
Skills Support (O6)	300	300	100	600	1,037	172.8	1,026	1,489	145.1

Source: BENE, 2010

³ The 17,200 figure consists of 10,950 (IDB) + 6,250 (Skills)

⁴ The 21,666 figure consists of 14,786 (IDB) + 6,880 (Skills)

2.1.1 KPI Progress in year 2009/10

The main observations for the 2009/10 period are of a sound performance and continued improvement of the service, especially for activities during 2009. Key findings include:

- In terms of overall **Penetration** of the business base the service has marginally exceeded its target levels, particularly in the period April to August 2009 before tailing off towards the end of the fiscal year
- Overall **Customer satisfaction levels** for the IDB service are high and slightly above target
- Actual performance for **'Very satisfied'** customers for IDB have been below target levels for some time and the year end figure achieved was 56.7% against a target of 60%
- In terms of core IDB activities, the figures suggest an enhanced level of activity across the board. The numbers of **Primary** and **In-depth diagnostics** undertaken have been well above target through most of the year. This was particularly the case for in-depth diagnostics which amounted to 21,666 (target 17,200). In terms of other operations, the numbers of new engagements were overall marginally above target (4% higher), having only tailed off at the start of 2010.
- With regard to employment, **Jobs Created - O1(a)** numbers were 17% above target. In terms of **Jobs Safeguarded – O1(b)** actual numbers were only captured from November 2009 since when 1,811 jobs have been saved against a target of 869 for the year as a whole. Both outputs and targets for **Employment Support – O5** were relatively low for much of the year. Actual numbers fell back in the final quarter but overall actual and target levels finished in balance
- **Business Creation O2(i)** was above target for the year, particularly during the first three quarters but **Businesses Created and Surviving 12 – O2(iii) and 24 months - O2(iv)** respectively fell significantly behind profile, especially the latter and infers the impact of pressures from the financial crisis and current economic downturn
- Aside from August and December, the number of **Businesses Supported – O3** was consistently above monthly profile targets and finished the year strongly, such that overall 22,138 businesses were supported against a target of 19,508. With regard to **Environmental Business Support** BENE has started to make good penetration and finished 11% over target in terms of actual firms supported
- The figures for **Leverage – O7** have varied considerably against target during the course of the year and at the halfway point were below profile. However, significant amounts obtained in the months of November, December and February boosted performance such that leverage amounts finished 35% above target at £13.4 million
- Until March 2010, the final month of the calendar year, **Skills Support – O6** consistently underperformed against target. However in that month actual figures recorded were 880 (monthly target 105) which boosted the yearly total to 1,555 (target 1,026).

2.2 ERDF Performance

ERDF funding of £9,050,000 was approved in 2008 to cover the period from 1st December 2008 to 31st March 2010 to support an enhancement of the Business Link branded core business support offer across the region. In November 2009 the project got approval for an additional £1,429,790 of ERDF funding.

BENE also received ERDF funding from April 2007 – Nov 2008 through the previous European programme administered by Government Office North East. Figure 2.2 below shows the performance with regard to ERDF outputs and financial spend.

Figure 2.2: Expenditure/Outputs/ Results Phase 1 Business Link IDB and Solutions Funding December 2008-March 2010

Indicator	Total contracted	Profiled to date	Actual to date	Variance % Against Total Contracted
Spend	£20,959,580	£20,959,580	£20,605,825	-2%
Output - New SMEs assisted	640	640	379	-40.8%
Output - Existing SMEs assisted	730	730	679	-7%
Result - Gross Jobs Created	795	499	1018	+28.1%
Result - Gross Jobs Safeguarded	600	390	1010	+68.3%
Result - Businesses Created	- 725	376	714	-1.5%
Result - Businesses assisted with improved performance	- 555	469	135	N/A

The main observations and points to note with regards to ERDF performance are:

- Full financial spend is expected on the programme
- The under-performance on **New and Existing SMEs Assisted** is due to an increased proportion of pre-starts being supported to start up and to the increased intensity of support provided to individual businesses as a result of the recession.
- This is partly reflected in the significant over-performance of both **Gross Jobs Created** and **Gross Jobs Safeguarded**, due to the increased intensity of support provided
- Underperformance on **New and Existing SMEs Assisted** exceeds 20% and therefore the Secretariat is considering the appropriate action to take in line with the ERDF De-commitment Strategy. ONE's Business Support Team has recommended that the shortfall be added to the outputs in the Phase 2 project
- **Businesses Created** is expected to achieve overall targets in final claim

- Actual performance of 'Businesses **Assisted with Improved Performance**' is understated. The definition of this result is currently being reviewed by the ONE ERDF team (across the whole ERDF programme) and this will enable more results to be claimed by this project. However, should significant underperformance persist de-commitment will follow.

2.3 Learning and Skills Council output performance

The main areas to note with regard to skills performance are:

- The number of skills **Engagements** have over-performed slightly by 4.1 per cent, achieving 6,880 against a target of 6,612
- The number of Skills **Action Plans** have over-performed by almost ten per cent, achieving 5,493 against a target of 5,000.
- Skills Intensive Assistance** targets have over-performed by 21.9%, achieving 2,982 against a target of 2,446
- The number of **Brokerage Referrals** have strongly over-performed, achieving 61.6% over profile. Actual performance is 3,866 against a target of 2,393. Once again this performance is consistent across Integrated skills brokerage, Enhanced brokerage and Developing higher level skills
- Performance on both Regional Skills Fund (RSF) outputs were considerably below profile due to insufficient numbers of clients taking up the support offered during the recession.

Figure 2.3 shows the full skills performance for 2009/10.

Figure 2.3: Skills outputs

2009/10 Skills Outputs	Actual	Profile	Variance
Customer Satisfaction - Skills Engagements	91%	90%	+1.0%
Action Plans	6,880	6,612	+4.1%
Skills Intensive Assistance	5,493	5,000	+9.9%
Number of Brokerage Referrals	2,982	2,446	+21.9%
RSF Redundancy & Inward Investment Unique Learners	3,866	2,393	+61.6%
RSF Skills Growth Unique Learners	394	735	-46.4%
	1,093	3,038	-64.0%

2.4 Rural Development Programme for England

Dispersal of funding for the Rural Development Programme for England (RDPE) has been strongly over profile. Total RDPE funding was £2.68million, a significant increase on 2008/09 when £872,706 was spent. Of the disbursements, the vast majority have gone on micro grants for capital funding related to supporting areas such as micro-enterprises and rural diversification investments. The RDPE funding has helped to mainstream support for the rural economy as rural businesses

accessing these funds via BENE also have access to other Solutions for Business funding.

2.5 North East of England Investment Centre

Figure 2.4 below shows the performance of the NEEIC in terms of actual spend for the 2009/10 year. Solutions funding is now all attributable and aligned to a BSSP product. RDPE is now a single total as it no longer splits into capital and revenue.

Over time, the NEEIC has developed into a significant channel of regional funding to businesses and individuals, investing £17.3 million in 2009/10, up from £11.6 million in 2008/09. The NEEIC has also become an efficient administrator and disburser of funds as indicated in the January 2010 second interim report. In that report we highlighted that for certain funding streams operating through the NEEIC, it costs an estimated 5% for administration and processing compared to 15-20% for administering similar funds elsewhere.

Figure 2.4: NEEIC Fund Management 2009/10

	Actual Funds Defrayed	Number of Contracts
Business Resilience - Consultancy	543,438.02	162
Business Resilience - Mentoring	427,538.20	46
Business Resilience Total	970,976.22	208
Solutions – Innovation Advice & Guidance	2,612,127.80	926
Solutions – Train to Gain	1,155,479.99	588
Solutions – Intensive Start Up Support	8,580,869.18	3,031
Solutions - Starting a High Growth Business	653,856.93	111
Solutions Total	13,002,333.90	4,656
RDPE Total	2,693,953.34	703
RSF Redundancy Support	118,545.50	21
RSF Skills Growth	236,241.26	152
RSF Total	354,786.76	173
Other		
Innovation Vouchers	159,107.50	42
Social Enterprise Subsidies – Office of the Third Sector	91,167.02	20
Start up Capital Grants	25,116.43	14
Total	17,297,441.17	5,603

Source: NEEIC Fund Manager

3. Approach to measuring economic impact

This section sets out our overall approach to estimating the economic impact of the Business Link service. It includes the key reference sources and breakdown of the types of client supported.

The Department for Business, Innovation and Skills (BIS) and the Regional Development Agencies (RDAs) jointly developed the Impact Evaluation Framework (IEF) as a basis for guiding RDA work on evaluation.⁵ The IEF builds on previous evaluation guidance including HM Treasury's Green Book and English Partnership's Additionality Guidance, and has recently been subject of additional practical guidance in the implementation of the framework following lessons from the national evaluation of RDAs in 2009.⁶

3.1 Why measure impact?

The aim in estimating impact of a publicly funded activity (such as the Business Link service) is to make an informed judgement that attempts to link the support, advice or funding offered through the service (which for simplicity we can class as the 'input') to the actual economic value the client receives as a result of the input (which we can class as the 'output'). However, in doing this estimation we need to account for all 'exogenous' factors that either would have occurred anyway, do not change anything in net economic terms or generate additional multiplier benefits elsewhere. These are commonly referred to as additionality factors. The diagram below explains the additionality concept.

English Partnerships define additionality as being the extent to which something happens as a result of an intervention that would not have occurred in the absence of the intervention. The way we assess the additionality of an intervention is to consider the following:

- **Deadweight** – the number or proportion of outputs that would have happened anyway regardless of the intervention
- **Leakage** – the number or proportion of outputs benefiting those outside the intervention area
- **Displacement** – the number or proportion of outputs accounted for by reduced outputs elsewhere in the target area
- **Substitution** – when one firm substitutes one activity for a similar one to take advantage of public sector assistance
- **Economic Multiplier effects** – further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer term development effects.

Taking all these factors into account allows us to transform gross impacts (new jobs, or turnover associated with an intervention) into net additional impacts associated with an intervention.

⁵ DTI Occasional Paper NO. 2, Evaluating the impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework. February 2006,

⁶ BIS: RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework
DECEMBER 2009

Our calculations of net impact are principally drawn from beneficiary surveys we have commissioned over the past three years combined with actual raw GVA data recording changes in GVA over time from BENE's client database. The surveys ask a randomised representative sample of BENE clients qualitative and quantitative information about their experience using the service.

The impact judgements in this final report build on previous reporting phases including the first interim evaluation covering the April 2007 to March 2008 period and the second interim evaluation, covering April 2008 to March 2009.

Our impact analyses cover the following groups:

- Established businesses - those businesses who have been trading for over one year of which:
 - some have been intensively assisted – receiving more than 2 hours of support
 - And others who have been non-intensively assisted – receiving fewer than 2 hours of support
- Non-established businesses, of which:
 - Some are in the pre-start phase
 - And others have started up but are not established

We summarise our coverage of impact for these different categories of client for the three periods of the evaluation in the following table below. Overall, we use quantitative methods to look at the impact for established businesses and qualitative methods for non-established. **It is worth mentioning that the data in the first year of the service was limited and the calculations done for 2007/08 are not as robust as in year two.**

Figure 3.2: Summary of impact analyses

Period	Established			Non-established (<i>mainly qualitative impact</i>)	
	Combined (intensive & non)	Intensive only	Non-intensive only	Pre-start	Start-up
2007 – 2008	✓	x	x	✓	✓
2008 – 2009	x	✓	x	✓	✓
2009 – 2010	x	x	✓		

Source: Consulting Inplace, 2010

4. Non-intensive Impact judgements for 2009/10

This section calculates impact judgements for the 2009/10 period for Non-Intensively Assisted businesses. This analysis was completed during the Spring of 2010 after the 2nd Interim Evaluation report, as that report did not contain an analysis of the net impact on Non-Intensively Assisted businesses which implied that impact had been under-estimated. Consequently, an additional survey and further analysis was undertaken to estimate the impact of the service on the Non-Intensive cohort.

4.1 Non-Intensively assisted impact judgement (2009/10)

Non-intensively assisted businesses are defined by BENE as those who have received no more than two hours of support. Within this sub-set, we can further categorise this type as client as follows:

- Established (trading for over a year)
- Start-up (trading for less than a year)
- Pre-start (not yet started trading)

Using BENE CRM data for the financial year 2009/10, we can see the total number of businesses supported by these three categories within the population of non-intensively supported businesses. Almost half of non-intensive businesses supported were established businesses, 40 per cent were start up and only 14 per cent were classed as pre-starts when assisted.

Figure 4.1: Pre-starts represent greatest cohort of assists

Business Phase - <i>Non-intensive businesses assisted by category in 2009/10</i>	Number of Businesses	Proportion of total (%)
Start up (<i>less than a year old when assisted</i>)	9,914	40
Established (<i>more than a year old when assisted</i>)	11,411	46
Pre-start (<i>not trading when assisted</i>)	3,457	14
Total	24,782	100

Source: BENE CRM, 2010

Estimating the impact of established non-intensive support requires surveying businesses, collecting changes in turnover and additionality information to estimate impact.⁷ The assessment of impact for start up and pre-start businesses is therefore not possible as they cannot provide the turnover metrics to estimate impact, as either they have not begun trading or have not been trading long enough to provide the relevant financial information. We therefore select a sample from the

⁷ In common with the calculations for intensive impact, we measure the impact for sales i.e. the turnover of a business and not on wider measures of business performance.

population of supported established businesses, some 11,411 businesses, and use alternative survey based metrics to assess the impact for pre-starts and start up businesses later on in this section. This is mainly using data from previous surveys undertaken in 2007/08 and 2008/09.

4.1.1 Calculating impact

Consulting Inplace and Research and Marketing Plus conducted a business survey of non-intensively assisted businesses in June 2010. Overall, 299 businesses were surveyed as part of the research. The confidence interval for this sample is 5.5 per cent. This means that we can be 95 per cent confident that true responses lie between +/- 5.5 per cent of our estimates.⁸

Examining the sectoral structure of the sample compared to the population shows that there is reasonable representation within most sectors. Deviations occur in agriculture, hunting and forestry and real estate, construction, renting and business activities which were all slightly over-represented. Hotels and restaurants, manufacturing and wholesale and retail were all slightly under-represented.

Figure 4.2: Our sample is representative of the population

Sector profile, sample cf. population

Sector	Sample	Population
Agriculture, hunting and forestry	6.0	2.9
Construction	12.4	11.3
Education	3.7	3.7
Electricity, gas and water supply	0.3	0.1
Financial intermediation	1.7	1.8
Fishing	0.3	0.1
Health and Social work	7.4	7.0
Hotels and Restaurants	4.0	7.2
Manufacturing	7.4	9.5
Mining and quarrying	0.0	0.1
Other Community, Social and Personal Service activities	12.7	12.7
Private households with employed persons	0.0	0.1
Public Administration and Defence	0.7	0.8
Real Estate, Renting and Business Activities	23.1	20.2
Transport, Storage and Communication	3.7	5.2
Wholesale and retail trade; repair	13.4	17.5
Unknown	3.3	0.1
Total	100	100

Source: RMP, 2010 and BENE CRM, 2010.

⁸ The most commonly accepted rule of thumb is for this error figure to be +/- 5% so the error is slightly above acceptable limits but only by the smallest of margins. The final survey figure was under target due to a combination of time, budgetary resources available and the original database being exhausted after 'screening out' those clients that were not classed as established.

4.1.2 Estimating Additionality

We use the results from our beneficiary survey to estimate additionality ratios for the sample of non-intensive supported businesses. The factors estimated are contained within figure 4.3 below. Overall, deadweight, displacement and substitution estimates estimated for non-intensive businesses are higher than our estimate for intensives as reported in the second interim evaluation which should be expected given the less intensive nature of the support received. We arrive at a lower overall measure of additionality in line with general expectations about the lower levels of impact non-intensive support would provide.

Figure 4.3: High deadweight for non-intensive support and a low overall additionality ratio

Additionality estimates for non-intensive businesses

Additionality Concept	Derivation	Non-intensively supported (%)	Intensively supported (%)
Deadweight	The average proportion of turnover change not attributed to BENE assistance	75.4	66
Displacement	Average proportion of trade that would remain within the region if the business did not exist	60.8	38
Leakage	Average proportion of support benefiting businesses outside the region	11.5*	26
Substitution	Proportion of beneficiaries unable to undertake other business development activity multiplied by the expected value of such activities	5.8	2
Multiplier	Average proportion of purchases made from other businesses in the region	1.66	1.72
Additionality ratio	Net impact of support given the adjustment for the above	13.3	27

Source: Consulting Inplace and RMP, 2010. * Note: Leakage is not a survey estimate as we deliberately did not ask this question, as we reasoned that we would not obtain meaningful results for non-intensive businesses on leakage. Therefore the figure is taken from regional benchmarks from BIS guidance and is likely to over-estimate the leakage factor for non-intensives and slightly under-estimate impact.

Benchmarking these additionality ratios against both Intensively Assisted Businesses and BIS benchmarks show that our headline estimate of additionality for non-intensive support is low. However, we would expect this figure to be so given the nature of intervention, whereby companies receive less than two hours of support. Otherwise, we have a higher displacement ratio than intensively assisted businesses and the BIS benchmark.

Figure 4.4: Lower, but expected, measure of additionality for non-intensive support

Benchmarking additionality ratios, percentages	ONE Non-intensive	ONE Intensive	BIS Benchmarks
Deadweight	75.4	66.0	45.3
Displacement	60.8	38.0	29.3
Leakage	11.5	26.0	11.5
Substitution	5.8	2	3.4
Multipliers	1.66	1.72	1.51
Net additionality	13.3	27	49.7

Source: Consulting Inplace, Second Interim BENE Evaluation Report, 2010 & BIS, RDA evaluation: Practical Guidance on Implementing the Impact Evaluation Framework, 2009.

4.1.3 Net additional benefits - sample

Our business survey allows estimation of impact in the following ways

- **Increased turnover** – where businesses have stated that Business Link support contributed a certain percentage ('x per cent') to an increase in their turnover
- **Safeguarding turnover** – where businesses state that Business Link support helped to maintain their pre-support level of turnover, by x percent of their initial turnover
- **Decreased turnover** – where businesses state that Business Link support helped to minimise a decrease in turnover by x percent

The total turnover for each of these metrics is shown below with the number of observations and percentage of the total sample shown also. Nearly a quarter of the sample stated that Business Link support had an impact on their turnover, which when multiplied by the change in turnover shows a gross benefit of £1.1m, of those businesses that register an increase in turnover. Safeguarded turnover amounts to around a quarter of a million pounds while the figure for attributable turnover minimised was £1.1m. However, this was being driven largely by an outlier in the data, which when removed, reduced the benefit to £46,000.⁹

Figure 4.5: Biggest impact is in increasing turnover as opposed to safeguarding or minimising loss

Turnover metrics for non-intensively assisted businesses (2008/09 – 2009/10)

	Value (£)	N	Proportion of sample (%)
Attributable turnover increase	1,068,458	71	24
Attributable turnover safeguarded	285,750	15	5
Attributable turnover minimised	1,114,500	4	1
Attributable turnover minimised Minus outlier	46,500	3	1
Total attributable turnover	1,400,708	89	-

Source: Consulting Inplace, 2010

⁹ One specific business that skewed the results and was an outlier – i.e. not in line with the average

Using financial data from Annual Business Inquiry (ABI) Regional Accounts allows us to transform our total attributable turnover figure into estimates of total attributable GVA. The regional accounts contain financial data collected as part of the survey including GVA and turnover information. The survey is representative at the regional and local levels and provides GVA and Turnover for different sectors. From this dataset we calculate the ratios of turnover to GVA at the regional level for broad industrial groups.

Figure 4.6: GVA-Turnover Ratios for broad industrial groups

Broad Industrial group	GVA – Turnover ratio
Agriculture and fishing (SIC A,B)	0.49
Energy and water (SIC C,E)	0.44
Manufacturing (SIC D)	0.33
Construction (SIC F)	0.38
Wholesale, retail, hotels and restaurants (SIC G,H)	0.24
Transport and communications (SIC I)	0.37
Financial & Business Services (SIC J,K)	0.56
Public administration, education & health (SIC L,M,N)	0.44
Other services (SIC O,P,Q)	0.46

Source: Consulting Inplace calculation based on ABI Regional accounts, ONS, 2008

We apply the sectoral averages above to each turnover record in our dataset. We do this instead of applying an average ratio to account for the differences in industrial structure of our sample as compared to the North East average. This is because we can account more for deviations and over-representations from the sample's sectoral structure compared to the population.

After transforming to total attributable GVA (which accounts for the deadweight on average of 74.6 per cent) and adjusting for the additionality factors established above identifies £340k net additional benefits in total. The following table shows the steps taken in the calculations.

Figure 4.7: Net additional GVA attributable totals £340k

Adjusting GVA for Additionality metrics

Factor	Value	Increase	Same	Decrease	Total
Substitution	0.06	£444,613	£122,849	£23,535	£590,998
Displacement	0.61	£174,207	£48,134	£9,222	£231,563
Leakage	0.12	£154,173	£42,599	£8,161	£204,933
Multiplier	1.66	£255,582	£70,619	£13,529	£339,730

Source: Consulting Inplace, 2010

4.1.4 Net additional benefits – population

We can scale up these sampled benefits to calculate the impact on all supported businesses. We do so by calculating the ratio of our sample to the population (11,411 / 299 = 38.2) and multiply by our net sampled benefits.

Figure 4.8: Scaling up benefits shows £13m of additional GVA*Net additional impact between 2008/09 – 2009/10 - population*

	All	Increase	Same	Decrease
Net additional impact	£12,977,686	£9,763,232	£2,697,646	£516,808
Impact per assisted business (n=11,411)	£1,137	£856	£236	£45

Source: Consulting Inplace, 2010

The benefits translate to £1,137 of impact per assisted business of which £856 is derived from increases in turnover, £236 from safeguarding turnover and £45 from minimising a turnover decrease.

4.1.5 Net additional benefits plus persistence

BIS guidance on RDA impact evaluation published in 2009 presents advice for the calculation of the persistence of benefits occurring as a result of intervention.¹⁰ We calculate benefits for three years, using the average persistence of benefits from the business survey, and apply discount rates and decay factors.¹¹ The use of the latter has been challenged in the recent BIS guidance but we maintain the use of a 10% per annum decay factor to be consistent with our previous impact calculations of intensively assisted impact, in the second interim evaluation.

Figure 4.9: Accounting for the persistence of benefits increases additional GVA by c.£10m*Accounting for persistence in net impact calculations*

	All	Increase	Same	Decrease
GVA	£35,184,019	£31,972,608	£2,695,087	£516,325
Per assisted business	£3,083	£2,802	£236	£45

Source: Consulting Inplace, 2010

The result is an increase in net additional GVA of £35.2m which corresponds to over £3,000 per established non-intensive business supported.

4.1.6 Value for Money Judgement

BENE have provided cost estimates of providing the IDB service to intensive assists and non-intensive assists. These costs are shown below.

Figure 4.10: BENE Cost Estimates

	2007/08	2008/09	2009/10
Non - Intensive costs	£3.8m	£4.8m	£5.4m
Intensive costs	£11.1m	£12.7m	£13.8m

Source: BENE, 2010

¹⁰ BIS, RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework, December 2009.

¹¹ HM Treasury, Green Book: Appraisal and evaluation in Central Government.

Factoring this into our value for money costs, provides a clearer attribution of benefits. BENE estimate that in 2009/10, £5.4m was spent providing non-intensive IDB support.

Therefore a value for money calculation for non-intensive assists provides the following headlines:

- **For every £1 of BENE spend, £2.41 of additional benefit was generated excluding persistence effects¹**
- **For every £1 of BENE spend, £6.52 of additional benefit was generated including persistence effects¹**

Examining just the effect of positive changes in turnover generates **£5.92 for every £1 invested** including persistence effects. We include this figure for comparative purposes.

4.2 Pre start impact (2007/08 – 2008/09)

As discussed previously in the report, the nature of pre-start customers is such that the method for assessing impact has to be qualitative, as there is no financial trading history to assess financial impact. In this section we conduct a qualitative analysis based on data collected from beneficiary surveys across the evaluation cycle. In these surveys we explored the range of potential non-economic impacts the support had on beneficiaries. This is presented for three types of client:

1. Individuals receiving support but not intending to start in the near future.
2. Those receiving support and intending to start in the near future.
3. Those clients that had started up but did not as yet have an adequate trading history for the purposes of analysis.

Support and advice received by pre-start customers who were not intending to start in the near future was well rated by respondents according to both of our beneficiary surveys conducted in 2008 and 2009, where the most common rating received for support was 8 out of 10 in both years. Year on year comparisons should be treated with caution as the overall number of responses do not provide a statistically significant representation of the population of pre-start customers supported in each of the two years in question.

The majority of businesses stated that Business Link pre-start support did not influence their decision to not pursue their business idea. 15 per cent believed support had some influence, 5 per cent thought support significantly influenced decisions while 7 per cent thought support was the main reason behind their decision. There were no large differences between the two years we have information for.

One indicator of the impact of the service on pre-starts is the number of customers who intend to use Business Link in the future. In 2007/08, 64 per cent intended to use the service in future, which increased to 68 per cent in 2008/09, an overall average of 65 per cent across the two years.

Of those customers intending to start up in the near future the majority rated the service they received highly, scoring the service a quality rating of 8 out of 10. Overall, opinion of the service improved from 2007/08 to 2008/09 with greater proportions of respondents rating the service as excellent. Over 9 in 10 respondents intended to use the service again.

4.3 Impact of start-up support

In this short section, we examine the impact of the service on businesses that (at the time of the beneficiary survey) had started their business within the past year. Overall, 15 per cent stated that the support received had a significant impact on their business, while a further 10 per cent stated it had a large impact. The most common ratings in both the 2007/08 and 2008/09 surveys were that the service had 'some' impact on start up clients. However, 42 per cent in both years classed the impact as either marginal or negligible.

Across the two survey periods, over a quarter of businesses thought that support received was very effective in causing an earlier than anticipated start-up date.

In 2007/08, over a fifth of respondents thought that support was very or somewhat effective in terms of helping to establish the business and providing a firm base to trade. However, in 2008/09 these proportions reduce to under a fifth – which is however, more likely to be an effect of the economic conditions in this period rather than quality of support.

In the following chapter we revisit impact judgements made in previous reports. We also draw together all the impact evidence and make judgements regarding the value for money of support across all three years of support.

5. Overall impact judgements for 2007 - 2010

This section draws together all the quantitative impact judgements for the three years of this evaluation and makes an overall impact estimate of the service delivered by BENE. This includes an estimate of the Return on Investment based on the cost of running the service over the period.

5.1 2007 / 08 Impact

In our first interim evaluation in September 2008 we stated that the numbers of businesses that provided turnover information were a little too small in number (15) to provide meaningful estimates of impact for the population. For consistency, we provide an estimate in this section to provide some indication of the estimated GVA impact of the first year population of businesses supported and to contribute to our three year assessment of impact. However the year one figures need to be treated with caution as a representation of the overall 2007/08 cohort, as the low sample size generates high confidence intervals (or high error terms).

As part of the business survey conducted in 2007/08, respondents were asked questions on current turnover, how much that has increased since support and what proportion of the change is attributed to BENE support. For businesses that answered this question, this amounts to £622k of additional turnover Figure 5.1 shows that this results in £189,346 after applying additionality ratios.

Figure 5.1: Adjusting attributable GVA for additionality

GVA Transformation	Ratio	GVA (£)
Attributable GVA	-	£201,218
less leakage	1%	£199,206
less displacement	39%	£121,516
less substitution	2%	£119,085
plus multiplier	1.59	£189,346

Source: Consulting Inplace calculations based on ABI Regional Accounts and 2007/08 & 2008/09 BENE beneficiary surveys.

Based on our sample size and population, we can scale up these effects to take account of the total cohort of supported businesses. The below figure shows that the net additional GVA generated by Business Link support was £12.7m in 2007/08. With persistence effects, this figure more than doubles to £29.1m.

Figure 5.2: Scaling up benefits suggests £12.7m of additional GVA

Net Additional GVA – sample	£189,346
Sample Size	391
Population	26,364
Scaling Factor	67.4

Net additional GVA - population	£12,767,026
Net additional GVA – population plus persistence	£29,081,945

Source: Consulting Inplace, 2010

5.2 Impact for Intensively assisted businesses

In calculating impact judgements, we draw on the beneficiary survey we conducted and GVA information collected by BENE. The assessment drew upon the available BIS guidance at the time and should be noted that the calculations were made prior to the publishing of practical guidance on Impact Evaluation by the Department for Business Innovation and Skills (BIS).¹²

In reaching a judgement on impact we used the following method:

- Quantify additionality ratios (deadweight, leakage, substitution, displacement) through a beneficiary survey
- Apply ratios to BENE GVA data
- Scale our sample to the population to assess overall impact.

We use additionality ratios calculated from the survey, using the default criteria that firms who have had access to NEEIC funding have been intensively assisted.¹³ Of the sample of 384 firms, 124 were intensively assisted from a population of 4,400. Our sample is therefore statistically significant at a 95% confidence level with a 10% interval (i.e. we can be 95% confident that if another sample of businesses were asked the same set of questions, our results would lie between 10% of the initial result).

Figure 5.3: Sales Additionality ratios – intensively assisted businesses

Non-deadweight	0.34
Non-leakage	0.74
Non-displacement	0.62
Non-substitution	0.98
Multiplier	1.72
Sales Additionality Ratio	0.27

GVA data for intensively assisted businesses is required by BENE and ONE and provide a greater wealth of information about their business. This information is helpful in that we are able to estimate the impact of support with greater accuracy and confidence. Not only is turnover data collected at discrete points in time, but the components necessary to estimate GVA at the individual firm level are also collected. This provides an alternative to using regional sectoral average GVA estimations sourced from secondary data - leading to greater accuracy.

We select 527 businesses who report positive changes in GVA, which is greater than the number required for a statistically robust sample (384).

¹² RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework. December 2009.

¹³ The assumption that businesses not receiving NEEIC are always non-intensively assisted is not entirely accurate, but simplifies our analysis whilst having no distortive effect on the impact calculation particularly an over-estimation; in fact the converse is true.

The level of additionality estimated (0.27) is then applied to this subset of businesses leaving us with the net additional impact of BENE intensive intervention for the 527 firms in our sample. As this sample is statistically representative of the population (4,400) is statistically robust at the 95% level (and very close to the 99% level of confidence), it is appropriate to scale this sampled impact to the entire population. Intensively assisted businesses generated £73.2m additional turnover and 31.1m additional GVA as a result of BENE intervention.

The steps in the calculation are shown in Figure 5.4 below.

Figure 5.4: Gross to net calculation: CRM GVA (without persistence effects)

Sample Size	527
Population	4,400
Additionality ratio	27%
Additional change in turnover	£8,768,978.23
Additional change in GVA	£3,724,609.68
Scaling Factor	8.35
Net Additional Turnover	£73,213,480
Net Additional GVA	£31,097,310

Source: Consulting Inplace & BENE CRM Data, 2009

Overall, BENE support contributed £73.2m in terms of turnover and £31.1m of additional GVA between 2008 – 2009. This translates to £7,045 of GVA per business supported.¹⁴

Within the second interim report, with the information available at the time, we calculated that for every £1 of public money spent, £2.45 of net additional GVA was generated as a result of BENE support (£31.1m/£12.8m). This is the impact of one year's intervention without assuming that any benefits persist. Including the average persistence effect of three years and applying appropriate discount (3.5%) and decay factors (10%) allows estimation of a net present value of the 2008/09 period's investment of £102m.

The analysis also presents a cost-benefit ratio of BENE intervention of £8.04 – in other words for every £1 of public funding invested in BENE, £8 of additional GVA was generated.

¹⁴ This was calculated by asking respondents what additional impact BENE support had on their sales, and not regarding wider measures or aspects of business performance (i.e. profitability or cost control). This assumes that improvements in other measures will filter through into increased turnover while providing tractability for our conversion of impacts into Gross Value Added which relies on ABI regional accounts information.

5.3 Impact judgements: a summary

The following figure draws together quantitative evidence gathered during this commission on the impact of the service delivered by BENE, shown in Figure 5.5 below. Cost data has been updated in line with new information from BENE which estimates the total cost of the delivering intensive and non-intensive support separately. This is based on the split of staff delivering each type of service, with the non-operational staff overheads allocated based on a ratio of staff groups delivering each type of support. We exclude the impact in year one due to lack of robustness and comparability.

Figure 5.5: Quantitative impact evidence

Period	Additionality Ratio	Intensive only	Non-intensive only	Confidence interval (95%)	Cost	Persistence
Year 2	27%	£101.9m (£8.04)		£74.4m- £129.4m	£12.7m	3 years
Year 3	13%		£35.2m (£6.52)	£33.3m- £37.1m	£5.4m	3 years

Source: BENE 2nd Interim Evaluation Consulting Inplace, 2010. BENE Intensive, & non-intensive cost data, 2010. Note figures have been rounded

Our additionality ratios vary according to the element of the service we are evaluating. For example, the intensive support (measured for 2008 – 2009) has a high additionality ratio of almost 30 per cent while non-intensive support has additionality of just over 10 per cent.

The difference between focus of each of the quantitative estimates is also reflected in the scale of the additional GVA impacts recorded. Where intensive support generated £102m of additional GVA impact and non-intensive support generated £35.2m of additional GVA impact.¹⁵

In terms of VfM, good performance was achieved in the second year of the programme, where £8 return was generated for every £1 spent. This return represents our focus on the intensive nature of support received for the evaluation in year two. We have more confidence in the Year 2 intensive impacts, where we had access to a non-self reported GVA dataset. While we had to apply additionality ratios from a different sub-set of businesses, these were in line with benchmarks and in some cases higher than estimates from similar evaluations of regional Business Links in other regions. Moreover we did not have to proxy GVA through turnover changes; the dataset provided the calculation of GVA at the level of the individual firm, hence increasing accuracy. This coupled with the large sample size means that we consider these estimates more robust than all others. In addition, this year two GVA calculation does not include ‘turnover safeguarded’ and ‘minimising turnover decrease’, and is therefore likely to underestimate overall impact.

In the final year of the service (2008/09 – 2009/10) non-intensive support delivered £35.2m of GVA impact and in terms of value for money performed very strongly as

¹⁵ For comparability purposes we assume three years persistence of benefits instead of the five years as published in the second interim evaluation report

the service only cost £5.4m to provide – translating to £6.50 for every £1 spent. This figure includes turnover safeguarded and minimising turnover decrease.

It should be noted that year three estimates reflect a change in the methodology which allowed the calculation of impact in terms of safeguarding GVA in instances where turnover remained constant or where turnover decreased. Removing the effect of safeguarding GVA lowers the estimate of net additional impact to £10m which translates to a VfM ratio of around £1.80 for every pound invested.

5.3.1 Key Impacts

- The intensive service in a single year provides £8 return for every £1 of RDA investment.
- The overall impact of the service is impressive, and broadly comparable with benchmark Value for Money estimates
- Non-intensive support in year three generated strong returns, particularly when accounting for the nature of support. This amounted to £6.50 return per £1 invested

6. Comparison to original 2006 Green Book Appraisal

This section revisits the original 2006 Green Book appraisals for the Business Link service and compares actual progress made against the original estimates made in those reports.

6.1 Original Strategic Case

ONE developed two separate projects to fund Business Link and NEEIC. The original strategic case for the regional Business Link IDB model (the Core project) was appraised among various options by Deloitte in 2006 in accordance with HM Treasury Green Book guidelines.¹⁶ This covered the core requirements for a regional Business Service Service. Later that year PACEC, again following Green Book guidelines, provided an independent economic assessment the second project which was known as ‘the Additional Project’. This provided additional funding for regional targeted BL branded IDB services, enhanced start-up support and solutions funding.¹⁷ Both appraisals went to the Central Project Review Group for review.

The model was proposed as a ‘one-stop shop’ of high quality services available to all businesses in the region. A single regional operator would provide the core and additional infrastructure for business support in the region providing in-depth diagnostic and brokerage support, where appropriate, to existing businesses and high-growth start-ups, as well as access to solutions funding via the North East of England Investment Centre.

The overarching *aim* of the preferred option was to provide businesses in the North East with access to high quality advice and business solutions so that the regional business base would grow at a faster rate and contribute towards greater economic prosperity. To be effective it was felt that the move from four sub-regional providers to a single regional service would need to meet some key *objectives*, to be delivered between 2007 and 2012, namely:

- Greater **efficiency** in terms of unit costs, back office costs, staffing ratios and customer resource
- Greater **consistency** to ensure any differential levels and types of service are based on an established argument for market failure, impact rationale or the need for evidenced targeted support, rather than sub-regional boundaries.
- Improved **co-ordination**, addressing the proliferation of business support and addressing the sub-regional nature of the existing business support providers
- **Sustainability** in terms of long-term funding and deliverability of the IDB service
- Greater demonstrable economic **impact** in terms of contributing to higher GVA per head

¹⁶ Deloitte(2006) Supplementary Development and Appraisal for Business Link– Branded Information, Diagnostic and Brokerage Service. Full Report. August.

¹⁷ PACEC (2006) Supplementary Development and Appraisal for Business Link– Branded Information, Diagnostic and Brokerage Service. Phase 2 Additional IDB Support. Final Report. November.

Within the framework of these objectives, the service would provide a range of support to start ups and existing businesses. Where there was an economic rationale it would provide more intensive support to these groups, through intensive diagnostics, solutions funding and brokerage to appropriate 'market' support. It would also focus on areas of need: including priority sectors, high growth businesses, disadvantaged and remote areas and respond to economic shocks such as the current recession. It would also support and contribute to the continually evolving process of the Business Support Simplification Programme. Finally, it would contribute significantly to the regional economy and the achievement of the regional economic strategy.

6.2 Were the rationale, aims and objectives justified and met?

These aspects were addressed within our two interim surveys of stakeholders and beneficiaries. Overall most stakeholders felt that the rationale was justified, although in the early stages there were concerns regarding inconsistencies, for example, the client experience was highly 'broker-dependent' and the service suffered mixed reviews as to the extent to which it was working successfully at the local level, particularly in rural and deprived areas, but also among certain partners such as the Local Authority areas that had received Local Enterprise Growth Initiative (LEGI) resources and Enterprise Agencies.

With regard to the above overarching *aim* most respondents have felt that BENE had gone a long way to achieving a quality service, particularly in terms of information provision and business solutions.

In terms of the objectives the general consensus appears to be that the *efficiency* objective sought in terms of cost reduction has been largely achieved through the introduction and progressive development of new systems, tools and resources. Moreover, inconsistencies and inflexibilities were gradually being addressed to ensure a more *consistent* service across beneficiary groups and sub-regions, even though this was very much 'work in progress' in some areas, such as dealing with start-ups. However, progress has been noticeable with penetration into rural and deprived areas and those requiring support through the recession as well as the larger established firms. Where consistency issues were highlighted they were in areas such as the quality of brokerage support via the NEESPR, the offer to start-up businesses, and the variability of account managers.

The *co-ordination* objective was seen as justified and working in so far as the NEEIC has taken on responsibility for managing new funding streams and products under the Business Support Simplification programme. In terms of partnership working, in the first couple of years there were concerns at lack of information and contact between BENE and partners, but our second evaluation noted in particular that the quality and information provided to Local Authorities on a quarterly basis had significantly improved.

Sustainability has occurred in so far as the IDB model has become embedded over time, notwithstanding issues relating to brokerage above. The NEEIC has emerged as a sustainable mechanism for channelling long-term funding support to businesses as we indicated earlier in the report. However, a broader issue arises in future with potential funding constraints in general which may impact on and limit clients'

access to required funding streams. This constraint may worsen once the economy comes out of recession but a bigger issue is the future of Business Link provision which is being debated at the time of writing; as there is some uncertainty on the future of the regional Business Link service in its current form. However, these issues are beyond the remit of this evaluation report.

A crucial objective was to demonstrate greater economic *impact*, however, despite improvements in information flows from BENE, in both our interim evaluations many stakeholders were still unclear on the actual *impact* the service was making in the region. Quantitative evidence of economic impact is provided in Section 5 of this report. Most agreed that the NEEIC has improved from when it first started, although they felt that it was difficult to quantify the impact it has had even though positive mention was made of assistance given to businesses to access grants and especially help provided during the current economical climate. Some felt there was too much use of KPIs as the main measure of impact and these are considered below against the original business case, while overall impact and value for money aspects are covered in section 6.4 below.

6.3 How does performance compare against the original KPIs?

In section 2 we discussed key performance indicators comparing target and actual for the three year period. Below in figure 6.1 we consider performance against the key performance indicators set out in the original appraisals carried out by Deloitte and PACEC.

Figure 6.1: Evaluation Framework and Comparable Performance of core KPIs

Output/Outcome	DELOITTE 2007/08	PACEC 2007/08	TOTAL	ACTUAL 2007/08	ACTUAL 2009/10
Overall penetration	21,307	15,128	36,435	26,364	33,275
Overall satisfaction	90%	90%	90%	84%	90.5%
Very satisfied	60%	60%	60%	46.9%	56.7%
Primary diagnostics	6,000	10,000	16,000	6,673	15,460
In-depth diagnostics	4,000	6,082	10,082	10,000	22,721
Businesses supported	5,467	10,000	15,467	11,654	22,138
Businesses started	480	3,393	3,873	3,827	4,321
Jobs created	1,120	4,300	5,420	3,878	5,166

Sources: Figure 2.1 Key Performance Indicators 2007-2010 above; PACEC report table 6.1 p.37; Deloitte report table 7.1 p.27.

KPIs were part of the Agreement to Award Grant for Operation of Business Services that formed the contractual agreement between ONE and Business Link NE. The KPIs were to be agreed annually with a view to driving performance and efficiency of the service to achieve greater demonstrable impact.

It is clear from Figure 6.1 that by 2009/10 all of the original target assumptions have been achieved and in many cases significantly exceeded. The single exception is the 60% target for clients 'very satisfied' which has fell below target by 3.3%.

6.4 Value for Money - original predictions

In their examination of the service delivery options, Deloitte estimated the regional provider option would involve a year one (2007/08) expenditure of £6.5 million with gross and net present costs for the period 2007- 12 of £30 million and £25.26 million respectively.¹⁸ Their value for money calculation was in terms of the cost per business penetrated and calculated as £282. This regional provider option was substantially financially more beneficial than either retaining the status quo of four sub-regional providers or of moving to a two sub-regional model with two providers.

The PACEC report followed on from a ONE internal project development, appraisal and approval for the additional funding to provide additional targeted regional IDB services, start-up support and solutions funding support for the Investment Centre.

¹⁸ Deloitte report, op cit. p 19.

7. Counter-factual analysis

This section considers the counter-factual scenario, namely what the impact would have been if the Business Link service delivered by BENE had not been in operation. The main sources for this analysis are quantitative indicators from the primary data we have collected and Additionality analyses. In addition, the analysis is supplemented by qualitative indicators from stakeholder and beneficiary responses.

7.1 Background

The counter-factual is often referred to as deadweight or sometimes the 'reference case'. The IEF+ defines the counterfactual / deadweight as sum of benefits that would have happened anyway without the intervention. The guidance defines three elements of deadweight:

1. Additionality of actions – probability that beneficiaries would have taken action in the absence of the intervention
2. Additionality of outcomes – the outcomes of the actions taken anyway (which match with the aims of the intervention in terms of influencing outcomes)
3. Additionality of support – probability that beneficiaries would have found alternative support in the absence of the intervention

It recognises the difficulty in gathering information on each of these elements of deadweight, and so suggests asking a more general question of deadweight in surveys of beneficiaries which is the approach we take in this evaluation.

7.2 Quantitative evaluation evidence

Our surveys of respondents across the three years of our evaluation have allowed us to examine the counter-factual scenario. The information fed into our quantitative estimates of net additional impact of the service but we can also supplement this with further survey information as well as qualitative information from our stakeholder consultations.

Our primary research allows the estimation of deadweight factors for a range of different groups and support types, across the three year scope of the evaluation.

In 2007/08, we were able to derive a factor from questions on turnover impacts pre and post support. Here we estimate a deadweight factor of 72 per cent. Similar estimates for 2008/09 show that the level of deadweight decreases to 66 per cent (in a question relating to sales) and 65 per cent more generally. We do not have estimates of deadweight in 2009/10.

Our survey in 2008/09 provided scope to examine the deadweight for different groups of beneficiaries. Those businesses that accessed NEEIC funding had a lower estimate of deadweight at 60 per cent. While non-NEEIC customers thought a greater proportion of benefits would have occurred in the absence of intervention, a figure estimated at 71 per cent. Meanwhile, there was no difference in opinions of deadweight comparing established and non-established businesses, with both

stating 65 per cent. Businesses who were trading or planning to trade in priority sectors expressed a high measure of deadweight, 73 per cent, compared to non-priority sectors where deadweight was much lower, 59 per cent. This may reflect the wider range of support and funding available to such sectors, and also their greater confidence as sectors with higher prospects or growth potential.

Our evidence suggests a difference in the deadweight between intensive and non-intensively supported companies, although we do not have estimates for the same years. In 2009/10 we estimate the deadweight for non-intensively supported firms of 75 per cent – the highest deadweight ratio evidenced as part of our evaluation.

In 2007/08, our survey also asked a series of wider additionality questions which we can use to further evidence what would have happened in the absence of the Business Link intervention. In particular, we asked respondents the extent to which changes in minimising total costs, increasing profitability and increasing labour productivity were due to the Business Link support. In terms of cost reduction, over two thirds of any improvement would have happened anyway (68 per cent). Just under two thirds of improvements in both profitability and labour productivity (61 per cent) would have happened anyway.

Our survey evidence points towards differences in the deadweight of interventions depending on the year of intervention, type of support received, and sector with deadweight consistently estimated that over half of the benefits (around 6 / 10) would have happened anyway, with a range of 59% to 75% depending on the factors cited above.

7.3 Qualitative indicators

During our interviews over the past two years the majority of stakeholders felt that the regional Business Link service was the appropriate operating model, even if there were differences in views in terms of the service level and focus of its activities. As part of the discussions we examined the core impacts of the service and the counterfactual situation through a number of questions. These were:

- How would businesses and the market fare if the Business Link service was not in operation? (E.g. in its current form as the single point of access). *Please answer this in the context of the counter-factual, i.e. if the service did not exist.*
- Do you feel that BENE (as the Business Link operator in the North East) are making a significant contribution to the regional economy?
- Has the service helped businesses and individuals during the recession?
- Where in particular (i.e. where is the service making the biggest impact and what is the evidence of this)?

In terms of the Business Link services, its interaction with partners and effects on the region the following points highlight some benefits and effects if the service did not occur:

- Without an appropriate organisation to administer and dispense regional funds out to businesses in a targeted and efficient way the region would have most likely fared worse over the 2007-2010 period; particularly during the recession. For example, the

NEEIC has become an increasingly efficient and speedy distribution channel for regional funding and has proved to be crucial in getting financial resources out to businesses in need swiftly during the recessionary period.

- Without the service progress on the Business Support Simplification Programme would have been more difficult to implement. For example, the service has enabled a focused grouping of 30 Solutions for Business products to be available for business; and channelling various initiatives through the Business Link service (such as RDPE and ERDF funds) has helped to simplify and contribute to the 'deproliferation' agenda
- In the absence of Business Link there would be a gap in the linkages between client needs and the market for both public and private business support provision. While the NEESPR has not run entirely smoothly and has had teething problems, the Business Link service was providing a broker between client and market
- In terms of regional value added, in the absence of such a service it would be difficult to attain ONE's targets for business support and creation and to judge how the regional enterprise economy is developing
- There would not have been as much productive interaction between the public and private sector to proactively support business and help prevent decline, or worse, business failure. For example, collaborative work undertaken with the private sector was a significant step forward; BENE's work in developing a tool in conjunction with the banks, that assessed 'business health' through an assessment of profitability and balance sheet indicators was a welcome step forward in supporting this.

8. Conclusions

In this section we provide an overall assessment of the performance of the impact and performance of the service over the 2007-2010 period.

The original Business Link model operating from April 1st 2007 was for a regional, branded IDB service, enhanced start-up support and solutions funding providing a 'one-stop' shop for all businesses in the region. Despite initial, and, to an extent, expected problems in getting the service up and running in its first year, our judgement is that Business and Enterprise North East, under the management and partnership of One North East and the former Learning and Skills Council, has performed very well in achieving the aims and objectives for which it was contracted to deliver.

The overarching aim was to provide businesses with access to high quality advice and business solutions to promote economic growth and prosperity. The extent to which BENE have been able to do this during the period has been significantly hampered by the worst recession of modern times, however in the last two years of its operation in particular, it has been highly effective at the following:

- Dispersing and providing significant investment funding through the NEEIC in order to provide a broad range of intensive support and intervention to help businesses to start, grow and in many cases survive
- Penetrating into key sectors and reaching out to areas most in need including deprived and remote areas. It is important to emphasise that this has not been done alone; the role of partners, particularly the Local Authorities and main Enterprise Agencies has been crucial
- Delivering efficiencies and cost-savings. Economies of scale have been reaped from the move from a sub-regional to regional provision, aided by systems developments which have gradually overcome teething problems in the first year. Annual efficiency cost savings for the regional Business Link service post April 2007 continue to be in the region of £2.3m on the basis of staff costs and occupancy costs alone; compared to the estimated costs of the four sub-regional operations combined operating prior to April 2007. Back office costs have been reduced from 25% to 15% as a percentage of total costs
- Achieving additional benefits from the service's focus on BSSP and reduced proliferation of products and services.

There is evidence that the service has not always been an effective one for start up businesses and there is some evidence of deadweight. This is supported by our primary research with both businesses and stakeholders, where 42 per cent of start ups interviewed said that the support they received had only either a marginal or negligible impact as a determining factor in them starting up; while certain stakeholders continued to express dissatisfaction with the start up service in that it did not always suit or sufficiently support clients that were referred to BENE.

Co-ordination and partnership working has significantly improved particularly over the last 18 months, with stakeholders clearer about BENE's strategy and operations,

more ongoing dialogue and better information flows, particularly to Local Authority partners.

Performance as measured against the service's outputs and financial spend profile has improved substantially during the period and appears very good against key indicators; particularly operational ones such as business penetration, diagnostics conducted, general customer satisfaction levels and businesses supported.

The service has also shown that it can be flexible in adapting to changing economic circumstances and opportunities, such as the excellent work undertaken with banks to improve their engagement and 'health check' businesses, and in working with firms on Olympic- related proposals.

Based on the evidence available from the evaluation, we make the assertion that the net economic impact performance of Business and Enterprise North East has been impressive. This is based on the following factors:

- In the first year of the service net additional GVA generated by Business Link support was £12.7m in 2007/08. With persistence effects, this figure more than doubles to £29.1m
- During the second year of the service (2008/09), £102m of additional GVA was generated as a result of 4,400 businesses supported intensively by the service. In terms of VfM, the intensive support delivered a £8 return for every £1 invested
- In the final year of the service (2009/10) non-intensive support delivered £35.2m of GVA impact and in terms of value for money performed very strongly as the service only cost £5.4m to provide – translating to £6.50 for every £1 spent

All of the regional Business Links underwent significant problems in their first year from moving from a number of sub-regional operations to a single regional provider, and there are certain providers that until recently were still experiencing both strategic and operational problems. However, in the North East, BENE in conjunction with ONE and the LSC have been highly proactive in overcoming initial teething problems, have worked in partnership to achieve this and have used the evaluation process to enact service improvements quickly.

BENE has successfully maintained continuity both strategically and operationally in terms of service delivery. It has not lost an excessive amount of staff nor has it had many changes in staffing at the senior level during the three year period.

The North East of England Investment Centre has not just been an effective disperser and provider of funds, it has also been highly effective in engaging a wider range of clients (e.g. rural businesses) and has also offered economies of scale in its efficiency and back office support that has attracted the interest of certain Local Authorities impressed by its cost effective administration and procedures. The NEEIC is also highly regarded at the ministerial level and its efficiency and potential efficiency savings align with the public sector efficiency agenda. The ability of BENE to engage and work in partnership with the banks to develop a tool which assesses balance sheet health is another example of innovation and good practice.

APPENDIX I

Previous evaluation findings

1st Interim Evaluation – September 2008

The main findings from the first evaluation were:

- BENE's performance against its Key Performance Indicators (KPIs) during the 2007-8 period was initially adversely affected by the substantial changes implemented to affect the transition from a sub-regional to regional operation and the launch of the new service. However, during the six months to September 2008 there was a marked improvement in performance in KPIs, especially the core IDB customer satisfaction ratings and rankings relative to other regions.
- Stakeholder views on performance, service improvement and impact of the new service were mixed. Concerns existed around the level and quality of penetration in terms of number of businesses and key sectors, customer satisfaction and job creation. Stakeholders acknowledged a difficult changeover period and recognised efforts were being made to improve delivery. There was still some confusion over the range and quality of services on offer to clients and the quality of service provided by individual brokers was considered variable and partly dependent on whichever broker a client may be working with.
- The IDB model was seen to need refinement regarding its flexibility and execution. According to ratings provided by those interviewed, the more successful elements of the IDB service were the Information, and to a lesser extent, the Diagnostic components. The least successful was Brokerage, where much depended on the capabilities, training and experience of individual brokers and the efficacy and support systems on offer through the CRM, NEESPR and NEEIC.
- Integration with Train to Gain was seen as a good idea in principle but had suffered some teething problems, particularly in relation to achieving target referrals and concerns about the ability of a consistent set of brokers able to effectively diagnose skills needs and refer to appropriate mainstream provision.

The recommendations stemming from the Interim Evaluation were:

- In terms of delivery of the three IDB components, access to the Information element needed to be improved in remote and deprived areas and the Diagnostics needed to be more appropriately tailored towards the effective identification of skills needs, especially leadership, management and higher level skills. With regard to Brokerage more effort was needed to avoid variance in the quality of service delivery, which could be improved via enhanced professional development support for all BENE brokers. A review was also required regarding the workings of the NEEIC, CRM, and other systems and more attention was needed to the requirements of start-ups, particularly in deprived areas.
- The North East England Investment Centre (NEEIC) needed to be: simpler; more focused and flexible in its response to disparate business and partner groups; quicker in response times; offer clearer application criteria and feedback on decisions; and provide greater clarity about the offer to specific target markets.
- To develop an action plan of partnership working activities with Local Authority and sub-regional partners over the next year and to help improve the knowledge exchange, such as the sharing of information (GIS etc) and research.

IDB Paper

The main findings from the IDB paper conducted during the Spring of 2009 were as follows:

- It is clear that much progress has been made and the introduction of the Business Improvement Strategy and function suggests further developments will occur in the foreseeable future. Our internal review of BENE's systems, staff and operations suggest significant actions have are being taken with regard to investment in individuals, systems and processes to enhance the *internal* efficiency of the BENE operation and to ensure KPIs are met.
- With regard to staff and structures, the impression is given of a very committed employer that has invested in people, structures and systems and is creating a culture of common goals and values. This is an important achievement, bearing in mind the need to integrate four sub-regional operations within a new consensus and strategic direction. From discussions with staff there has clearly also been considerable progress in terms of implementing systems, investment in professional development and increasing the efficiency of operations.
- To enhance the quality of intervention for clients, time and resources have been invested in supporting the business-facing groups. Organisational and personal development programmes are advancing significantly with substantial amounts of training being undertaken. Structural relationships are improving between the customer service team, relationship managers and account managers with responsibilities clearer both in terms of client management, geographic and sector coverage. Overall staff spoke very positively about the developments in progress.

However there are some areas that require further analysis to be reviewed as part of the main evaluation. These include:

- How the downturn is impacting on workloads? Enquiries have increased over the past year as demand for BENE services and support has risen with the onset of recession. In particular the current downturn has produced a significant increase in the number of enquiries for funding with people seeking to use redundancy monies to start-up businesses.
- How well is the service operating with regard to supporting businesses with skills needs? We have the general impression that the service may not always adequately identify businesses or individuals with specific skills needs and that businesses requiring Train to Gain or other mainstream skills provision more than other BENE services take some time to source what they need.

The introduction of a Business Improvement function and strategy is testament to a desire to push forward with continuous improvement in the BENE operation. Until a few months ago much of the focus had been on fire-fighting; implementing changes, dealing with customer satisfaction and partner concerns. However, it is apparent that considerable investment has been made in new or improved processes and systems which are linking to the corporate plan.

While the function covers people and structures as well as processes and systems, it is the latter area where some of the more notable improvements have occurred. Perhaps the most noticeable of these is the streamlining and greater efficiency of the NEEIC which had been criticised by stakeholders and beneficiaries at the time of the First Interim Evaluation. The

centre is now meeting target turnaround times of 5 days and is overall operating in a more efficient and smarter way. However, there are still some major questions around the role and function of the NEEIC in the context of the regional economy and the extent to which it is utilised and managed by BENE, namely:

- There are issues around the process of encouraging clients to apply for funding. In general are the clients providing a return on the investment in terms of jobs (created or preserved), sales or other forms of output growth? *These key questions are addressed within this evaluation report.*
- We saw instances of clients referred to the NEEIC when they, neither had the funds, nor was there confidence they had the ability to actually start up and succeed in their business idea. However, we understand that BENE is working to filter out unsuitable applications at early stages and to improve the success and efficiency of the NEEIC.
- The paper did not review BENE's work in Innovation in any great detail. Within this field we understand that some work is being undertaken with Durham University in terms of half-day training sessions. However, the approach adopted appears to be that innovation is unique to individual businesses.

2nd Interim Evaluation – September 2009

- Annual efficiency cost savings for the regional Business Link service post April 2007 continued to be in the region of £2.3m on the basis of staff costs and occupancy costs alone; compared to the estimated costs of the four sub-regional operations combined operating prior to April 2007. Back office costs were reduced from 25% to 15% as a percentage of total costs. Principal savings flowed from a single central management, finance and marketing team, with a further saving from the single main operational base in Seaham, County Durham. Many of these savings have been redeployed into more frontline services and to fulfil the staffing requirements of NEEIC.
- The NEEIC is proving to be a highly efficient administrator and disburser of funds. For certain funding streams operating through the NEEIC, it costs an estimated 5% for administration and processing compared to as high as 15-20% elsewhere, based on recent costs estimated by several contractors for running and administering a similar fund as part of a recent procurement round.

Performance review

- Shows that overall the service has made considerable progress against virtually all of its KPIs during the 2008/09 period. Particularly impressive are its work on penetration of the business base, on job creation and on business survival rates; all exceeding or achieving their targets during the worst recession in modern times. There has clearly been significant achievement in supporting businesses through the period and on preserving, or contributing to the preservation of, employment. This performance is particularly impressive when compared against 2007/08, when BENE underachieved on several of its KPIs.
- ERDF funding of £9,050,000 was approved in 2008 to cover the period from 1 Dec 2008 – 31 March 2010 to support an enhancement of the Business Link branded core business support offer across the region (since extended by £1.43m). ERDF output performance has been

good, particularly in the areas of number of new or existing SMEs or Social enterprises assisted; and the number of businesses created or attracted to the region

North East of England Investment Centre (NEEIC)

- The NEEIC has grown to be a prolific provider of regional funds to businesses and individuals. Funding for the Rural Development Programme for England has been committed to recipients significantly over profile, and Solutions funding for Pre-start Business Planning, Pre-start businesses, Start up and Established businesses have all achieved their commitment targets. This implies that the NEEIC has efficiently disbursed the majority of its funding and has overcome some of the problems it experienced in its first year with bottlenecks, delays in approvals and major underspend. The NEEIC is also a highly efficient administrator and disbursing of funds, with an estimated cost for administering certain funding streams of five percent compared to 15-20% for other funding bodies.
- Less successful has been the achievement on skills support, particularly through a major underspend on the Regional Skills Social Fund (RSSF) contract, which was awarded to BENE by LSC NE in June 2008. The contract was originally £8m in value aimed at supporting companies either growing or facing the need to make redundancies, and the original outputs required were originally 13,249 learners to engage in non-NVQ training. After delays and problems experienced by BENE in both reporting and the achievement of target output and spend profiles, the contract was revised downwards through negotiation to 10,000 learners and a contract value of £5.6 million. However, since Summer 2009 there have been significant changes and improvements made to the delivery of the contracts, particularly in the detail and quality of reporting systems, speeding up NEEIC applications, increased learner numbers and better management information.

Stakeholder perceptions and views

- There have been visible improvements to the service over the last twelve months from the perceptions of most stakeholders. Most notable were improvements to the workings and speed of disbursing funds to clients through the NEEIC; better and more regular management information provided to Local Authorities on the type, size, location of business and nature of BENE interventions; better communication and collaboration with partners; and the impact felt by BENE's investment in the professional development of staff. Some stakeholders felt that BENE had responded well to the continuing process of Business Support Simplification, and had been proactive in supporting business during the recession.
- The service had still experienced problems and was not quite working to the needs and expectations of all stakeholders' and there still remained credibility issues, inconsistencies and areas where there were grounds for improvement. It was also clear that the current model for start up was still not suitable for certain types of client; examples given ranged from clients with a skills or confidence issue (often but not always from deprived areas) to entrepreneurs who just wanted someone to talk to and action rather being taken through a process that for some was still too procedural.
- The start up model adopted by BENE had also suffered from changes to it, which had caused confusion among stakeholders and clients; and in some cases raising instead of lowering barriers for certain clients. One example given was the change from 100% public funding for business planning to individuals having to contribute 30% to Intensive Start Up Support. This had been caused by a combination of the core funding for this activity being exhausted much quicker than anticipated and higher demand as a result of the recession. A number of

stakeholders commented on their dissatisfaction with the NEESPR, and it was felt that the current design and thinking behind it needed a radical improvement; put simply, the NEESPR was still not acting as an effective means of brokering the right provider to the client. Work was currently underway within BENE to implement further improvements.

Impact evaluation and VfM analysis

- Overall, BENE support contributed £73.2m in terms of turnover and £31.1m of additional GVA over the period. A benchmarking exercise was conducted, comparing the additionality ratios and impact estimates of four other business support evaluations. Overall, additionality ratios calculated as part of this evaluation are broadly inline with other estimates given that studies contained some significant differences which do not allow direct like for like comparisons. The results compare favourably against other regional Business Link services; In terms of intensive support, BENE intervention resulted in £7,045 of GVA per business supported which is higher than both the LDA evaluation (£2,471) and SWRDA (£1,234). However, this is likely to be due to the fact that the service in the North East provides significant financial support whereas the focus in other regions lies elsewhere.
- Headlines for value for money alter depending on whether you consider the persistence of GVA benefits or not. For the year in question, BENE support generates the following VfM headlines:
 - For every £1 of public money spent, £2.51 of net additional turnover was generated as a result of BENE support (representing an underestimate of the true impact of BENE support as c.22k non-intensively assisted businesses are not factored into this assessment).
 - For every £1 of public money spent, £1.07 of net additional GVA was generated as a result of BENE support (representing an underestimate of the true impact of BENE support as c.22k non-intensively assisted businesses are not factored into this assessment).
- Including the average persistence effect of 5 years and applying the appropriate discount factor allows estimation of a net present value of the 2007/08 – 2008/09 period's investment of £135m. The analysis also presents a cost-benefit ratio of BENE intervention of 4.63 – in other words *'for every £1 of public funding invested in BENE, £4.63 of additional GVA is generated (representing an underestimate of the true impact of BENE support as c.22k non-intensively assisted businesses are not factored into this assessment).'*

- Communities
- Economies
- Skills
- Enterprise