



National Evaluation of the Local Enterprise Growth
Initiative Programme
Final report



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AMION Consulting

December 2010
Department for Communities and Local Government

This research was commissioned by the previous Government.

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Executive summary

AMION Consulting was commissioned by the Department for Communities and Local Government (DCLG) to undertake an independent evaluation of the national Local Enterprise Growth Initiative (LEGI) programme. This paper summarises the final report. It considers how LEGI funding has been spent, the performance of the programme and the implications for future policy.

Background

The LEGI programme was announced in the 2005 Budget and became operational in 2006. It was a joint initiative between DCLG, HM Treasury and the (then) Department for Trade and Industry (now the Department for Business, Innovation and Skills). It aimed to:

‘release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment – thereby boosting local incomes and employment opportunities and building sustainable communities’.

This aim was supported by three national level objectives:

- to increase total entrepreneurial activity among the population and in deprived local areas
- to support the sustainable growth and reduce the failure rate of locally-owned business in deprived areas
- to attract appropriate inward investment and franchising into deprived areas, making use of local labour resources.

Following a competitive bidding process, DCLG awarded LEGI Round 1 funding to 10 area partnerships in February 2006 and Round 2 funding to a further 10 areas in December 2006. In total £418m¹ was allocated up to the end of March 2011. The grant is paid via the relevant local authorities – presently as part of the Area Based Grant process.

While it is a national initiative, the design and delivery of LEGI-funded interventions is determined and overseen by local partnerships in accordance with local needs. Although there is a commonality in the sense that all the target areas are deprived, they also vary considerably in terms of type of area – including, for example, major cities, old industrial towns, seaside towns, suburbs and semi-rural areas.

¹ NB: The allocations do not reflect the June budget reductions to the LEGI programme.

The areas

Of the 20 LEGI areas, five are covered by more than one local authority - in total, 30 local authorities have benefited from LEGI monies. The vast majority of these have also been in receipt of Neighbourhood Renewal Fund and/or Working Neighbourhoods Fund. LEGI and Neighbourhood Renewal Fund/Working Neighbourhoods Fund resources have tended to be used for discrete but often interlinked purposes.

Although the majority of LEGI areas are based in the three northern regions they are represented in every English region – with the exception of the South West. The areas also vary significantly in terms of size and demographic composition. For example, Hastings has a residential population of just over 37,000, whereas the Croydon and Bradford LEGI areas have over 200,000 residents. Moreover, almost 40 per cent of the population of Bradford and Croydon comprises minority ethnic groups, while in several areas (such as Durham and St Helens) the comparable proportions are negligible.

There is similar variation in the size of the areas' local economies - for example, from 1,417 businesses in the Leeds LEGI area to 8,032 in Sheffield, while the number of jobs accommodated ranged from just over 16,000 in Wansbeck to over 120,000, (again) in Sheffield. Generally the areas were relatively under-represented in knowledge-based growth sectors – such as business services and technology and media – and construction (the latter perhaps reflecting their relatively lower levels of development activity).

Finally the areas vary greatly in their economic roles – between those that are 'net providers' of jobs (e.g. Sheffield where there were almost 72,000 more jobs in the area than working residents) and net 'consumers' of jobs (e.g. St Helens which had almost 32,500 more residents in employment than jobs located in the area).

LEGI activities

The wide-ranging characteristics of the areas highlight the importance of LEGI being a flexible locally-defined programme capable of accommodating a mix of relevant measures. These have included, in particular, activities designed to:

- support existing local businesses to grow (these account for about 31 per cent of spend to date)
- support new business start-ups (29 per cent of spend)
- support residents to, for example, acquire skills and jobs (19 per cent of spend)
- improve and promote the areas in order to help develop and attract business activity (10 per cent of spend).²

² The remaining 11% of spend is largely accounted for by programme management and administration costs (including activities such as feasibility studies and other research).

The balance between these measures varies considerably across the areas – Redcar and Cleveland and, Barking and Dagenham, for example, have had a particular focus on local business development or ‘competitiveness-type’ activities; whereas the LEGI programmes in Blackpool and Coventry, for instance, have been more focused on assisting local residents or ‘social inclusion-type’ activities.

A significant theme in many areas, however, has been supporting the development of a changed culture in terms of awareness of, and attitudes towards, enterprise – this has included enterprise education in schools, as well as community-based interventions. For start-ups, the most important types of intervention have related to financial support, business planning and intensive ongoing advice and mentoring. This type of support has also been provided for existing businesses which have also benefitted from networking activities and the provision of premises. Spending on activities related to ‘place’ has included place management, business crime initiatives and area promotion.

By December 2009, £268m of LEGI resources had been spent in the 20 areas. Analysis of the areas’ performance management data suggested that by then this spend had led to:

- over 240,000 individuals being assisted/engaged through the LEGI programme – including nearly 160,000 young people
- over 13,300 people being assisted into jobs and over 35,000 acquiring new skills
- almost 45,000 businesses being assisted in the LEGI areas
- 13,700 new businesses created
- 22,700 jobs created
- £144m private sector investment levered into the areas.

Although it took time for programmes to become established, the majority of targets have been achieved and most have been comfortably exceeded. The main exception has been inward investment – reflecting a view that it is often not the most effective way of addressing the economic needs of deprived areas and especially so at a time of international recession. Deteriorating economic circumstances also impacted adversely on performance in terms of the provision of new floorspace and leverage of private sector investment and, in several areas, led to a shift in the balance of programmes away from new enterprise and towards supporting and retaining existing business activity.

Changes in the areas and the impact of LEGI

Within the LEGI areas over the period 2006 to 2009 the gap between their overall worklessness and business start-up rates and the national rates narrowed. 15 of the 20 LEGI programme areas performed better than the England average in terms of business formation, while the increase in worklessness rates in 19 of the areas was less than the national average change.

However, this better than the national average performance may of course be due to factors other than LEGI. Consequently, as part of the evaluation, econometric modelling was used to examine which characteristics (for example, of an area or its population or its surrounding area) appear to be associated with performance (either beneficially or adversely). These are summarised in the table below.

Variable	Worklessness effect	Business formation effect
Length of tenure (short tenure)	Adverse	Adverse
High % working age population	Adverse	Beneficial
High % white ethnicity	Adverse	Beneficial
High % social renting	Adverse	NA
High % with skills	Beneficial	No association
High % large firms	NA	Beneficial
High access to low skilled jobs	Beneficial	No association
High GVA growth	Beneficial	Beneficial
High theft rate	Adverse	Adverse

The modelling was then used to determine whether LEGI status has had a statistically significant impact on performance. It found that it had in terms of business formation rates but, although there was better than average performance, it had not with regard to worklessness. Despite this result, it is important to recognise that, people-based interventions supported under the programme were often concerned with generating longer-term cultural and attitudinal change. In addition, many of the worklessness interventions were also targeted at hard to reach groups. 'Final' impacts – in terms of residents of LEGI areas leaving benefits and accessing employment – may not yet therefore be fully manifest.

Performance management information suggested that some 12,000 new businesses had been supported through LEGI interventions. Many of these were however focused on local markets with the consequence that there were potentially high levels of displacement of other firms. Using the modelling results, it was calculated that LEGI status over the period 2006-09 had led to a net additional 5,890 business formations in the areas. An 'alternative' bottom-up calculation of net additional impact, based on performance management data adjusted using results from a beneficiary survey, was also undertaken. This arrived at a lower estimate of an additional 2,371 new businesses created in the areas. However, this figure overestimates displacement and deadweight impacts and underestimates multiplier effects, while the modelling calculation also includes existing businesses which may have moved into the LEGI areas.

Performance in terms of the 'core' LEGI activity areas of creating new business and supporting existing businesses, met or exceeded expectations in the vast majority of areas. The most common 'hard' impacts on business performance were identified by beneficiaries as being productivity followed by sales.

LEGI appears to have been particularly successful in accessing individuals and businesses with whom existing or previous programmes had not engaged – for example, 34 per cent of start-ups were by women and 32 per cent by members of minority ethnic communities. Most areas successfully developed proactive approaches to engaging and building trust with both individuals and businesses. Many of the supported businesses for example would have been ineligible for support through Business Link – given its emphasis on high growth potential businesses.

There are also a number of examples of activity where LEGI is providing different or new and additional services to existing businesses. Examples include measures to improve local supply chains (including through the use of public procurement); foster greater business co-operation; and provide more integrated 'packages' of support including aftercare services and with streamlined referrals to other LEGI projects. In addition, the LEGI programmes were able to offer support to clients that was often more intensive than that available elsewhere.

LEGI activities in supporting residents fall into two broad categories – educational projects targeted at school pupils; and a more diverse mix of awareness-raising, training and broad employability support measures aimed at re-integrating local adult residents (including in particular those from 'hard to reach' groups) into the labour market.

The vast majority of LEGI programme areas have undertaken some form of enterprise education activity. Most were new activities and would not have gone ahead – at least initially – without LEGI. Case study and other evidence suggests that in many instances the activities have helped facilitate (or at least begin to facilitate) a change in culture within schools. Added value has also been derived through the engagement of parents and the introduction of new styles of learning into the classroom. The success of such activity has been reflected in its continuation using mainstream resources (for example, in Blackpool) and the roll-out of activities to other schools in neighbouring areas (for example, in Liverpool) – although this may also reflect wider shifts in curriculum thinking.

LEGI-funded employability support projects have included a range of engagement, advice, training and other measures designed to address the barriers that residents in deprived areas often face. Such projects have usually provided a greater level (and duration) of support than is available through mainstream (for example Department for Work and Pensions-funded) programmes, and have supported certain hard-to-help groups who are beyond the remit of such programmes. While it is estimated that some 13,300 people have been supported into jobs at an average LEGI programme cost of some £1,713 per person

(which compares very favourably with most mainstream programmes), the strategic role and added value of employment support projects within the context of the LEGI programme has not always been clear.

Expenditure on 'place' activities has primarily comprised a mix of selective improvements to areas' operational environments and measures designed to better manage and promote areas. Information on the direct outcomes generated is weak. However, feedback from consultations suggest that, while there may have been some overlap with statutory and other duties in certain instances, such measures have delivered some significant additional benefits. These have included, for example:

- improved customer relations approaches within local authorities
- more effective relationships between local and regional delivery agencies
- stimulation of wider area improvements and additional council funding of public realm
- provision of a more efficient and attractive operating environment for existing business and for new investment.

Management and processes

The LEGI programme was designed in such a way that it provided local areas with significant flexibility to tailor their programmes to address specific local needs and priorities – albeit in line with the key objectives underpinning the initiative. While the management, governance and delivery arrangements adopted by the individual LEGI areas has varied, they have all involved some form of multi agency partnership board with a line of reporting and accountability through to the Local Strategic Partnership. Delivery in all areas has been a combination of in-house and contracted-out provision – although the balance between the two has varied significantly.

Key findings regarding the management and delivery arrangements include:

- Management costs compare unfavourably with most other programmes. While the 11 per cent of expenditure in the 'Other' category includes a certain amount of operational expenditure, it is well in excess of the 5 per cent 'norm' as cited in the evaluation of City Challenge and in DCLG guidance to partnerships for use of Neighbourhood Renewal Fund.
- Management processes took time to establish.
- Transparent and accountable LEGI boards and structures have been important in building trust with local partners.
- Leadership capacity has been especially important in achieving credibility and raising confidence amongst the business community.

- The role of the local authority in LEGI has been viewed as both positive and negative – on the positive side, a number of authorities have provided strong leadership and inspired partners to work together collectively; conversely, such leadership has also led to images of council control (and bureaucratic procedures) and resulted in some instances in a lack of trust from businesses.
- LEGI has been a catalyst in building the capacity and know-how of delivery partners in areas which have not received similar regeneration funds previously. Reported benefits included increased understanding of social inclusion and enterprise issues and increased recognition of the value of community based infrastructure to engage with deprived communities.
- Monitoring arrangements have often been weak and ineffective resulting in insufficient quality data to enable effective decision-making. While the lack of rigorous central reporting requirements was welcomed locally, areas would have benefitted from guidance regarding the establishment of a common core monitoring framework.
- Attracting appropriately skilled staff was a problem in some areas. This was compounded due to skills needs varying at different stages of programme and project development.
- Separation of programme management from project delivery sometimes led to a lack of integration of measures within the programme.
- Clearly defined roles for each project were essential in minimising duplication and ensuring effective linkages.

Partnership working – particularly through bringing together the private sector and key public agencies – is central to the design of the LEGI initiative. At a strategic level, its benefits have included:

- providing a broad range of expertise and experience
- helping to ensure that existing resources are pooled and that duplication is minimised
- raising the programme's profile and exerting political influence – thus helping to protect resources (e.g. in Area Based Grant allocation decisions)
- providing a degree of independence
- assisting with succession.

Levels of active involvement in partnerships have varied by area and also by sector.

Public sector organisations' involvement has tended to be motivated by the relevance of the LEGI programme to an agency's core business (and achievement of its targets) as well as the potential for access to additional resources. Local authorities have had the key

role in administering the programme in the majority of areas and in many instances LEGI has facilitated greater cross-departmental working and raised the profile of enterprise (for example, in terms of procurement policy). Close linkages have been established with local authority economic development (and wider) activities. The involvement of Regional Development Agencies and Business Link has been more variable but has tended to improve as the programmes have developed. There is now a greater recognition that LEGI has ‘filled a gap’ – particularly in relation to support for intensive pre-start-up advice and for businesses serving more localised and ‘non-growth’ markets.

Private sector involvement has been mainly for altruistic reasons (i.e. wanting to put something back into the area) although there was also a recognition of both long-term (e.g. a more vibrant local economy) and short-term benefits (e.g. better business networking). However, in a number of areas private sector involvement had declined – with frustration with bureaucracy often cited as a reason. Active voluntary and community involvement was sporadic – with the most active areas being those with well-established approaches to social enterprise development and/or where Voluntary and Community Sector organisations were involved in delivery of elements of the programme.

Operationally, a wide range of organisations have been involved in the delivery of programmes often resulting in improved linkages and, in turn, a number of consequential benefits – for example:

- schools benefiting from new approaches to the curriculum and wider links with business forums and private sector groupings
- better operational linkages being forged with Voluntary and Community Sector and public sector organisations (Jobcentre Plus, Connexions) and outreach facilities (children’s centres) as a result of enterprise awareness projects
- new working arrangements with local community organisations – especially those involved with ‘hard to reach’ groups
- better links between business support providers and public sector partners (e.g. Jobcentre Plus, local authorities), Voluntary and Community Sector organisations (Princes Trust, Citizens Advice) as well as follow on support projects (access to finance, professional services, premises)
- a greater awareness of local business needs, opportunities and capacity within local authorities
- improved linkages between council departments and the development of more ‘corporate’ approaches to improving the ‘business friendliness’ of areas – involving, for example, community safety, planning, traffic, town centre management.

Conclusions

LEGI has had a positive impact on enterprise activity in the targeted deprived areas and has served to promote 'enterprise' as a priority with a range of organisations. Its impact on worklessness is, as yet, less clear cut.

Value for Money analysis identifies that the benefits of the programme (as measured by net additional Gross Value Added) exceed the total public sector costs. The programme appears to have been particularly effective in relation to start-ups. It has also successfully engaged with individuals and businesses where existing programmes have failed. However, levels of additionality, especially with regard to support for existing businesses and its impacts, seem to be low. This is likely to be due, in part, to the type of businesses in the areas and the general lack of targeting on growth businesses.

LEGI is in many respects an experimental programme. Its core rationale is to support enterprise development in deprived areas as a means to enabling the sustainable improvement of such areas. This is a long term task. It has however generated a range of more 'qualitative' benefits that will potentially generate longer term impacts. They include:

- changing local enterprise cultures to make people less risk averse and more entrepreneurial – and in particular, starting young through schools
- focussing on the provision of quality client centred support and understanding in particular the relationship between employment and enterprise – business start-up may be just one part of an employed/self employed pathway
- recognising the barriers for local people in accessing work and enterprise advice and supporting improved community infrastructure to engage client groups
- building confidence in locations as an environment in which businesses can thrive and ensuring effective linkages with partners to provide 'fit for purpose' infrastructure
- promoting pro-active procurement approaches to develop markets – including public sector purchasing and supply chain development
- ensuring the availability of a continuum of quality pre-start, start-up and post start-up support
- establishing partnership arrangements and capacity that will play an active role in coordinating future delivery.

The LEGI programme has important implications for future policy with regard to enterprise support and deprived areas. Key success factors appear to have included:

- Flexibility – the lack of national targets has enabled a bottom up approach to be adopted and the funding enables all aspects of 'enterprise' to be supported (as

opposed to just the provision of 'business support'). The flexibility allows local sectoral needs to be addressed and gives partnerships the ability to respond to changing circumstances (for example, changed priorities as a result of the recession).

- The partnerships established to deliver the LEGI programmes (and the local delivery plans) have helped to ensure that the activities supported are 'additional' to existing delivery (and reduced potential duplication).
- The lack of a rigid performance targets framework has also enabled innovation and the testing of new approaches and, where successful, their incorporation into the mainstream.
- The programme has provided the opportunity to engage with deprived communities and has raised the value of enterprise on the regeneration agenda (particularly within local authorities). This helps promote synergistic benefits whereby enterprise promotes regeneration benefits and vice-versa.
- The use of inclusive and 'intensive' client support has enabled the engagement of vulnerable groups – who are often missed by mainstream agencies and programmes.
- New alliances have been forged – with, for example, colleges and the private sector.

However, there have also been a number of pressures in certain areas that have served to reduce or threatened levels of added value. These have included:

- Enterprise funding – it was reported that in some areas mainstream enterprise funding and/or efforts to lever other funding (for example, European Regional Development Fund) had been reduced as a result of the allocation of LEGI funding and as a consequence this had restricted the additionality of the local programme.
- Business Link – sometimes a changing core Business Link offer made it difficult to ensure LEGI added value to the mainstream.
- Area Based Grant – the payment of LEGI through the Area Based Grant process could result in LEGI funding being diverted to other priorities particularly as pressure grows on 2010-11 local authority budgets.
- Measuring added value – a common measuring framework would have been useful to measure the added value of LEGI as would greater use of performance monitoring data to understand which activities have higher added value (in addition to measuring 'softer' outcomes and distance travelled).

Areas have been working on a variety of succession arrangements. Some, for example, have been looking at LEGI Boards assuming more strategic roles while others have been examining options for new structures such as community interest companies which will assume income-generating delivery roles.

The abolition of Regional Development Agencies and the announcement of the formation of Local Enterprise Partnerships potentially provide new opportunities for the continuation and roll-out of best practice from the LEGI areas. It is interesting that discussions with programme managers and other LEGI stakeholders revealed a clear agenda in terms of implications for future policy and delivery – all of which would appear to sit comfortably with government's aspirations for Local Enterprise Partnerships. These implications included:

- promotion of joint working across neighbouring districts around enterprise
- local flexibility of delivery and use of funding
- improved working relationships with key 'mainstream' organisations
- working with a range of partners – particularly Voluntary Community Sector organisations – to target enterprise support on deprived neighbourhoods
- continued resources
- alignment of enterprise, education and regeneration agendas.

As a programme LEGI is arguably unique in that it 'embraces' both competitiveness and social exclusion policy objectives. There is considerable merit in the integration of these objectives, but this needs to take place (a) at the appropriate spatial levels and (b) with the coordinated involvement of all relevant agencies. The continued availability of flexible resources (for example, through the Regional Growth Fund) will enable this to happen but needs to take place within a clear framework of agreed objectives.

Section 1

Introduction

1.1 Scope of the evaluation

AMION Consulting was appointed by the Department for Communities and Local Government (DCLG) in March 2009 to undertake an independent evaluation of the national Local Enterprise Growth Initiative (LEGI) programme. The assignment had four overarching priorities:

- to describe the range, scale and nature of activities and outputs attributable to LEGI
- to measure and assess the outcomes and impacts of LEGI
- to assess the strategic and operational fit of LEGI within the wider policy environment; and
- to identify innovation and good practice and work with the LEGI partnerships to share and embed good practice.

This final report follows on from three internal working papers which have previously been prepared:

- (i) The first provided a description and quantification of what LEGI funding had been spent on and summarised the performance of the programme up to the end of 2008-09.
- (ii) The second paper reported on some of the key findings arising from the consultation with the LEGI programme managers via a series of telephone interviews and from discussions at the national forum meetings regarding, for example, the relevance of the LEGI programme, the local benefits, the management of the programme, linkages with other programmes and long term impacts/sustainability.
- (iii) The third paper presented findings in relation to the costs and benefits of the LEGI programme and provided an assessment on overall value for money.

The report brings together all the findings, drawing upon a wide variety of evidence sources to provide an overall assessment of the impact of the LEGI programme and the implications for future enterprise policy and interventions. Work will continue for the remainder of this year with the LEGI partnerships to further assess and disseminate good practice arising from the programme.

1.2 Methodology

A methodology paper was prepared in September 2009, outlining the evidence, both quantitative and qualitative, that would be gathered to undertake the evaluation, using a combination of both ‘top down’ and ‘bottom up’ approaches. Briefly, this involved the following:

- Profiling the LEGI areas using a wide range of indicators – including, in particular, population and demographic composition including ethnicity; levels of deprivation measured using the Index of Multiple Deprivation; worklessness;³ employment; business stock and composition; and business density.
- Analysis of change in the areas before and during the LEGI period in terms of two key indicators – worklessness and business formation.⁴
- Econometric modelling of factors that appear to be influencing change in the areas in order to isolate the attributable impact of LEGI – see Appendix 1. We have established a difference-in-difference framework to examine changes at neighbourhood level (Lower Level Super Output Area) in LEGI and non-LEGI areas in terms of:
 - Worklessness – from 2000-2009
 - Gross Business Formation – from 2003-2009.

The framework includes a series of socio-economic ‘context’ variables and policy variables for each Lower Super Output Area in the country.⁵

Areas that statistically match each of the LEGI Lower level Super Output Areas were identified to serve as a control group. The matching was based on the variables that were found to have a statistically significant relationship – worklessness rates, residency patterns, ethnicity, social renting, skills, house prices, crime and working age population.

The difference-in-difference analysis takes account of the different ‘starting positions’ of the LEGI areas and the control group and the differential trends in each group prior to the onset of LEGI programme. By controlling for the preceding range of contextual features, it can isolate the net impact of the programme intervention.

- Analysis of programme management information from 20 partnership areas. The content and quality of data varied significantly across the areas – inevitably perhaps given that each area has been pursuing a distinctive mix of activities.

³ ‘Worklessness’ is defined as those people in receipt of Jobseeker’s Allowance, Employment Support Allowance, Incapacity Benefit, and Severe Disablement Allowance.

⁴ It was originally intended to undertake analysis for a third indicator – employment in the LEGI areas. However, the data at the necessary spatial level has not proved to be sufficiently robust.

⁵ Variables include: spatial/functional area controls; working age population; average length of residency; tenure type; ethnicity profile; skills; house prices; crime levels; unemployment rates; company size; commercial rateable values; industry structure; and Neighbourhood Renewal Fund/New Deal for Communities/Working Neighbourhood Fund status.

Over 80 different indicators were being collected and reported on. The data from each area was assessed and incorporated wherever possible into a common database of key programme wide indicators.

- A series of interviews with each area’s programme manager were undertaken – initially to gather relevant information concerning the local programme and its organisation and delivery; and, subsequently, to secure views on topics such as progress, the design and structure of the initiative and issues facing the local area and affecting programme delivery.
- A review of existing local evaluation and other research material. Programme and project evaluations from 15 of the areas were reviewed and findings analysed using a framework comprising a series of key evaluation issues – such as relevance, effectiveness, impact, additionality, value for money, linkages, equity, sustainability and good practice.
- Interviews with regional and national stakeholders – including officials from the programme’s ‘sponsoring’ departments (DCLG, the Department for Business, Innovation and Skills and HM Treasury) and from the Regional Development Agencies and Government Offices. Views were sought on the background to the programme, its relationship to other enterprise and employment support activity, its management and delivery structures, its effectiveness and impact and the lessons for any related future support activities.
- Intensive research in six case study areas including an extensive interview programme with partners and stakeholders and analysis of nearly 40 case study projects. Areas were selected in consultation with DCLG using the following criteria to ensure a broadly representative mix of areas:
 - size of programme
 - range of interventions and balance of objectives (in term of the spectrum from business development through to social inclusion)
 - region/geography
 - type of area (conurbation, free standing town etc)
 - first and second round of LEGI
 - presence of other policy interventions; and
 - population composition and target groups.

A profile of the areas selected is shown in Table 1.1. Projects were chosen to ensure an appropriate mix of major project types operating in a range of different contexts. As well as being used to explore in detail how LEGI has been used in practice and the issues facing project delivery and lessons for the future, the case study projects were used to examine the additionality of LEGI interventions in order to inform the value for money analysis.

Table 1.1: Case study areas

	Programme (£)	Balance of Programme	Region	Area type	LEGI Round	Population	WNF availability
Blackpool	£10.8m	Social Inclusion	NW	Coastal Town	2	High transient	Yes £4,189,913
Bradford	£21.4m	Mix	Y & H	Conurbation Industrial	1	High BME	Yes £12,018,866
Coventry	£12.6m	Social Inclusion	W Mid	Conurbation Industrial	1	Significant BME	Transitional funding £3,173,730
Croydon	£20.3m	Mix	London	London Dormitory	1	Significant BME	Transitional funding £600,000
St Helens	£13.4m	Mix	NW	Conurbation Industrial	1	Stable – low BME (target groups include women)	Yes £4,515,860
Wansbeck	£11.8m	Business Development	NE	Industrial & mining	2	Stable	Yes £2,326,886

Source: DCLG

- A survey of over 560 beneficiary businesses, comprising 260 start-up beneficiaries and 309 existing businesses drawn from the six case study areas. This gathered details in relation to three broad areas:
 - company details – sector, staffing, turnover and profit, performance, market for goods and services
 - views on the types of support offered, access to support, relevance to the needs of the business; and
 - the impact and additionality of the support provided – particularly in terms of what would have happened to the business in the absence of funding, impact in relation to employment and turnover, sustainability, and wider benefits.
- An assessment of value for money using both ‘top-down’ and ‘bottom-up’ data and analyses - see Appendix 1. Two approaches to assessing value for money were adopted:
 - Cost-benefit analysis – quantification in monetary terms of as many of the costs and benefits of the LEGI programme as possible. The costs and benefits are then compared to determine whether benefits exceed costs and the project/programme is Value for Money. In order to be comparable with other evaluations, it is convenient to express the results in the form of a benefit: cost ratio.
 - 3Es analysis – this technique focuses on public sector funding and involves an assessment of the:
 - ratio of costs to inputs (economy) – in other words, is the required specification being delivered at an appropriate price and have overall costs (including administrative costs) been reasonable?
 - ratio of public sector costs to outputs (efficiency, or sometimes referred to as cost effectiveness); and
 - delivery of objectives or key outcomes (effectiveness) – the extent to which the project will achieve the desired objectives.

1.3 Structure of the final report

The remainder of the report includes the following sections:

- Section 2: Provides the context for the LEGI programme in terms of the background and rationale for the programme, a description of the LEGI areas and the factors contributing to change in enterprise and worklessness.
- Section 3: Describes the activities delivered by the LEGI programme; associated expenditure; and outputs and outcomes achieved by the partnerships.
- Section 4: Reports on LEGI's contribution to change in the areas - presenting results from the econometric modelling work and the bottom up evidence gathered from the survey of start-ups and existing businesses and feedback from consultations with programme managers, Regional Development Agency contacts and key stakeholders and project managers in the case study areas.
- Section 5: Provides an assessment of the management and governance of the programmes, partnership working and strategic linkages and synergy with other projects.
- Section 6: Provides an assessment of Value for Money – both in terms of a cost/benefit analysis and an analysis of the 3E's (economy, efficiency, effectiveness).
- Section 7: Presents the overall conclusions on the impact of the programme, the relevance of the programme, legacy and key implications for the future.

Section 2

Context

2.1 The LEGI programme

The LEGI programme was announced in the 2005 Budget and became operational in 2006. It was a joint initiative between the Department for Communities and Local Government (DCLG), HM Treasury and the (then) Department for Trade and Industry (which subsequently became the Department for Business, Enterprise and Regulatory Reform, and is now the Department for Business, Innovation and Skills) which aimed to:

“Release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment thereby boosting local incomes and employment opportunities, and building sustainable communities”.

The aim is supported by three main objectives:

- to increase total entrepreneurial activity among the population in deprived local areas
- to support the sustainable growth and reduce the failure rate of locally-owned business in deprived areas
- to attract appropriate investment and franchising into deprived areas, making use of local labour resources.

In February 2006, DCLG allocated £126m to 10 successful bids under LEGI Round 1. This was followed by a further £157m in December 2006 for 10 new bids under LEGI Round 2. Since then the Round 1 partnerships have received a further two years funding and Round 1 a further year – bringing the total amount of LEGI funding allocated up to the end of March 2011 to £418m. A total of 30 local authorities (the majority in the Neighbourhood Renewal areas) have benefited from LEGI monies as a result of a number of collaborative applications.

While it is a national initiative with overall aims and objectives, the design, delivery and management of the LEGI programmes and their constituent interventions are determined and overseen by local partnerships in accordance with local needs. Arrangements differ from area to area, particularly in terms of the extent to which areas have contracted out delivery, however, local authorities have had a key role to play – not least given that they have served as the channel for the LEGI finance (now as an integral part of their area-based grant). They have also been instrumental in developing the multi agency partnership

boards (comprising public sector partners, the private sector, and the Voluntary and Community Sector – although their involvement has been more sporadic) with a line of reporting and accountability through to the Local Strategic Partnership. Further details of the partnerships are provided in Appendix 3.

The funding received by the areas varies enormously as does the spatial scale of activity. Some areas cover multiple local authorities, while others are focused on a relatively small number of Lower Super Output Areas and in some the target areas are not contiguous (e.g. St Helens, Leeds). While there is a commonality in the sense that all the target areas are deprived, they also vary considerably in terms of type of area – including, for example, major cities, old industrial towns, seaside towns, suburbs and semi-rural areas.

This variety presents major challenges for the evaluation not least in terms of contextualising findings in widely divergent circumstances and in drawing overall conclusions and lessons.

The LEGI programme is a joint initiative between DCLG, HM Treasury and the Department for Business, Innovation and Skills. The aims and objectives of the programme were directly relevant to the achievement of a number of the previous Government's overarching goals and service level priorities as outlined in Table 2.1.

Table 2.1: Relevant government priorities/objectives		
Help people and businesses come through the downturn sooner and stronger, supporting long term economic growth and prosperity		
PSA/DSO	Description	Lead
PSA 1	Raise the productivity of the UK economy	BIS
PSA 2	Improve the skills of the population on the way to ensuring a world class skills base by 2020	BIS
PSA 6	Deliver the conditions for business success in the UK	BIS
PSA 7	Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	BIS
PSA 8	Maximise employment opportunity for all	DWP
DSO 1	Promote the creation and growth of business and a strong enterprise economy across all regions	BIS
DSO 2	Ensure that all Government departments and agencies deliver better regulation for the private, public and third sectors	BIS
DSO 3	Deliver free and fair markets , with greater competition, for businesses, consumers and employees	BIS
DSO 2	Ensure high and sustainable levels of economic growth, well being and prosperity for all	Treasury
Fairness and opportunity for all		
PSA 14	Increase the number of children and young people on the path to success	DCSF
Stronger communities		
PSA 21	Build more cohesive, empowered and active communities	DCLG
DSO 1	To support local government that empowers individuals and communities and delivers high quality services efficiently.	DCLG
DSO 3	To build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation.	DCLG
DSO 4	To develop communities that are cohesive, active and resilient to extremism.	DCLG

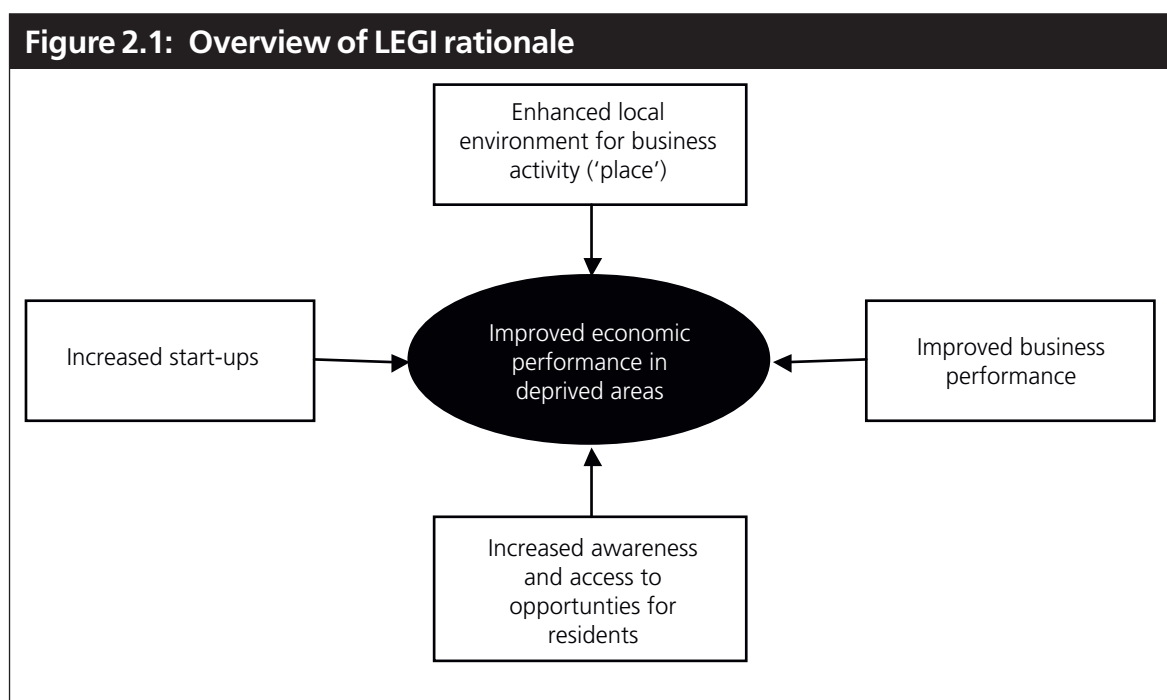
2.2 Rationale for the programme

The rationale for the LEGI programme is to support the development of enterprise and private sector investment in some of the most deprived areas in order to promote the economic regeneration in those areas and, as a consequence, to build sustainable communities.

The interventions developed by the LEGI partnerships have sought to address the range of factors that continue to hold back enterprises and prevent entrepreneurs from starting up businesses, including:

- lack of skills in business planning, finance and marketing
- lack of access to start-up and growth capital
- lack of access to market intelligence
- lack of corporate engagement with local populations and employment development
- lack of local Small and Medium-sized Enterprise capacity (including social enterprises) to penetrate public sector procurement contracts
- lack of an enterprise culture
- inadequate provision for affordable and appropriate premises for enterprises
- weaknesses in workforce skills that constrain business growth.

Figure 2.1 provides an overview of the LEGI rationale by considering the factors that positively influence the economic performance of deprived areas. The LEGI programme has attempted to address each of these factors – although the balance between these objectives varies significantly from area to area.



The rationale for the LEGI programme was therefore to address both distributional or equity objectives and to correct market failures in order to improve economic efficiency. The areas selected suffered from a range of socio-economic problems (see Section 2.3).

Improvements in economic efficiency involve the allocation of scarce resources in order to enhance utility – in other words, to secure the highest possible net social welfare. In many situations, the equilibrium outputs determined through the market mechanism will be the economically efficient level of output. However, there are circumstances – where market failures exist - when the allocation of resources will not be economically efficient. Public sector intervention to correct these market failures⁶ can improve economic efficiency.

The key market failures that the LEGI programme addresses are:

Market power – high start-up costs and other barriers that deter market entry.

Information – in some instances individuals and firms lack the information necessary to make informed business decisions.

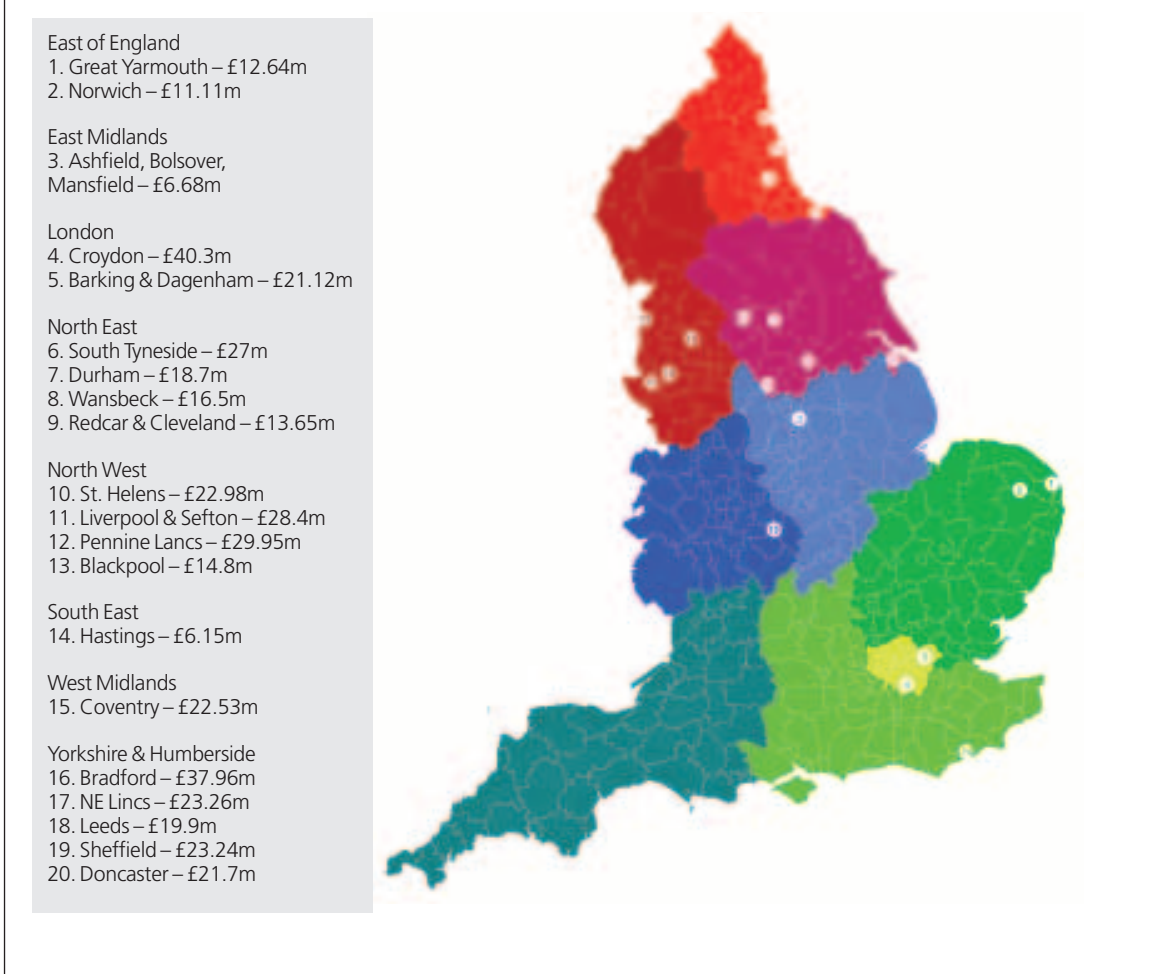
Externalities – for example, external benefits (such as multiplier and demonstration effects) will not be retained by the business and will not therefore be taken into account in their decisions.

The LEGI programme was intended to complement other interventions, such as the enterprise support provided through the Regional Development Agencies and Business Link – which was felt not to be addressing (or intended to address) the needs of deprived areas as it was more focused on regional and national growth opportunities. The programme was also intended to supplement other regeneration activities already operating in those areas (such as those funded by the Neighbourhood Renewal Fund and, subsequently, the Working Neighbourhoods Fund) – including, for example, activities designed to address barriers facing specific groups. In addition during its period of operation it has had to adjust to the introduction of the Business Support Simplification Programme.

2.3 LEGI areas

Twenty areas across England are in receipt of LEGI funding. Following a competitive bidding process, 10 areas receiving support valued at £126m were approved in Round 1 in February 2006 and a further 10 in Round 2 in December 2006 (with support totaling £157m). Figure 2.2 shows the location of the 20 LEGI partnerships.

⁶ Market failures can arise as a result of: externalities, imperfect information, market power and public goods.

Figure 2.2: Location of LEGI partnerships

The areas range significantly in size and other characteristics. Five are covered by more than one local authority and, in total, 30 local authorities have benefited from LEGI monies. The vast majority of these were already in receipt of Neighbourhood Renewal Fund – subsequently the Working Neighbourhoods Fund. While all of the areas have above average levels of deprivation, they vary significantly in terms of conditions. Their respective rankings on a number of indicators are shown in Table 2.2 and the underlying data is provided in Appendix 2. There is limited correlation with the overall funding allocation, suggesting that this was also influenced by the quality and content of the programmes.

Table 2.2: Total LEGI funding allocations compared with key indicators⁷

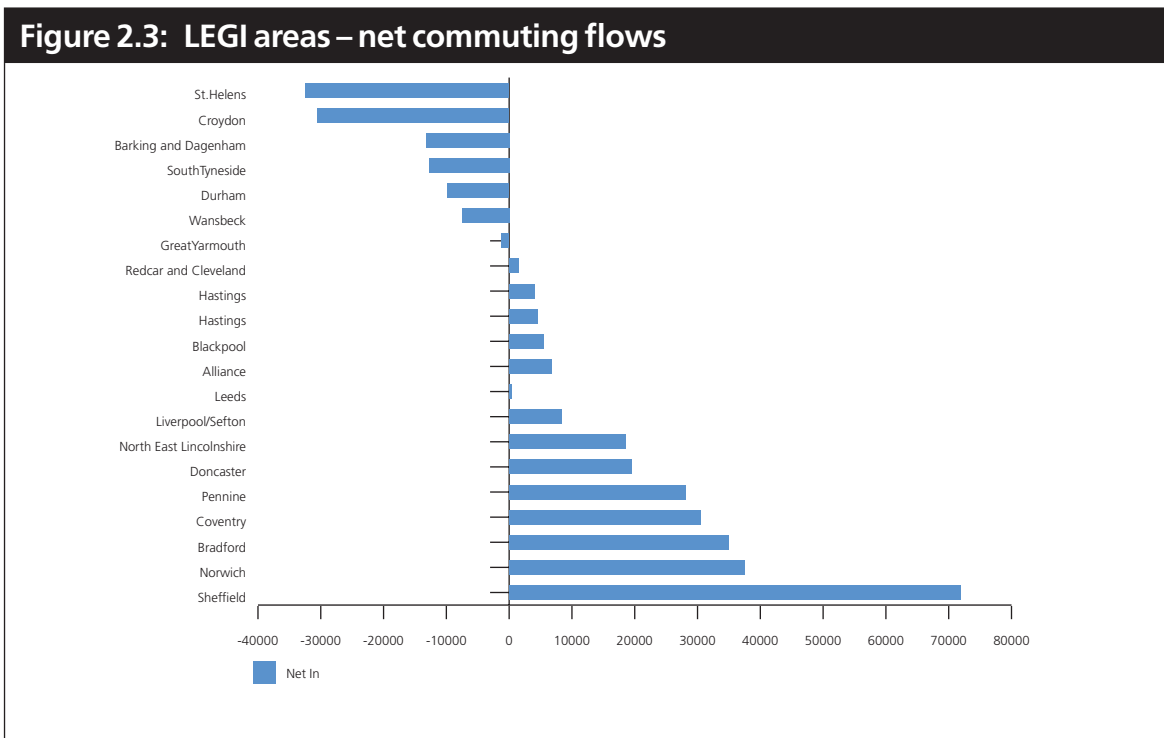
	Total LEGI funding allocated	Working age population (rank; No – 000's)	No of businesses	Employment (business base)	Worklessness rate	Average IMD	LSOAs in worst 10% IMD
Croydon	40.33m	1	4	7	20	20	20
Bradford	37.97m	2	2	2	11	4	1
Pennine Lancs	29.95m	7	3	3	7	8	3
Liverpool/Sefton	28.40m	13	15	17	1	2	4
South Tyneside	27.03m	6	12	11	15	16	14
NE Lincs	23.26m	19	17	15	8	6	13
Sheffield	23.24m	3	1	1	10	5	2
St Helens	22.99m	4	5	5	16	17	9
Coventry	22.53m	9	7	4	12	12	7
Doncaster	21.71m	17	16	12	4	3	6
Barking & Dagenham	21.12m	5	8	13	19	14	16
Leeds	19.94m	18	20	20	5	1	8
Durham	18.72m	8	13	16	3	10	5
Wansbeck	16.47m	16	19	19	14	18	19
Blackpool	14.76m	15	6	10	2	7	12
Redcar & Cleveland	13.65m	10	14	8	13	15	11
Great Yarmouth	12.67m	12	10	14	18	19	17
Norwich	11.11m	14	9	6	17	13	18
Alliance	6.68m	11	11	9	9	11	10
Hastings	6.15m	20	18	18	6	9	15
Total	£419m						

Source: ONS, BETA model, DWP, DCLG

NB: Allocations do not reflect the June budget reductions to the LEGI programme.

⁷ Each LEGI area is ranked from 1 – 20, where 1 relates to the highest number of working age population, largest number of businesses and employment, and the greatest number of Lower Super Output Areas in the worst 10% nationally and the highest worklessness and average Index of Multiple Deprivation rates. The figures and rates relate were taken at 2006 – the start of the LEGI programme.

In addition, the areas perform markedly different functional roles. For example, as shown in Figure 2.3 some are net providers of employment opportunities for a wider area, while the residents of others are more dependent for their job opportunities on neighbouring areas. This potentially has important implications for the balance of different areas’ programmes between ‘business-focused’ and ‘people-focused’ interventions.



Source: Census 2001

2.4 Factors associated with enterprise and worklessness in LEGI areas

The evaluation has, as already mentioned, focused in particular on changes in two key variables – worklessness and business formations – to assess change in area conditions and the impact of LEGI. One of the main challenges has been to differentiate the influence of LEGI from other factors. As a consequence econometric modelling has been undertaken of the LEGI and control areas to identify those (non-policy) variables that are most closely associated with changes in worklessness and gross business formation. Table 2.3 identifies which characteristics appear to be associated with performance – either beneficially or adversely. These are summarised in the table below.

Table 2.3: Factors affecting worklessness and business formation		
Variable	Worklessness effect	Business formation effect
Length of tenure (short tenure)	Adverse	Adverse
High % working age population	Adverse	Beneficial
High % white ethnicity	Adverse	Beneficial
High % social renting	Adverse	NA
High % with skills	Beneficial	No association
High % large firms	NA	Beneficial
High access to low skilled jobs	Beneficial	No association
High GVA growth	Beneficial	Beneficial
High theft rate	Adverse	Adverse

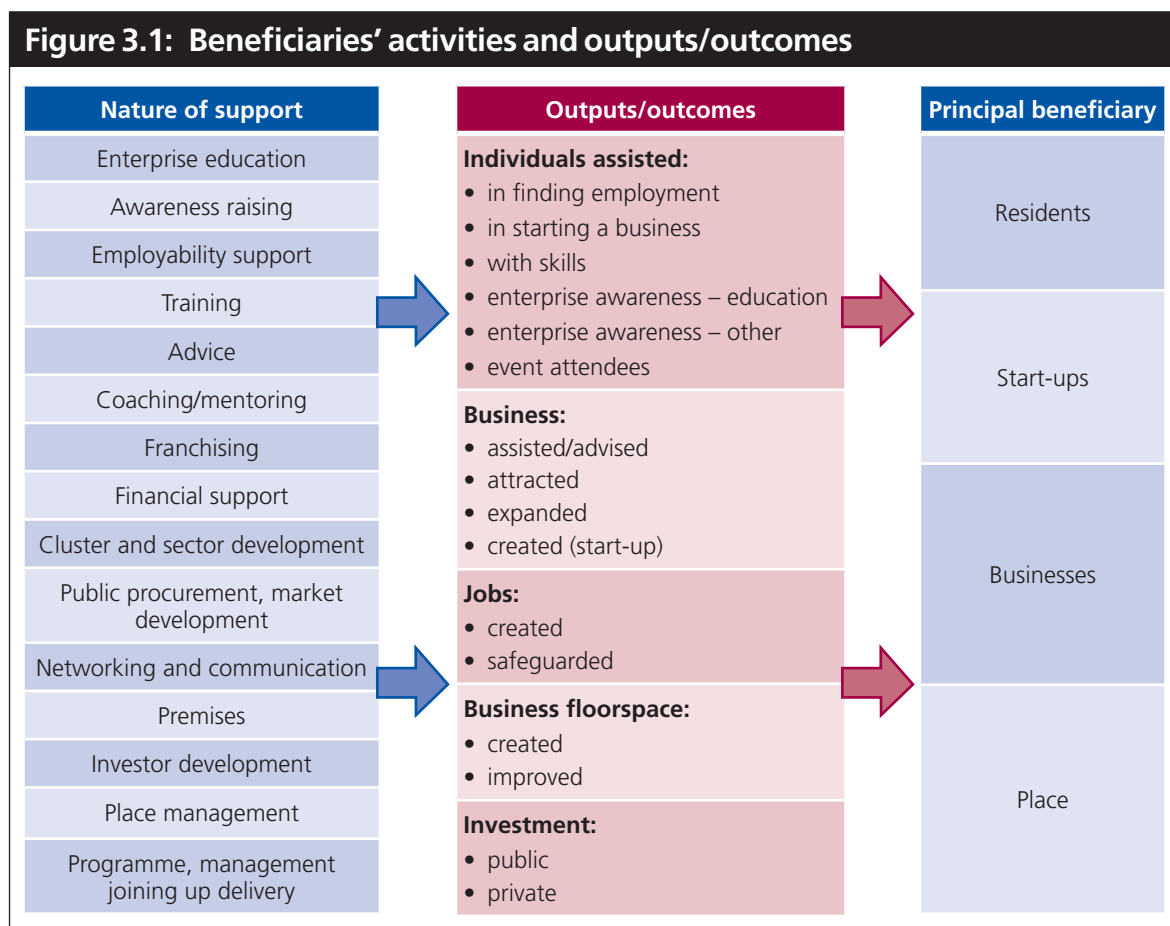
Source: AMION/PION – econometric modeling

Section 3

The LEGI programme

3.1 LEGI activities – overview

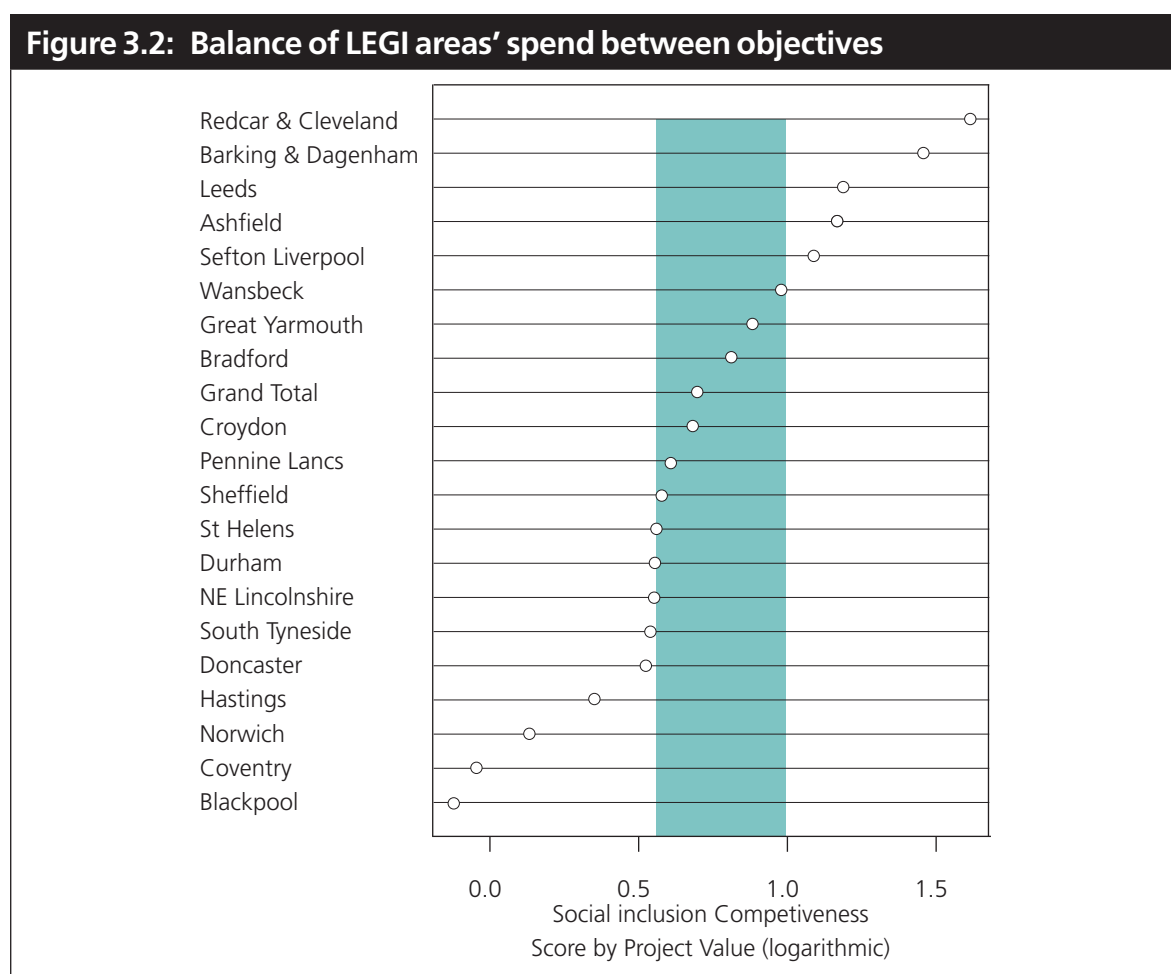
The database of activities, spend and outputs assembled for this evaluation from individual area's performance management data has been used to generate a common programme-wide typology of activity. This is summarised in Figure 3.1 and is used as the framework for much of the analysis in this report.



The primary categorisation of spend and activity is on the basis of the principal intended beneficiary i.e. local residents; local businesses; new start-ups; and 'place' (e.g. area environmental or infrastructure improvements). There is a residual 'other' category which covers staffing and other programme management costs for example. A further subdivision is available according to the nature of support provided (e.g. training, advice and so on) – although some interventions incorporate a range of support measures for a number of beneficiaries. This has then been used to derive a set of common output/ outcome measures.

While the overall aim of the LEGI programme is to address (some of) the underlying causes of area deprivation, its objectives involve a mix of objectives relating to both social; exclusion and competitiveness. As a consequence of the flexibility of the programme – the composition of which has been determined by the individual LEGI areas – and the diversity of the areas, the objectives and balance of LEGI activities varies significantly from area to area.

A categorisation of area activities has been developed to show the balance of their emphasis on ‘social inclusion’ and ‘competitiveness’ objectives, as shown in Figure 3.2 in order to illustrate the diversity of the individual LEGI programmes. The areas within the green band are broadly in line with the overall average balance of programme.



Source: LEGI partnerships performance monitoring data

3.2 Expenditure – overview

Total LEGI expenditure to December 2009 was £267.8m. Table 3.1 shows the breakdown of spend and forecast to the end of 2009-10 by area. The majority of the partnerships are on track to spend their allocation, with a small number of exceptions⁸ due to recruitment difficulties and a slow start, problems establishing and implementing loan funding, and capital spending projects being put on hold due to the recession.

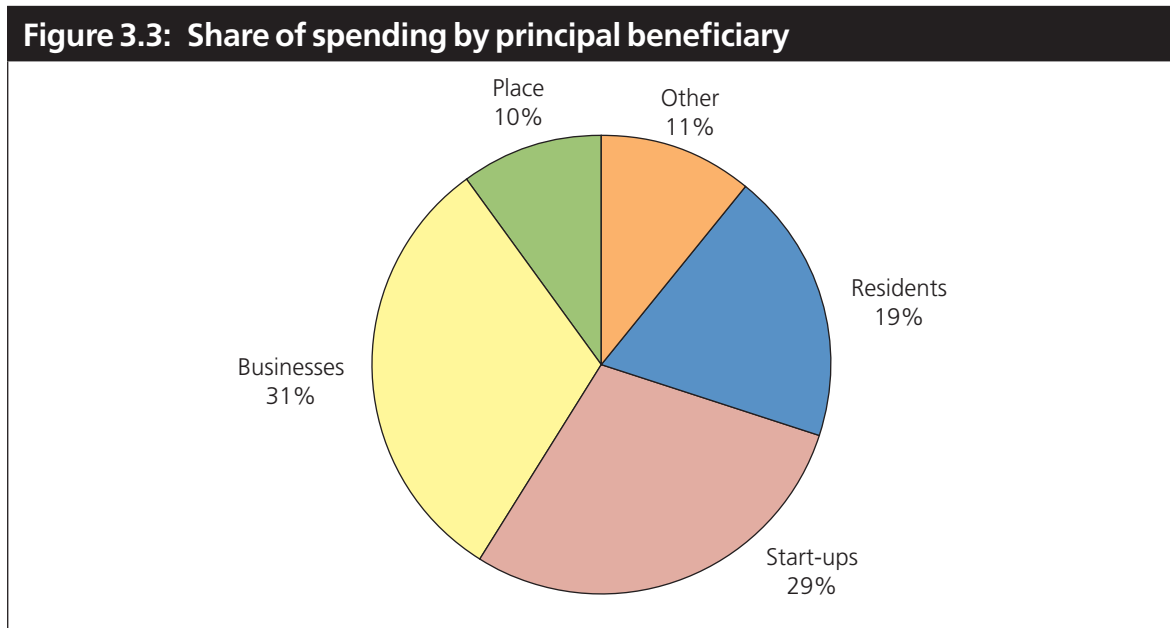
⁸ Liverpool/Sefton, North East Lincolnshire, Croydon.

Table 3.1: Breakdown of expenditure to December 2009 by LEGI partnership

Round 1	Allocation to 2009/10	Forecast to 2009/10	Spend – Dec 09	Round 2	Allocation to 2009/10	Forecast to 2009/10	Spend – Dec 09
Ashfield	£5.3m	£5.2m	£4.3m	Pennine Lancs	£22.4m	£22.4m	£20.3m
Barking & Dagenham	£18.3m	£17.9m	£16.2m	Blackpool	£10.8m	£10.2m	£8.5m
Bradford	£29.8m	£31.3m	£28.6m	Doncaster	£16m	£15.2m	£11.8m
Coventry	£18m	£15.5m	£14.1m	Leeds	£15m	£14.8m	£13.6m
Croydon	£30.3m	£25.4m	£24.2m	Liverpool/Sefton	£21.4m	£17.08	£14.9m
Durham	£14.7m	£16m	£11.7m	NE Lincs	£18.5m	£14.5	£11.8m
Great Yarmouth	£10.7m	£9.15m	£8.4m	Norwich	£8.9m	£8.3m	£7.3m
Hastings	£5.1m	£5.02m	£4.4m	Redcar and Cleveland	£10.9m	£10.2m	£10.2m
S. Tyneside	£21.6m	£21.6m	£17.6m	Sheffield	£17.1m	£18.7m	£15.2m
St Helens	£18.1m	£17.23m	£15.5m	Wansbeck	£11.8m	£11.3m	£9.1m

Source: DCLG, LEGI partnerships performance monitoring data

Figure 3.3 shows the distribution of all LEGI expenditure up to the end of December 2009 categorised according to the type of primary beneficiary. Of the £268m spent during the period, almost £84m went towards projects designed to assist existing businesses, £78m was spent on start-ups and £51m on activities to assist residents within the area (e.g. employability support). A smaller proportion of the total expenditure (£26m) was spent on projects to improve the localities which would in turn help to attract businesses and start-ups to the area.

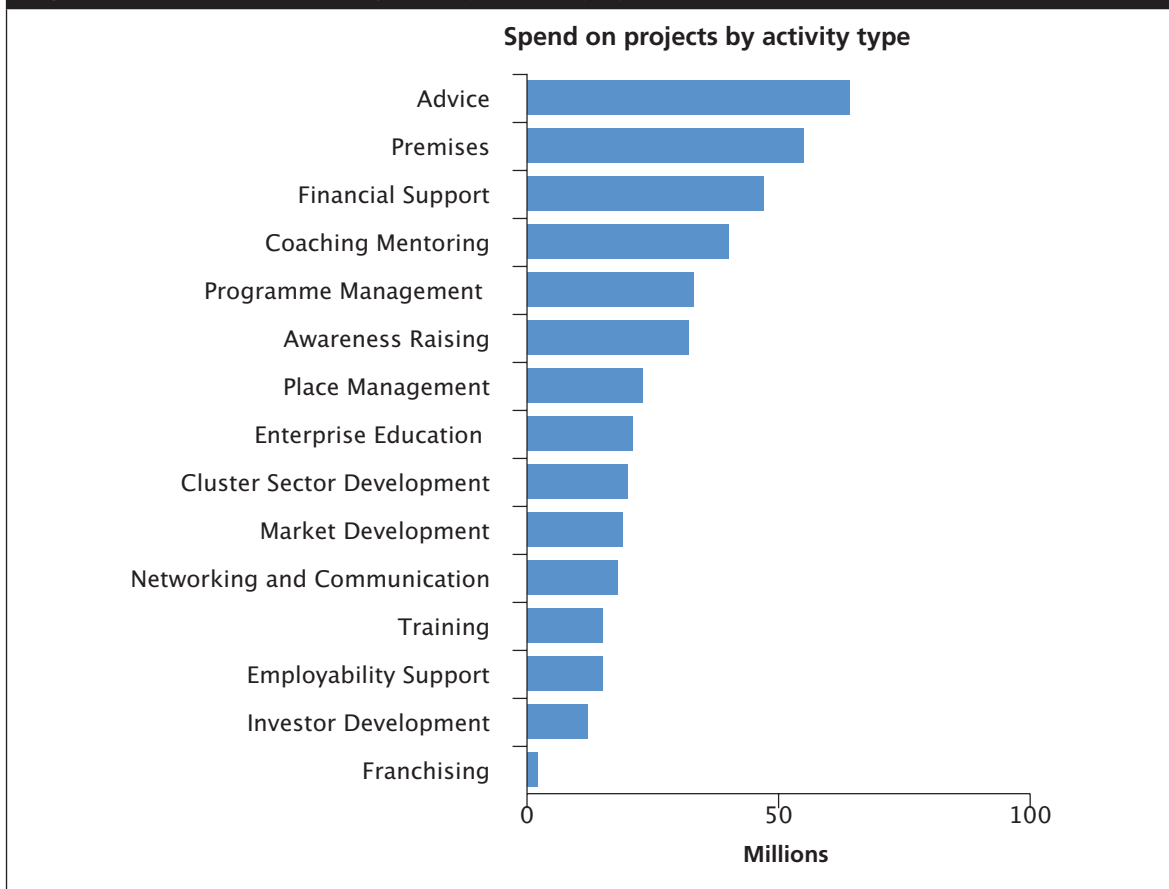


Source: LEGI partnerships performance monitoring data

A more detailed breakdown of the share of expenditure for the individual LEGI areas is given in Appendix 4. It demonstrates significant differences across the areas and highlights variations in local priorities.

Figure 3.4 shows the aggregate levels of spend on different types of project.⁹ The largest area of spend has been on advice services (for both individuals and businesses).

⁹ It should be noted that the total expenditure on these activities includes projects that are categorised by more than one type of support and therefore exceeds the earlier principal beneficiary totals.

Figure 3.4: Spend on projects by activity type

Source: LEGI partnerships performance monitoring data

3.3 Outputs and outcomes – overview

Table 3.2 summarises some key outputs and outcomes achieved by the overall LEGI programme (as reported by the individual LEGI managers) up to the end of December 2009. As stated earlier, however, not all LEGI areas are undertaking comparable activities or collecting exactly the same output monitoring information. Indeed work carried out by Coventry LEGI in 2008 identified approximately 80 types of indicators (which contained a mix of outputs, outcomes and impacts) being measured by the various partnerships. Moreover, even where similar activities were being undertaken, there were often inconsistencies in definitions being used.

The area information has been rationalised as far as possible and a number of 'core' outputs identified. The results presented in Table 3.2 have been collated from the quarterly performance reports from the LEGI areas and verified by the project managers (a more detailed breakdown by area is shown in Appendix 4). However, as shown in the table, not all areas have reported on each indicator. Moreover, there are instances of double counting which it has not always proved possible to eliminate (e.g. where beneficiaries have received support under more than one programme or in more than one year).

Gross outputs and outcomes for the principal indicators for the whole programme have been estimated and are reported in Section 4.4.

Notwithstanding these difficulties the table does give an indication of the significant number of businesses and individuals with which LEGI has engaged and supported. For example:

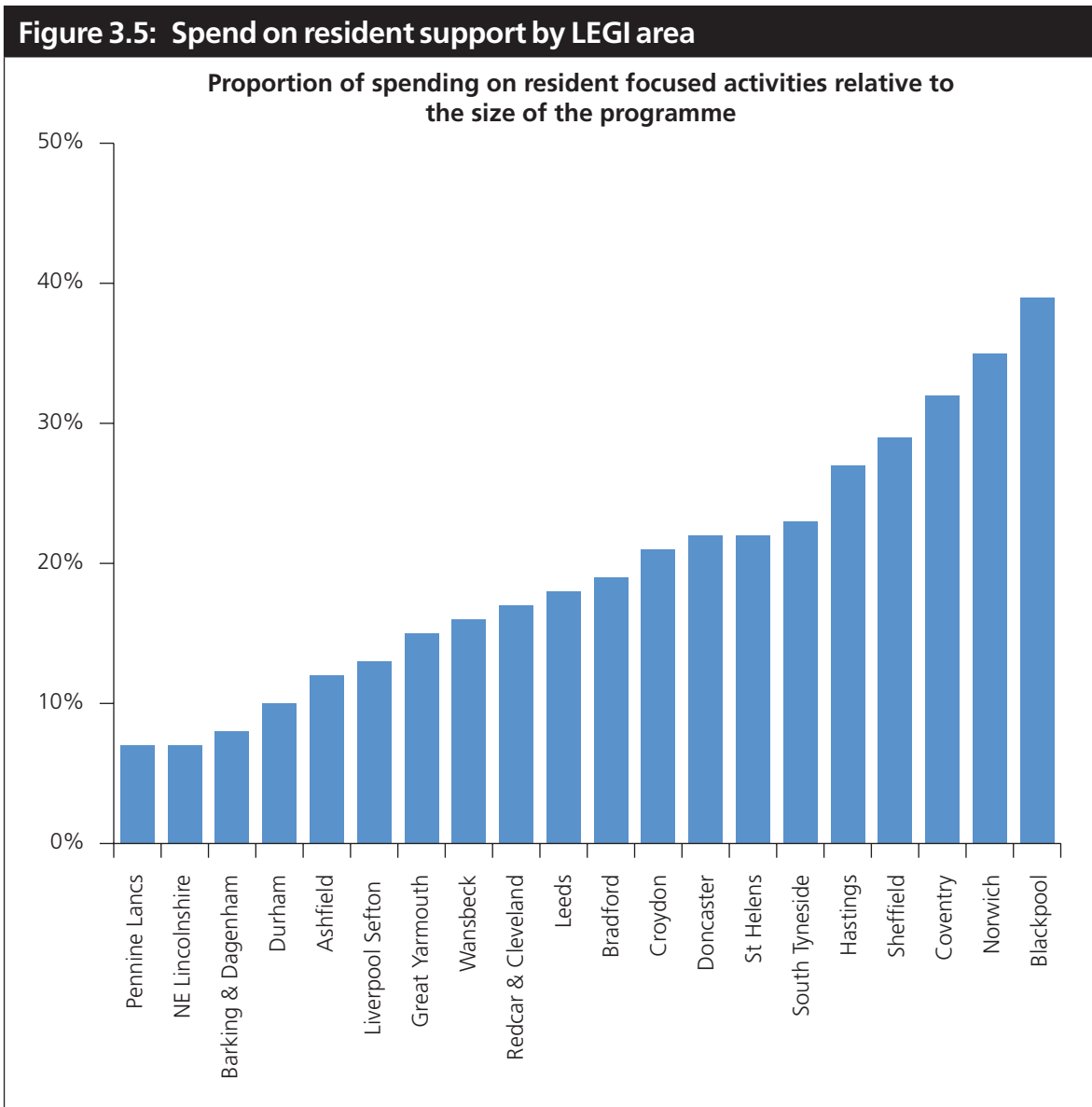
- nearly 240,000 individuals assisted/engaged through the LEGI programme
- approximately 160,000 individuals have been engaged through enterprise awareness projects specifically related to schools, youth enterprise etc
- over 13,300 have been assisted into employment and over 35,000 have acquired new skills
- 45,000 businesses receiving some form of assistance in the LEGI areas
- almost 14,000 new businesses created
- over 22,700 jobs created or safeguarded
- £170m of investment levered into the areas – £26m public and £144 private sector.

Table 3.2: Summary of LEGI area reported outputs and outcomes		
Indicators	Total – Dec 2009	No of areas
Individuals engaged by the programme	160,224 (education) 78,717 (other)	20
Individuals receiving enterprise support	12,928	6
Individuals receiving training support	35,349	11
Individuals assisted into employment	13,318	11
Businesses assisted/advised	44,899	19
Businesses attracted	110	2
Existing businesses expanded	2,663	8
Businesses created	13,708	20
Jobs created/safeguarded	22,762: 19,519 created 3242 safeguarded	18
Business floorspace created/improved (sq ft)	512,071	6
Total investment leveraged	£170m	13
Public	£26m	
Private	£144m	

Source: LEGI partnerships performance monitoring data

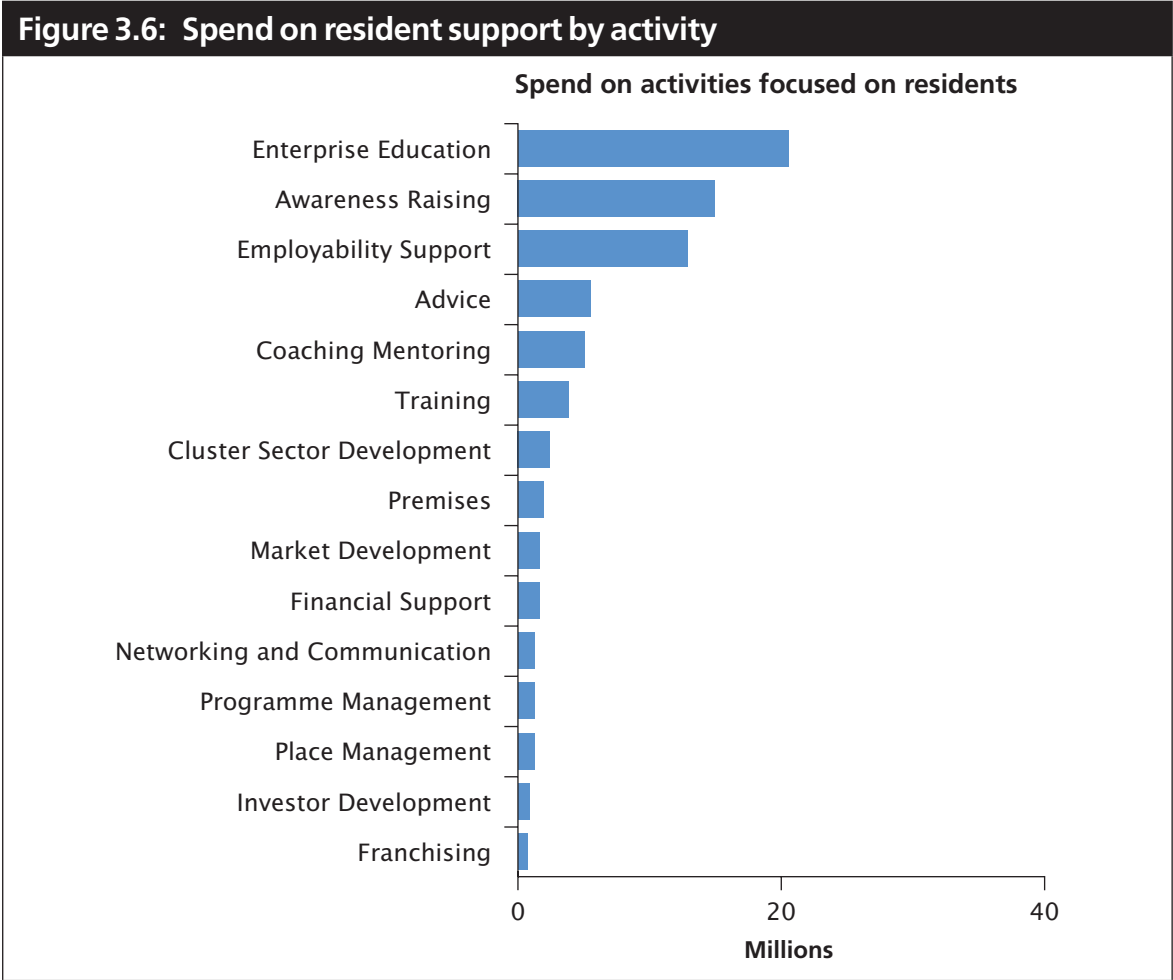
3.4 Activities supporting residents

Figure 3.5 shows the wide variation in spend on resident-focused activities by LEGI Partnership areas – from less than 10 per cent in Pennine Lancashire, North East Lincolnshire and Durham to over 30 per cent in Coventry, Norwich and Blackpool.



Source: LEGI partnerships performance monitoring data

Figure 3.6 shows that the majority of 'resident support' was centred on employability support (especially focused on hard to reach groups), awareness raising (to highlight opportunities and, again, particularly among hard to reach groups and in the most deprived areas) and, in particular, enterprise education in schools.



Source: LEGI partnerships performance monitoring data

Analysis of beneficiary databases in the six case study areas (Blackpool, Bradford, Coventry, Croydon, St Helens and Wansbeck) has been undertaken to profile adult residents who have received assistance through the programme.

Just under 30,000 beneficiaries were identified in the areas, of whom 55.3 per cent were male and 44.7 per cent were female.

Analysis of the age profile for Blackpool, Coventry, St Helens and Wansbeck beneficiaries where age was known (some 12,000 beneficiaries) shows that just under three-quarters of beneficiaries were aged between 18 and 45 with only 8 per cent aged over 55 and 1 per cent less than 18. From the data available Bradford and Croydon appear to have had a similar profile, although 20 per cent of beneficiaries in Croydon were aged over 50.

All six areas recorded the ethnicity of beneficiaries. Overall 58.4 per cent were of ‘white British or Irish’ origin – although this figure varied significantly from 23 per cent in Croydon to over 95 per cent in St Helens, Blackpool and Wansbeck. In total some 22 per cent were classified as ‘black’, almost 10 per cent as ‘Asian’, 5 per cent as ‘mixed’ and 5 per cent as ‘white other’. The data suggests that the programme has generally been successful at

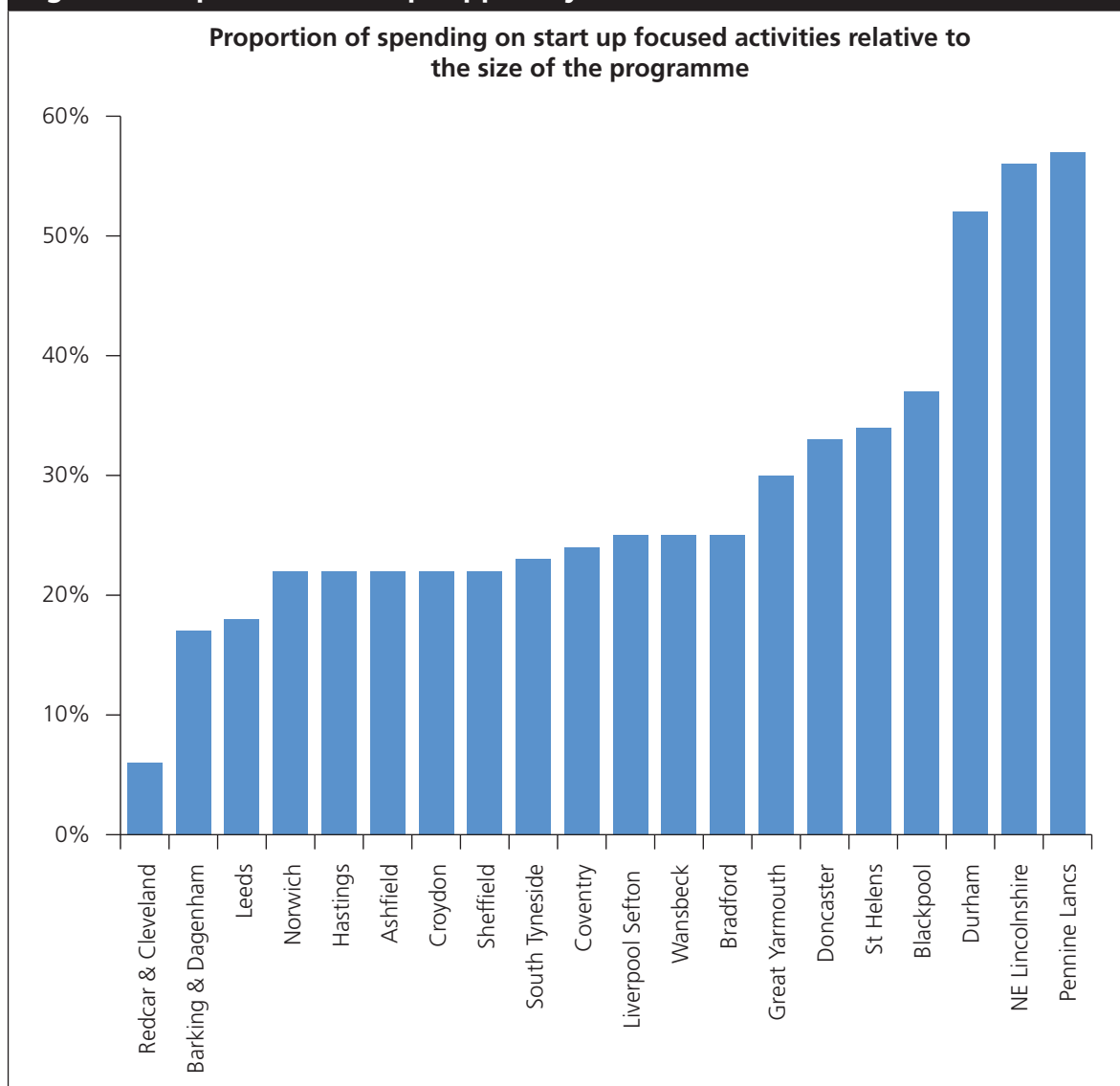
engaging with minority ethnic communities.

Only two of the areas, Blackpool and St Helens, had comprehensive data on the prior economic status of beneficiaries. Of these (some 10,000 in total), just over two-thirds were unemployed and 17 per cent had been out of work for over a year.

3.5 Activities supporting start-ups

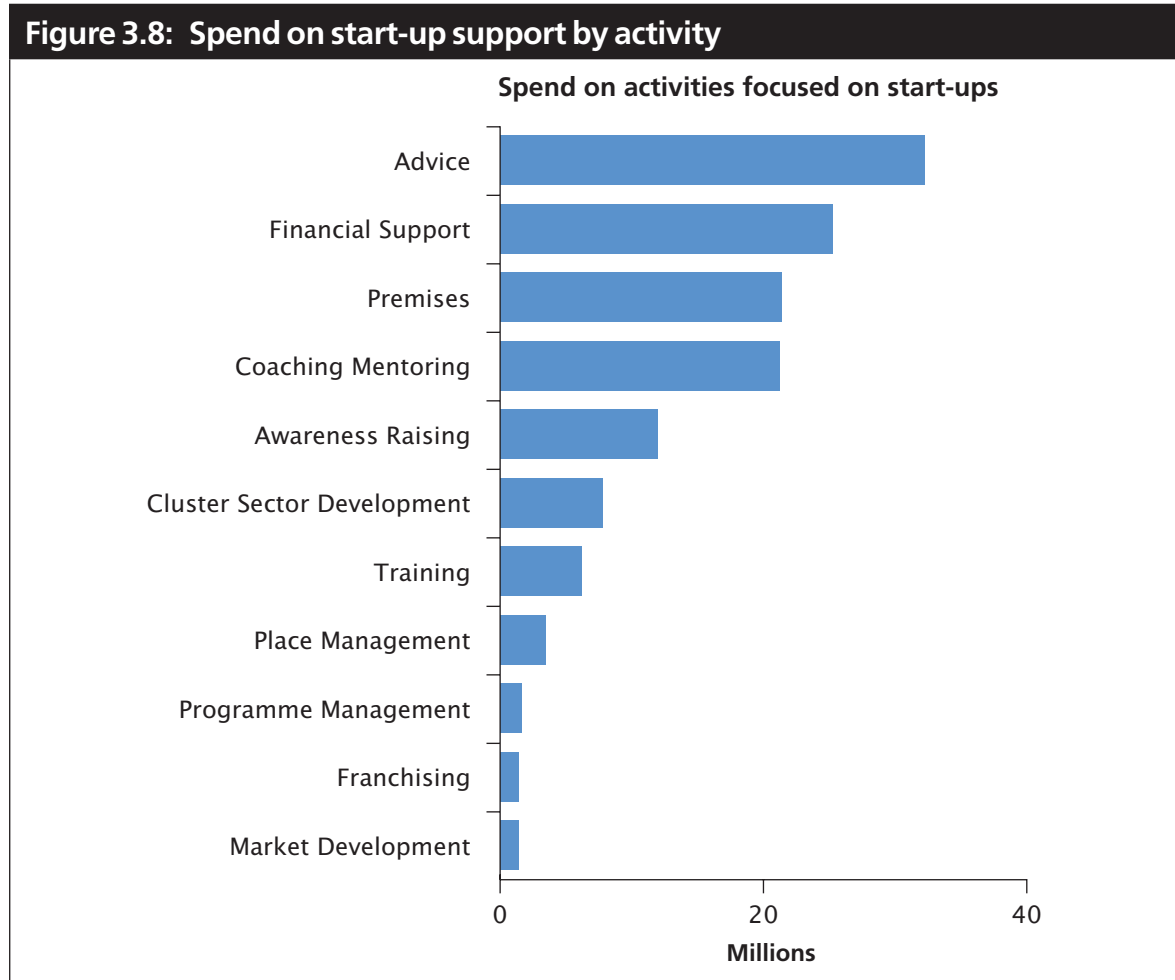
Over the LEGI programme as a whole some 29 per cent of expenditure has been on supporting business start-ups. Figure 3.7 shows significant variation from this average across LEGI Partnership areas. Pennine Lancs, North East Lincolnshire and Durham in particular have placed an emphasis on this area of activity, all three having committed more than 50 per cent of their spending.

Figure 3.7: Spend on start-up support by area



Source: LEGI partnerships performance monitoring data

The most common forms of support provided by the LEGI partnerships for new business starts have included advice, financial support, premises and coaching/mentoring.

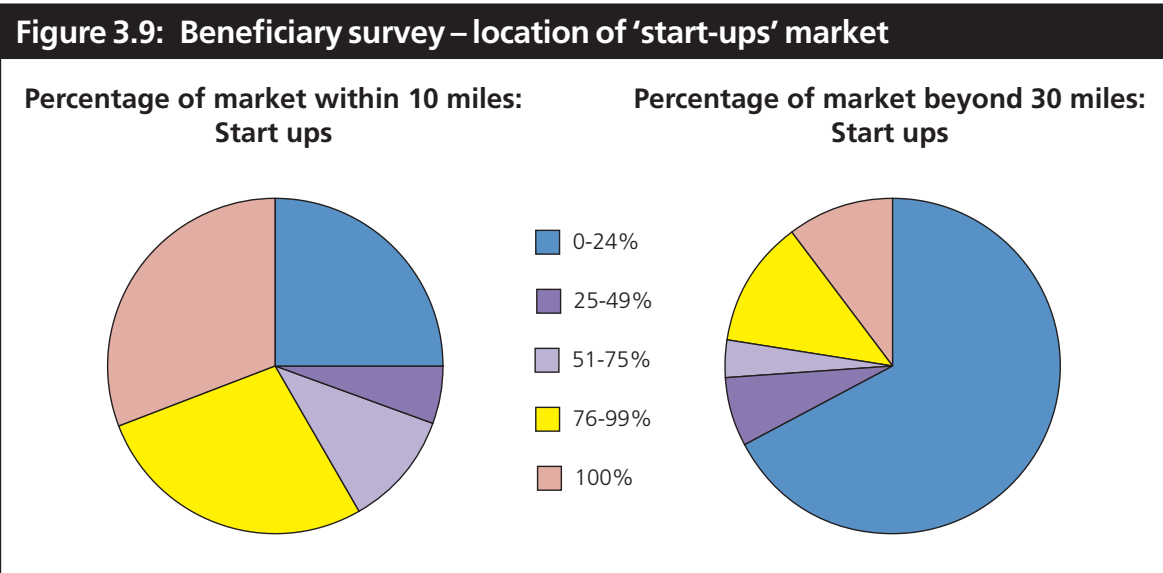


Source: LEGI partnerships performance monitoring data

Across the six case study areas almost 4,400 start-up businesses had been supported. On average (where known) these were providing 1.8 jobs. As shown in Table 3.3, some four in every five businesses supported was in the service sector. This suggests an emphasis on more local markets which is confirmed by Figure 3.9 which presents results from the beneficiary survey (interestingly, however, the market focus of start-ups supported is less localised than that of existing businesses supported – see Figure 3.12).

Table 3.3: Case study area start-ups by sector	
Sector	% of start-ups
Primary	2.2
Manufacturing	5.5
Construction	11.6
Services	80.7
<i>Of which:</i>	
<i>Business Services & Finance</i>	<i>10.5</i>
<i>Media/Creative</i>	<i>5.3</i>
<i>Retail</i>	<i>9.5</i>
<i>Transport/Wholesale</i>	<i>4.9</i>
<i>Hairdressing, etc</i>	<i>5.6</i>
<i>Hotels & Catering</i>	<i>4.9</i>
<i>Property Services</i>	<i>7.2</i>
<i>Education, childcare & Training</i>	<i>4.6</i>
<i>Other personal services</i>	<i>8.3</i>
<i>Other services</i>	<i>19.9</i>

Source: Case study areas – beneficiary information



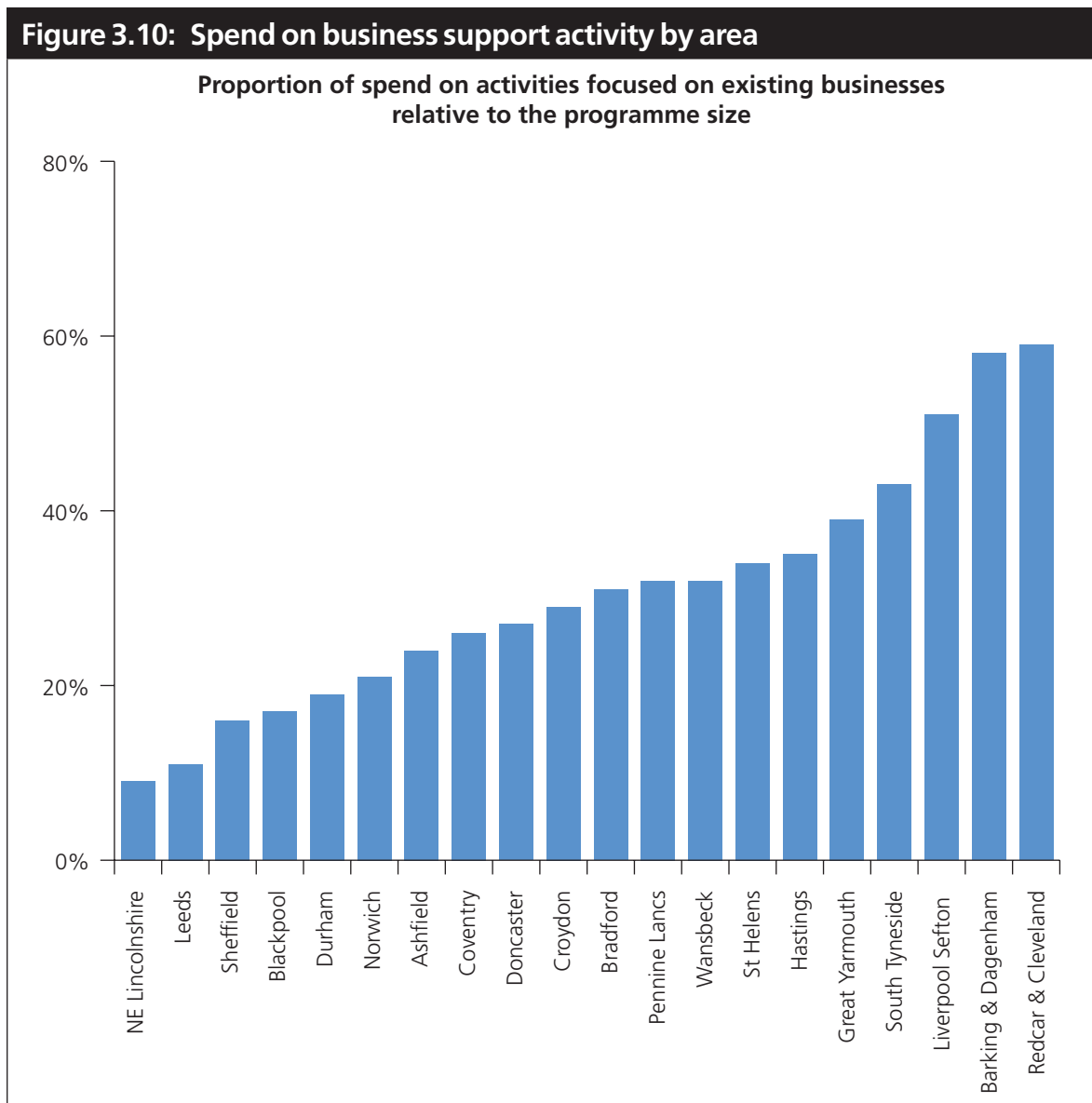
Source: LEGI Beneficiary Survey

Case study areas appear to have been reasonably successful in targeting and providing support to ‘non-traditional’ groups. Where known:

- 34.4% of start-ups were by women (nationally 27% of self-employed people are women)
- 31.7% of start-ups were from ‘non-white’ ethnic groups (23.1% were defined as ‘Asian’)
- 3.8% of start-ups were by people with disabilities.

3.6 Activities supporting existing businesses

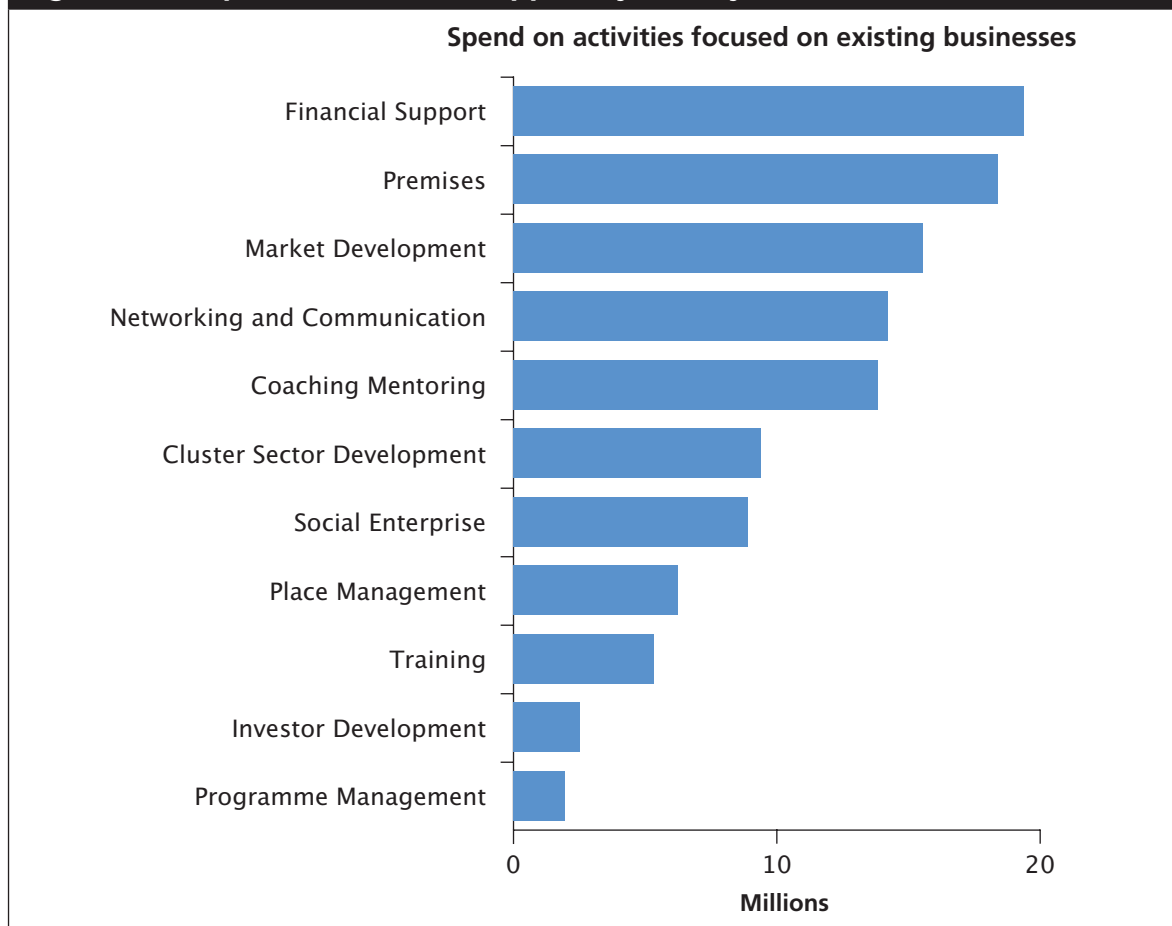
Figure 3.10 summarises the proportion of spend by LEGI area on business support activities. Areas with a particular focus on supporting the growth of existing businesses in their areas include Redcar and Cleveland, Barking and Dagenham and Liverpool/Sefton – all three having committed more than 50 per cent of their spending.



Source: LEGI partnerships performance monitoring data

As shown in Figure 3.11, a wide range of different types of support have been made available to existing businesses. While, as with start-ups, advice, finance, premises and coaching have been common, there has also been a significant amount of activities aimed at developing markets and supporting inter-business networking.

Figure 3.11: Spend on business support by activity

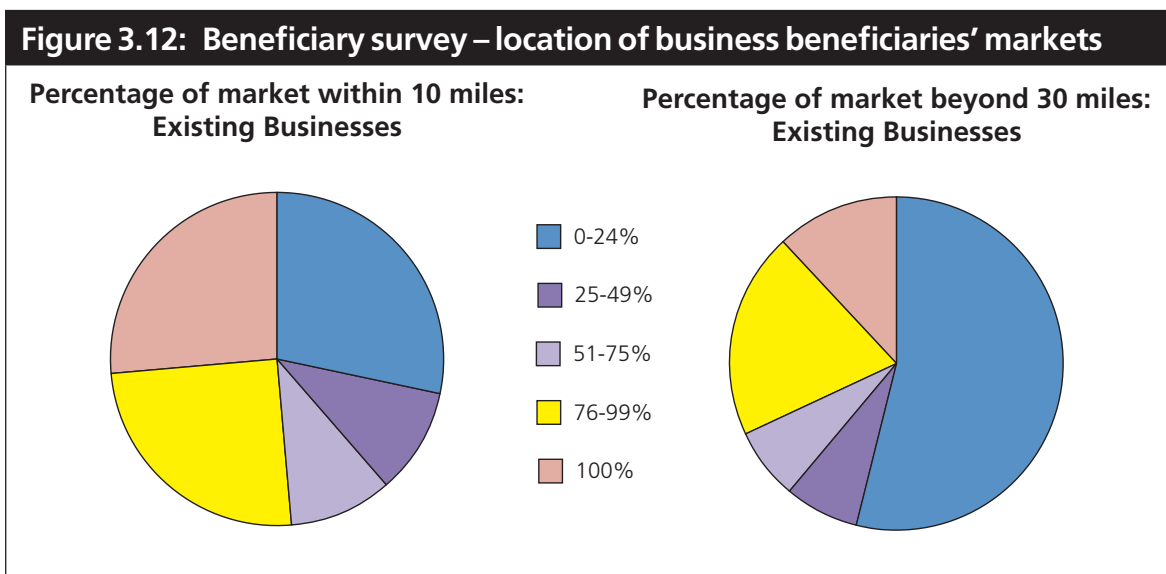


Source: LEGI partnerships performance monitoring data

Over 5,000 businesses had been supported in the six case study areas. Where known, on average they employed 15.3 persons and had an average annual turnover of £704,200. Their sectoral profile (as shown in Table 3.4) is similar to that for new starts, although there was a significantly greater emphasis on retail businesses (almost one in five). This again is reflected in the analysis of market location derived from the beneficiary survey (see Figure 3.12) with the majority of business respondents reporting highly localised markets.

Table 3.4: Case study area businesses supported by sector	
Sector	% of Businesses
Primary	0.7
Manufacture	10.2
Construction	8.3
Services	80.8
<i>Finance & Business Services</i>	15.5
<i>Media/Creative</i>	5.0
<i>Transport/Wholesale</i>	8.6
<i>Retail</i>	19.0
<i>Health & Care services</i>	5.2
<i>Hairdressing, etc</i>	3.4
<i>Hotels & Catering</i>	4.7
<i>Education, childcare & training</i>	3.6
<i>Other consumer services</i>	5.9
<i>Other services</i>	10.0

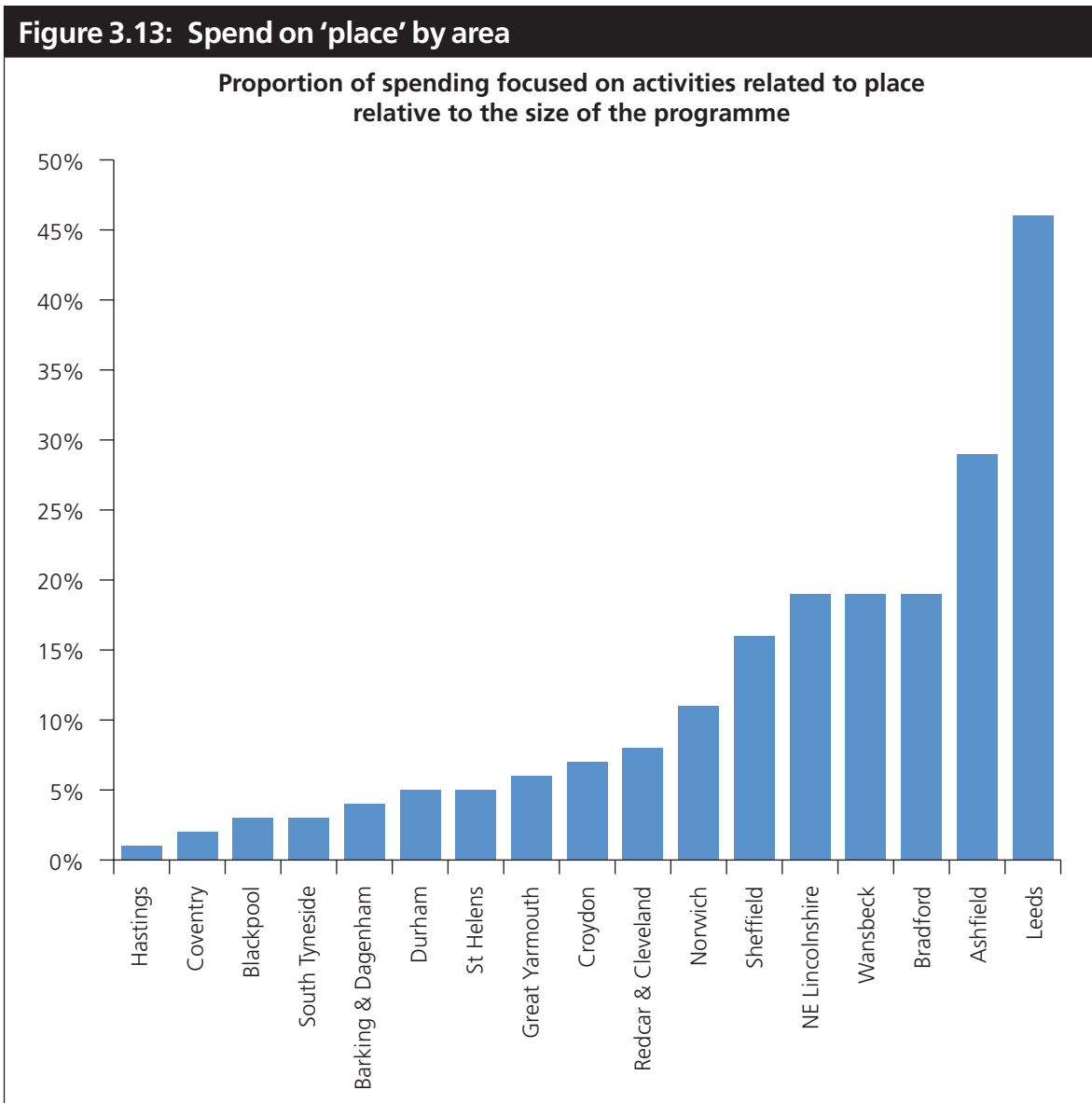
Source: Case study areas - beneficiary data



Source: LEGI Beneficiary Survey

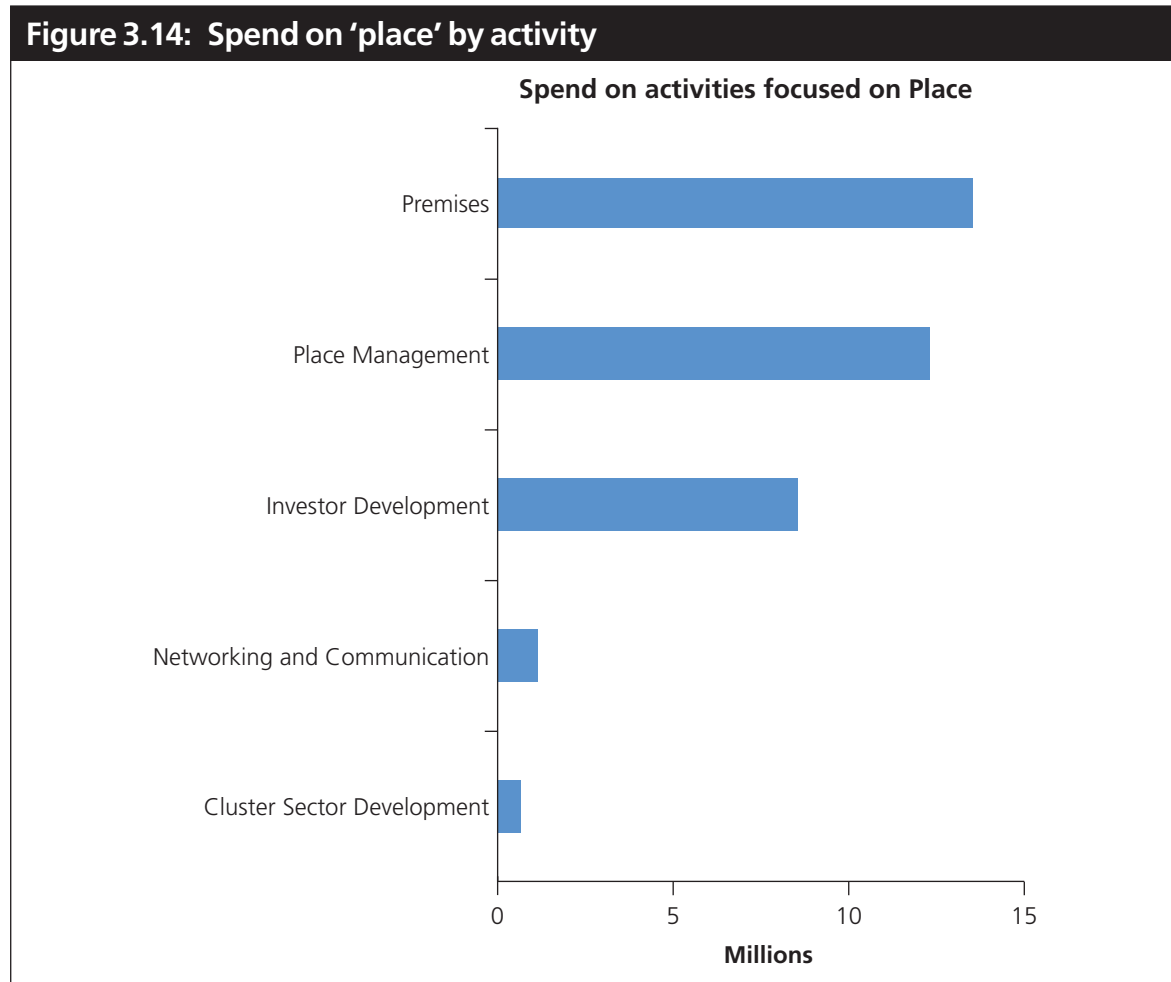
3.7 Activities supporting 'place'

Overall some 10 per cent of area spend has been on activities designed to promote or further enhance areas as efficient and/or attractive operating environments for business. Leeds – and to a slightly lesser degree Ashfield – have placed a significantly greater than average emphasis on this area of activity.



Source: LEGI partnerships performance monitoring data

Figure 3.14 illustrates the main types of ‘place’ activity – including in particular premises development, place management and ‘investor development’ (to attract new incoming investment).



Source: LEGI partnerships performance monitoring data

Section 4

LEGI's contribution to change in the areas

4.1 Introduction

This section assesses the benefits that the LEGI programme has achieved. It comprises:

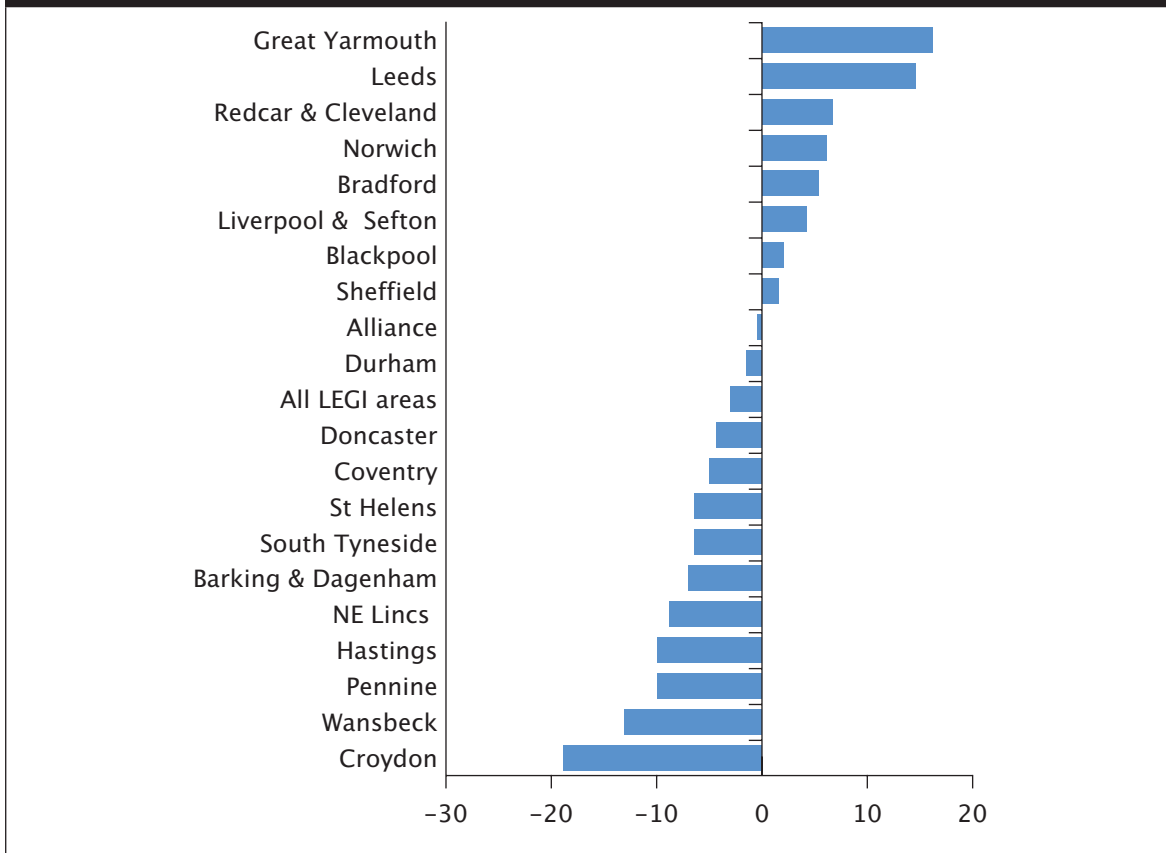
- an overview of the change in two key indicators (business formation and worklessness rates) in the LEGI areas, relative to the national average
- a top-down estimate of impact using results from the econometric modelling analysis – identifying whether LEGI has had a statistically significant impact in terms of key indicator change in the programme areas
- a bottom-up estimate of net additional impact using gross performance management data qualified by use of bottom-up evidence
- a review of the bottom-up evidence (from the case study projects, stakeholder interviews, beneficiary surveys and other local evidence) of impacts, additionality and the added value of the programme
- a summary of the key success factors and barriers encountered by projects and programmes – gathered through consultation with key stakeholders and project managers in the case study areas.

4.2 Context

Analyses have been undertaken of the extent to which change in conditions according to two key indicators (business formation rates and worklessness) in LEGI areas varies and compares with wider national performance. Figure 4.1 compares business formation rate performance, from the BETA model,¹⁰ over the period 2006-09. It shows mixed performance amongst LEGI areas, with 12 of the 20 areas experiencing a reduction in formation rates. However, 15 of the LEGI programme areas have performed better than the England average and on average there has been a better overall performance.

¹⁰ The BETA model is an extensive longitudinal business database, underpinned with data - collected since April 1999 to April 2010 - from 2.6 million establishments listed with Yellow Pages. The model is constructed to measure the collective dynamics, over time, of the UK's firm population through – entry to the stock of firms; relocation of firms; changes to the firm's employment size; and exit from the stock of firms. An important feature of BETA model statistics is that employment levels are counted at site and not where an organisation is administered from – which is particularly significant when looking at formations and deformations or dynamic activity in small areas.

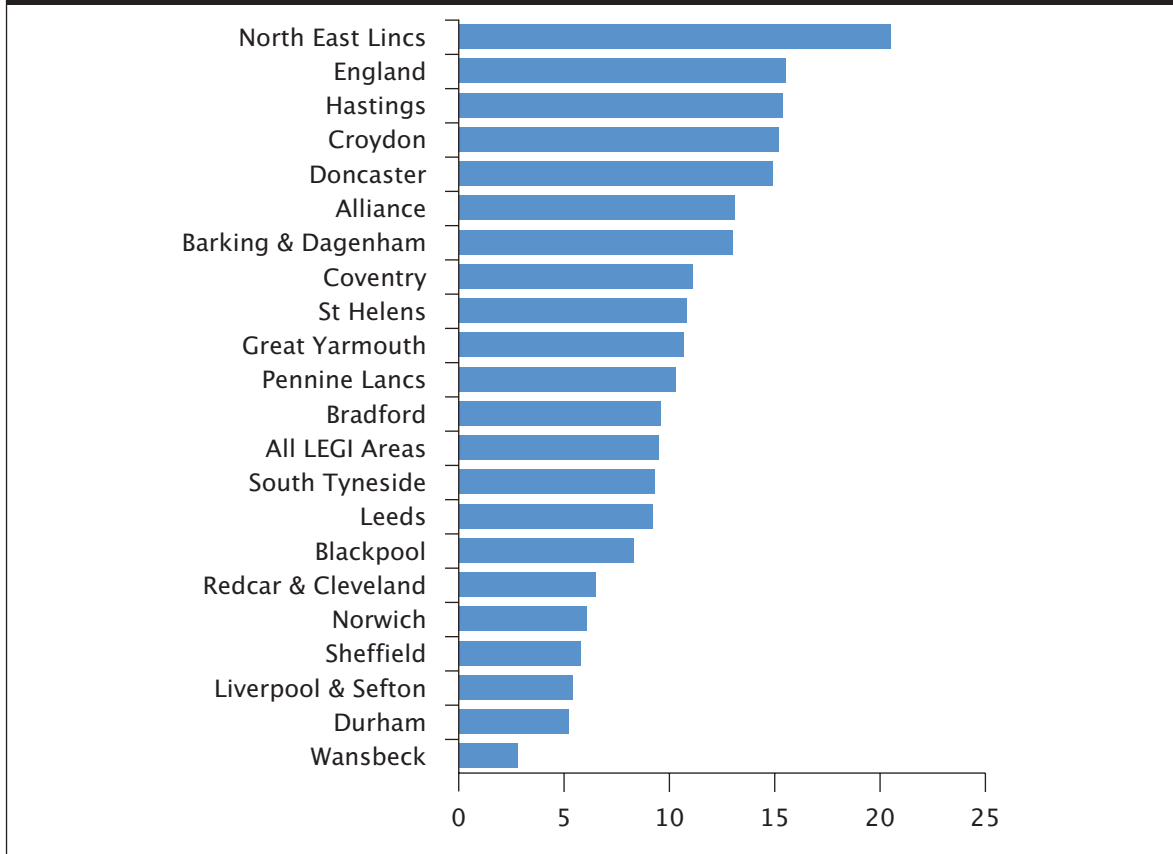
Figure 4.1: Percentage change in Business Formation rates 2006-09



Source: BETA Model

Regarding worklessness, the 'headline' performance is still more positive, all except one LEGI area (North East Lincolnshire) have performed better (i.e. worklessness has grown at a lower rate) than the England average in terms of change in worklessness rates 2006-09.

Figure 4.2: Percentage change in worklessness rates 2006-09



Source: Department for Work and Pensions Longitudinal Database

At a headline level therefore, overall the LEGI areas have performed better than the national average in terms of both business formation and, especially, worklessness. However, this positive performance may be due to factors other than LEGI. Consequently, as part of the evaluation, econometric modelling has been undertaken to determine whether LEGI has had a statistically significant impact on performance.

4.3 Econometric modelling – the top down evidence of LEGI’s additional impact

4.3.1 Overview

Econometric modelling has been used to identify the extent to which a range of different variables – including the availability of LEGI – have influenced change in different areas. The modelling, through use of Difference-in-Difference analysis, enables a top-down assessment of the additional and attributable impact of the LEGI programme.

The basis of the approach is underpinned by a group of comparator Lower Super Output Areas that have been matched to the LEGI ‘treatment’ group in order to act as a ‘control’ against which performance can be referenced. Difference-in-Difference modelling has then been used to assess the extent to which the LEGI areas have performed better or worse than control areas, having accounted both for their respective starting positions and trends prior to LEGI. The analysis has then gone on to assess:

- whether the difference in performance is statistically significant
- whether the difference/significance remains if one ‘allows’ for the different socio-economic mix and area characteristics of both groups and the policy status of the control group areas.

The results from the Difference-in-Difference (DiD) modelling are summarised in Table 4.1.

Table 4.1: Growth in business formation rates/worklessness from the DiD modelling				
	Worklessness		Gross Business Formations	
	Actual DiD	Adjusted DiD	Actual DiD	Adjusted DiD
2006/2009	-0.41% (0.022)	-0.27% (0.417)	+3.45% (0.000)	+3.58% (0.001)
2006/2009 LEGI Phase 1 Partnerships	-0.36% (0.081)	-0.11% (0.774)	+2.91% (0.001)	+2.87% (0.014)
2007/2009 LEGI Phase 2 Partnerships	-0.49% (0.038)	-0.35% (0.299)	+4.32% (0.000)	+3.73% (0.002)

4.3.2 Business formation

The Base Difference-in-Difference analysis for the period 2006-09 indicates that LEGI has had a positive and statistically significant impact on business formations. LEGI continues to be a statistically significant factor once the controls are included in the analysis, indicating that the programme has a positive additional impact.

The modelling also indicates that overall the Phase 2 LEGI partnerships have had a greater impact than Phase 1. The same pattern of effects is also found if the analysis is run for the period 2006-08 (i.e. before the main effects of the recession).

The gross business stock estimates for the LEGI base years (2006 for Round 1 and 2007 for Round 2 areas) have been identified using BETA model data. The average annual growth rates due to LEGI defined by the Difference-in-Difference results (2.87% and 3.73% respectively for Round 1 and 2) have been applied to the stock figure to generate estimates of policy assisted formations to 2009. This suggests that the programme has resulted in 5,890 additional formations overall (see Table 4.2). It is worth noting that this figure compares with the 13,700 start-ups reported in the project management information analysed – however, the latter figure is gross and, as already noted, subject to an element of double counting. In contrast the Difference-in-Difference derived figure will take into account factors such as deadweight and displacement.

Table 4.2: Number of additional business formations generated by LEGI

	Business formations per annum		Change in business formations per annum		
	LEGI Phase 1 partnerships	LEGI Phase 2 partnerships	LEGI Phase 1 partnerships	LEGI Phase 2 partnerships	Total
Per cent pa	2.87	3.73			
2006	37,774				
2007	38,858	33,476	1,084		1,084
2008	39,973	34,725	1,115	1,249	2,364
2009	41,121	36,020	1,147	1,295	2,442
Diff	3,347	2,544	3,347	2,544	5,890

Source: AMION/PION

4.3.3 Worklessness

The Difference-in-Difference modelling has also been undertaken using worklessness data. In this case, the Base Difference-in-Difference analysis identifies a negative (i.e. beneficial) and statistically significant LEGI effect. However, the impact value reduces by a third and becomes insignificant once controls are included. Therefore, this analysis indicates that LEGI has not had an additional impact on worklessness performance – the statistically significant improvement is explained by other factors.

Despite this result, it is important to recognise that, people-based interventions supported under the programme were often concerned with generating longer-term cultural and attitudinal change. In addition, many of the worklessness interventions were also targeted at hard to reach groups. 'Final' impacts – in terms of residents of LEGI areas leaving benefits and accessing employment – may not yet therefore be fully manifest.

4.4 Net impact – the bottom-up evidence

An alternative estimate of net additional impact of the LEGI programme, compared with the previous top down approach, involves using the results from the beneficiary survey to derive estimates of displacement, multiplier effects and deadweight and applying them to the overall gross outputs from the available performance data for the programme.

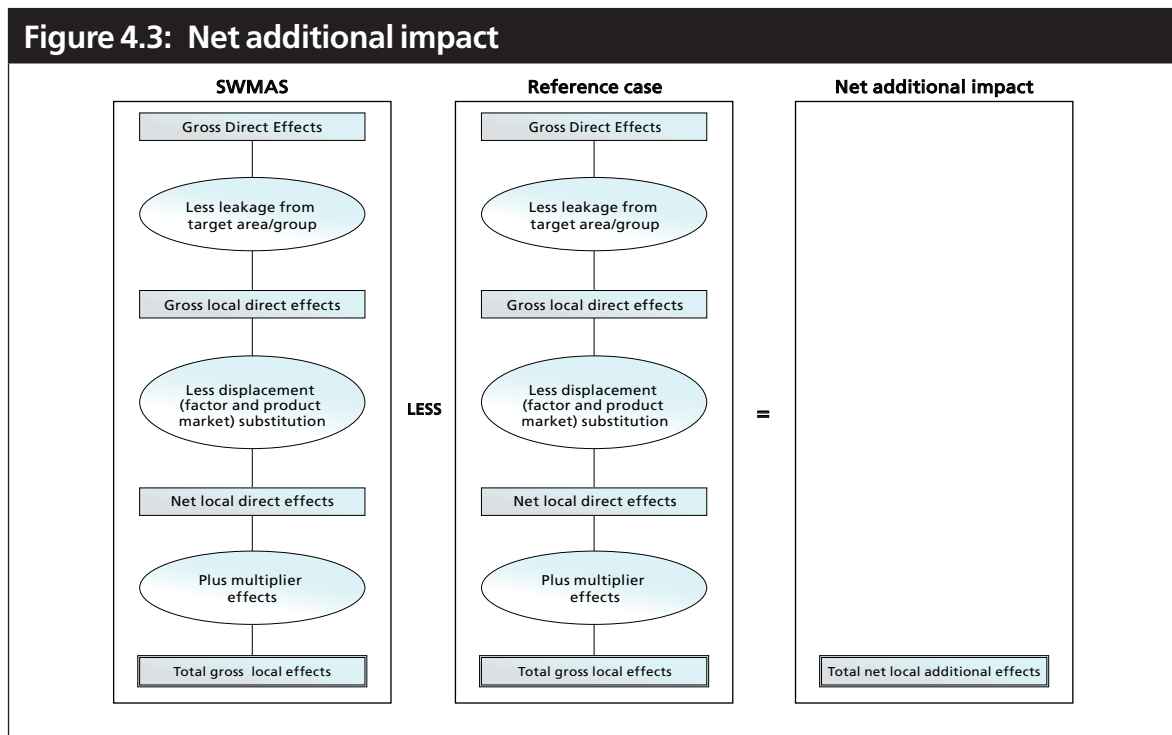
Most public sector projects and programmes will have both positive and negative impacts. In assessing the impact of a project it is important that these are taken into account in order to assess the additional impact or additionality of the project – in other words, the changes that are brought about in the area only because the project takes place there. Put another way, additionality arises when such changes would not otherwise arise in the area concerned in the absence of the project.

Additionality is thus the extent to which activity takes place at all, at a larger scale, earlier or within a specific designated area as a result of a project.

In order to assess the net additional impact of LEGI, the following factors have been considered:

• Leakage	–	The proportion of outputs that benefit those outside of the services target or reference area.
• Displacement	–	The proportion of project outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets. ¹¹
• Multiplier effects ¹²	–	Further economic activity associated with additional local income and local supplier purchases.
• Deadweight	–	Output which would have occurred without the project – this is assessed through the reference case.

The approach to assessing the net additional impact of a project is shown diagrammatically in Figure 4.3 below.



Source: HCA Additionality Guide

¹¹ Product market displacement arises where the output of a supported activity takes market share from local firms producing the same good or service. In the case of factor prices market displacement a support activity uses locally scarce factors of production (e.g. skilled labour or land) or bids up factor prices.

¹² For analytical purposes two types of multiplier can be identified:

- A supply linkage multiplier – due to purchases made as a result of the project and further purchases associated with linked firms along the supply chain. In the absence of a fully articulated model of the local economy these effects are difficult to trace. However, multipliers derived through empirical research in previous studies can be used to approximate these impacts. Alternatively, estimates of the local content of purchases can be used to calculate the local supply linkage multiplier effects, assuming the proportion of expenditure net of non-recoverable indirect taxes incurred on local goods and services is similar throughout the supply chain.
- An income multiplier – associated with local expenditure as a result of those who derive incomes from the direct and supply linkage impacts of the project. Again, precise estimates are difficult to calculate. As a proxy, the results of previous research can be used or estimates can be calculated on the basis of local consumption patterns through the local economy. Again the assumption is that behaviour is similar at each point in the supply chain.

A number of impact studies have also identified a longer-term development multiplier associated with the retention of expenditure and population in an area.

The calculation of the total net additional local impact of a project can be summarised using the following equation:

$$AI = [GI \times (1-L) \times (1-Dp) \times (1-S) \times M] - [GI^* \times (1-L^*) \times (1-Dp^*) \times (1-S^*) \times M^*]$$

Where:

AI = Net additional impact

GI = Gross impact

L = Leakage

Dp = Displacement

S = Substitution

M = Multiplier

* denotes reference case and hence deadweight

In the case of this LEGI evaluation, we have used the beneficiary survey results to inform our assessment of each of these factors individually for each business that identified an impact. In total, some 566 business surveys were successfully completed, giving an overall confidence interval of some +/-5% for the case study areas. A prudent approach has been adopted and allowance has been made for 'optimism bias'.

Table 4.3 sets out an estimate of the principal gross outputs and outcomes of the LEGI programme. This has been based upon:

- i. the programme management data provided by the LEGI partnerships
- ii. adjustments to the above to reflect:
 - the non-reporting of outputs/outcomes by some areas
 - inconsistency of output/outcome definitions
 - double counting – some areas reconcile programme level outputs by removing double counting. However, in others, businesses and individuals may be recorded more than once and others may receive more than one form of support or support over more than one year.

Table 4.3: Principal estimated total outputs and outcomes

	Estimated total to December 2009
Existing businesses assisted/advised	23,300
New businesses created	12,000
Jobs created	17,300
Individuals assisted to find employment	18,800

Source: LEGI programme monitoring information/AMION

A range of additional outputs/outcomes have also been identified by many areas. For example an estimated 160,000 individuals have been engaged through enterprise education activities and over half a million square feet of floorspace has been created or improved.

The results of the start-up and business beneficiary survey have been analysed in order to derive estimates of displacement, multiplier effects and deadweight (see Table 4.4). It is assumed that leakage is zero, as the analysis is focused on where jobs have been created, rather than the residence of those people who have accessed these jobs.

Table 4.4: Additionality

	Displacement	Multiplier	Deadweight	Gross:net
Existing businesses				
<i>Employment</i>				
Local	44%	1.1	91%	6%
Travel To Work Area	53%	1.25	91%	5%
Regional	75%	1.45	91%	3%
<i>Turnover/GVA</i>				
Local	44%	1.1	81%	12%
Travel To Work Area	53%	1.25	81%	11%
Regional	75%	1.45	81%	7%
Start-ups				
<i>Employment</i>				
Local	48%	1.1	72%	16%
Travel To Work Area	63%	1.25	72%	13%
Regional	79%	1.45	72%	9%
<i>Turnover/GVA</i>				
Local	48%	1.1	62%	22%
Travel To Work Area	63%	1.25	62%	18%
Regional	79%	1.45	62%	12%

Source: LEGI Beneficiary Survey/AMION

When the additionality calculation is applied to the gross businesses assisted and new businesses created the net additional outputs from the LEGI programme are 2,479 and 2,371 respectively (see Table 4.5).

Table 4.5: Gross to net outputs		
	Gross (estimated total to Dec 2009)	Net outputs
Existing businesses assisted/ advised	23,300	2,479
New businesses created	12,000	2,371

Source: LEGI partnerships performance monitoring data – adjusted

The reduction from gross to net is primarily a reflection of high levels of displacement – which in turn is a reflection of the types of businesses assisted through LEGI and the non-targeting of high growth sector businesses (which is predominantly the remit of Business Link). The estimate of 2,371 net new businesses created in the period to December 2009 using this ‘bottom-up’ methodology compares with the earlier ‘top-down’ econometric modelling estimate of an additional 5,890 businesses in the LEGI areas. The lower estimate of an additional 2,371 new businesses created in the areas overestimates displacement and deadweight impacts and underestimates multiplier effects, while the modeling calculation also includes existing businesses which may have moved into the LEGI areas.

It needs to be emphasised, however, that the preceding quantitative assessment provides only a partial assessment of the LEGI programme. The next section considers some of the more qualitative evidence of the programme’s impacts.

4.5 LEGI’s additional impact – the bottom up evidence

This section draws on feedback from consultations with key stakeholders and projects in the case study areas; reviews of other existing local evaluation material; interviews with programme managers across the 20 LEGI partnerships and the Regional Development Agency contacts; and results from the surveys of beneficiary start-ups and existing businesses.

It provides an overview of general evidence on additional impacts to supplement the previous quantitative analysis. It summarises findings specific to particular types of activity i.e. support for start-ups; existing businesses; residents; and ‘place’. Finally it outlines factors that appear to have impacted upon the levels of added value delivered by the programme. Appendix 5 provides more detailed summaries of the various sources of evidence used.

4.5.1 Overview of evidence

There is little *quantified* data on overall impact available from 'bottom up' sources – including existing evaluation material. However, as part of the research, views have been sought from a number of stakeholders. The results of interviews with the 20 LEGI programme managers (notwithstanding potential inherent interviewee bias) and 34 key stakeholders in the case study areas provide a useful contextual perspective on programme performance.

The majority of consultees considered that their programmes' overall performance in achieving benefits was mainly better than (43%), or equal to (54%) that which was expected. Although these results are unsurprising, there were some interesting variations in views on the effectiveness of programme activities in achieving different benefits.

In terms of the 'core' LEGI activity areas of creating new business and supporting existing businesses, performance in the vast majority of areas met or exceeded expectations. Overall 86 per cent of respondents reported this to be the case for start-ups; 71 per cent for existing businesses; and 87 per cent in terms of improved awareness (findings that tend to be supported by the earlier top-down analysis). Many of the reasons cited, related to successes in accessing individuals and businesses with whom existing or previous programmes had not engaged including children and young people through enterprise education projects.

Most areas successfully developed proactive approaches to engaging and building trust with both individuals and businesses and many of the supported businesses would have been ineligible for support through Business Link – given its emphasis on high growth potential businesses. In addition, the LEGI programmes were able to offer support to clients that was often more intensive than that traditionally available and, in many cases, supported by stringent approaches to customer care.

The main area of activity where performance was considered to be worse than expected was in attracting investment. This, at least in part, was probably a reflection of the deteriorating economic situation. The attraction of external investment was also a relatively peripheral feature of many areas' programmes.

The majority of the programme managers and key stakeholders considered that the LEGI programme was meeting local needs and many attributed this to the design of the programme and the partnership based approach to delivery of the activities. It was also considered to be a consequence of programme flexibility. For example, in 17 of the areas the programme had been amended due to the recession – most commonly this involved the development of a greater focus on existing businesses and the funding of additional activity which aimed to sustain businesses.

Examples of such activities included financial health checks and assistance with business diversification. It was felt that this flexibility enabled responses that would have not been

possible – at least in the same timeframe – through using other programmes or resources. Consequently the overall view was that levels of resource displacement appeared to be low – 84 per cent of respondents felt that less than 25 per cent of the LEGI activity would have taken place in the absence of LEGI funding.

The programme managers and key stakeholders were also asked to consider to what extent the programme had ‘leaked’ benefits – for example, to businesses or residents outside their target areas. 67 per cent of respondents reported either insignificant or non-existent leakage for businesses compared with 76 per cent for residents.

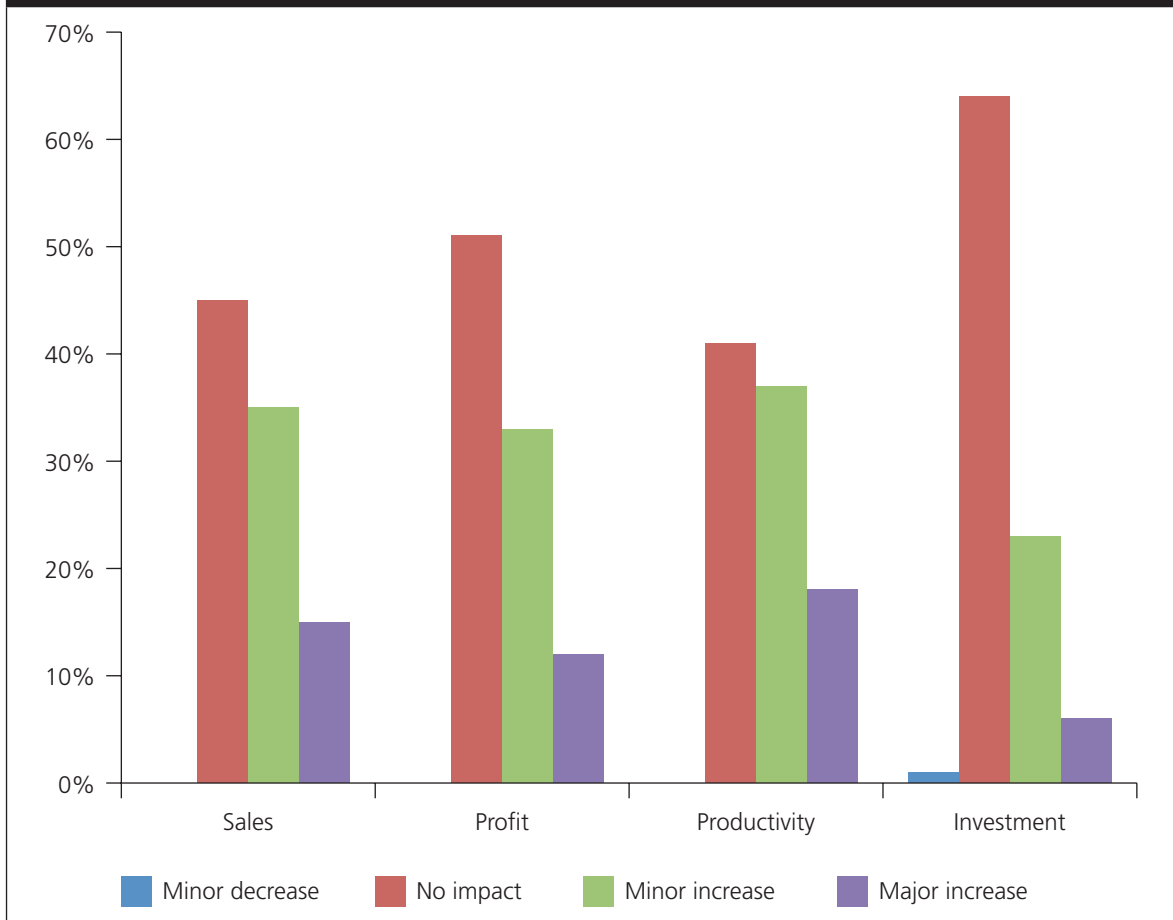
4.5.2 Support for start-ups

Start-up beneficiaries – 260 in total – in the six case study areas were asked whether the support that they received through the LEGI programme had yet led to any tangible impacts for their business activity in terms of sales, profits, productivity or investment. As can be seen from Figure 4.4, the area of most reported benefit to date was business productivity – implying that LEGI had led to more efficient operation for 55 per cent of start-up beneficiaries. This will potentially provide a robust base for the sustainable growth of these businesses in the future – and the generation of further benefits in terms of, for example, new investment and employment.

In 50 per cent of cases, LEGI was already reported to have resulted in increased sales and, for 45 per cent of start-up beneficiaries, increased profits. The most limited area of impact to date has been in the generation of new investment – 65 per cent of start-up beneficiaries reporting no impact.

Overall, 76 per cent of start-up beneficiaries felt that their future prospects had been enhanced by LEGI support and just under half (43%) reported wider benefits including:

- better marketing/promotion
- greater awareness of company/stronger profile
- improved business networking/contacts
- improved business image.

Figure 4.4: Reported impact of LEGI support on new business start-ups

Source: LEGI Beneficiary Survey

Much of the reported added value of LEGI interventions in support of start-ups has come from the 'intensity' and continuity of the support that many projects have been able to offer. While the LEGI area programmes are not necessarily filling gaps in terms of the types of support available, they have allowed more intensive interventions. These have often involved advisors remaining in contact with the business or individual for longer, or providing more in-depth support, than that available through other support initiatives. They have, for example, in many areas included the 'pre-start' support that is often required to engage clients in the first instance and to enable them to progress to a 'start-up' position. While a number of the advisory projects through which initial engagement has taken place, would still have been delivered (for example through New Deal for Communities or Working Neighbourhoods Fund-funded employability support programmes), their ability to offer one-to-one focused pre-start-up enterprise assistance would not.

In addition, many projects are engaging with a client group that enterprise start-up programmes have previously ignored.¹³ In the early days of the programme there was a view that it could potentially be targeting ‘low hanging fruit’ and supporting people that would have been accessing business support in any case (such as that available through Business Link).

However, although LEGI appears to have been successful in extending enterprise support to new ‘constituencies’, the majority of programmes were focused on residents of an area and did not explicitly target specific groups within those areas. As Table 4.6 shows, where targeting did take place, it was most commonly focused on young people, the workless and women. Furthermore where targeting was taking place areas reported that:

- working with existing community groups had helped engagement through tapping into existing networks and trusted relationships
- hard to reach groups were benefiting from receiving services from existing specialist providers.

Table 4.6: Interviewees’ views on the extent to which the programme is achieving its targets for particular groups

	Better	As expected	Worse	Not targeted/ don’t know
BME	49%	49%	2%	42%
Women	52%	39%	9%	33%
Workless	35%	60%	5%	28%
Older people	0%	86%	14%	59%
Young people	54%	38%	8%	21%

Source: Interviews with key stakeholders in the case study areas and LEGI programme managers

As referred to earlier, a significant number of LEGI-supported start-ups were engaged in the provision of personal and other services with an emphasis on relatively localised markets. This has given rise to concern in a number of areas concerning potential levels of displacement of other business activity. Such concern was for example highlighted in the evaluations of LEGI activity in St Helens and Liverpool – although by way of contrast, the evaluation of Ashfield LEGI classed it as a low priority issue.

¹³ Section 3.5 provides evidence of the number of start ups by women, non-white ethnic groups and people with disabilities from the case study areas.

While high levels of displacement could be ameliorated by increasing the proportion of new starts operating in higher value added markets outside of LEGI areas, consultations highlighted a number of other potential mitigating factors, including:

- The LEGI programme provides some potential entrepreneurs with a 'nudge' to start up and, despite the types of businesses initially started, these individuals will be acquiring skills and experience that may provide the basis for more 'value added' business activities in the future.
- Deprived areas are often characterised by poor services¹⁴ and LEGI support for new activities in such areas will lead to improved service quality and therefore be of social and economic value for local residents.

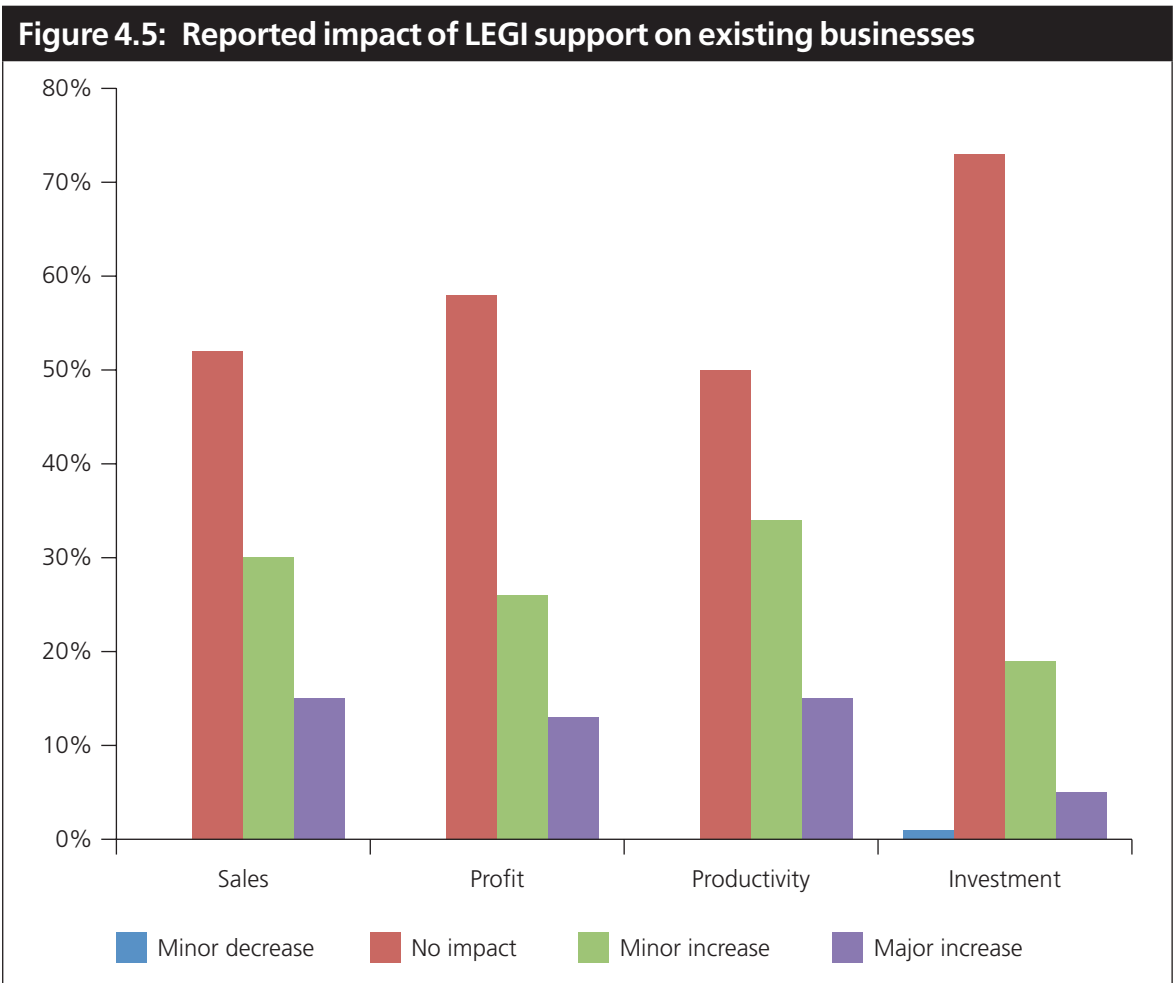
4.5.3 Support for existing businesses

Reported 'hard' impacts to date of LEGI support on existing business beneficiaries (309 surveyed in total) revealed a similar pattern of results to those for beneficiary start-ups – with the most frequently reported area of benefit being productivity, followed by sales, profits and, finally, investment (see Figure 4.5). The majority of businesses reported 'no impact' on each of the four categories of benefit although this is not necessarily surprising given:

- (a) the scale of most LEGI interventions relative to the size of the average business beneficiary
- (b) the time-lag often involved between intervention and impact – and the attendant difficulties of attribution.

Overall, however, 70 per cent of existing businesses did believe that the support that they had received from LEGI would enhance their future prospects and 39 per cent felt that wider benefits, such as those listed in the previous section, had been derived.

¹⁴ 'Geographical access to services' is, for example, a key indicator in the Index of Multiple Deprivation.



Source: LEGI beneficiary survey

There are a number of examples of activity where LEGI is providing different or new and additional services to existing businesses. Examples include measures to improve local supply chains (including through the use of public procurement); foster greater business co-operation; and provide more integrated ‘packages’ of support including aftercare services and with streamlined referrals to other LEGI projects. However, the main areas in which LEGI appears to be providing added value with reference to business support are by:

- Enabling a different type of business to be engaged. The main focus of mainstream business support services (e.g. those provided through Business Link) has been primarily on growth sector businesses. Such businesses are often under-represented in LEGI areas where (as already highlighted) the majority of businesses serve highly localised markets and include a high proportion of ‘lifestyle’ businesses. This does however (as with start-ups) raise the issue of displacement of other business activity in an area.
- Allowing more intensive interventions – by, for example, advisors staying with the business for longer and/or the introduction of ‘mentoring-type’ roles.
- Better, and more proactive, targeting of businesses as a result of better local knowledge than that available to a non-local agency such as Business Link.

Notwithstanding the above there has been, particularly in the initial phases of LEGI, some duplication between LEGI and the core Business Link offer – at least for ‘growth’ businesses. The Business Support Simplification Process, and the development over time of better working relationships and referral arrangements between many LEGI partnerships and Business Link, has reduced levels of duplication but there is still some evidence that LEGI projects may have occasionally displaced, rather than augmented, Business Link services.

Finally, several of the case studies and wider consultations referred to the successful role that LEGI had played as a ‘demonstrator’ in raising the profile of ‘enterprise’, not just in deprived communities, but also in highlighting its potential importance and consequential support needs in organisations such as local authorities.

4.5.4 Support for residents

While LEGI activities in supporting residents have been diverse, they fall into two broad categories – educational projects targeted at school pupils; and a more diverse mix of awareness-raising, training and broad employability support measures aimed at re-integrating local adult residents (including in particular those from ‘hard to reach’ groups) into the labour market.

The vast majority of LEGI programme areas have undertaken some form of enterprise education activity. Most were new activities and would not have gone ahead – at least initially – without LEGI. Case study and other evidence suggests that in many instances the activities have helped facilitate (or at least begin to facilitate) a change in culture within schools. Added value has also been derived through the engagement of parents and the introduction of new styles of learning into the classroom.

Although the perceived and reported success of most of these educational projects is not evident from ‘hard’ outputs or outcomes contained in performance management or other data, it has been reflected in the continuation of activities using mainstream resources (e.g. Blackpool) and the roll-out of activities to other schools in neighbouring areas (e.g. Liverpool) – although this may also reflect wider shifts in curriculum thinking.

While feedback on the impacts and additionality of LEGI-supported education activities is primarily positive, there is greater ambivalence about the role of LEGI-funded employability support projects. These have included a range of engagement, advice, training and other measures designed to address the barriers that residents in deprived areas often face. Such projects have usually provided a greater level (and duration) of support than is available through mainstream (for example Department for Work and Pensions-funded) programmes, and have supported certain hard-to-help groups who are usually beyond the remit of such programmes.

Although performance management data is weak, that which is available suggests that LEGI-funded interventions have performed relatively well helping some 13,318 into employment at an average cost of some £1,700 per person. This compares favourably with most mainstream employment support programmes funded by the Department for Work and Pensions which have unit costs ranging from £2,000 to £4,500.

However, the strategic role and added value of employment support projects within the context of the LEGI programme has not always been clear. Although there have been exceptions (such as the Blackpool Aviation Academy) the focus of such activity is primarily on 'employment' rather than 'enterprise'. While there is a strong argument that barriers to employment need to be addressed if the enterprise potential of deprived areas is to be realised, the balance of spend (on average some 12 per cent – although this varies from 7 per cent to 39 per cent in some areas) on such activity in the LEGI programme is open to question. This is particularly the case in those LEGI areas (i.e. the majority) where there is either a pre-existing non-mainstream employment support infrastructure and/or other more appropriate funding (such as Working Neighbourhoods Fund) has been available.

4.5.5 Support for 'place'

Expenditure on 'place' activities has accounted on average for some 10 per cent of LEGI expenditure. It has primarily comprised a mix of selective improvements to areas' operational environments and measures designed to better manage and promote areas. Information on direct outcomes generated is weak. However, feedback from consultations suggest that, while there may have been some overlap with statutory and other duties in certain instances, such measures have delivered some significant additional benefits. These have included for example:

Improved customer care approaches within the council e.g. through the provision of more business friendly services

- more effective relationships between local and regional delivery agencies
- stimulation of wider area improvements and additional council funding of public realm
- provision of a more efficient and attractive operating environment for existing business and for new investment.

4.5.6 Factors affecting programme added value

The LEGI programme overall has delivered high levels of added value. Key factors in this appear to have included:

- Flexibility – the lack of national targets has enabled a bottom up approach to be adopted and the funding enables all aspects of 'enterprise' to be supported (as opposed to just the provision of 'business support'). The flexibility allows local sectoral needs to be addressed (for example, retail – that other funding can't

support) and gives partnerships the ability to respond to changing circumstances (for example, changed priorities as a result of the recession).

- The partnerships established to deliver the LEGI programmes (and the local delivery plans) have helped to ensure that the activities supported are 'additional' to existing delivery (and reduced potential duplication).
- The lack of a rigid performance targets framework has also enabled innovation and the testing of new approaches and, where successful, their incorporation into the mainstream. It is, however, often difficult to capture some of the ultimate outcomes or 'hidden' value of testing new approaches – for example a failed business is also a learning experience for an individual that may deliver significant benefits in the future.
- The programme has provided the opportunity to engage with deprived communities and has raised the value of enterprise on the regeneration agenda (particularly within local authorities). This helps promote synergistic benefits whereby enterprise promotes regeneration benefits and vice-versa.
- The use of inclusive and 'intensive' client support has enabled the engagement of vulnerable groups – who are often missed by mainstream agencies and programmes.
- New alliances have been forged – with, for example, colleges and the private sector.

However, there have also been a number of pressures in certain areas that have served to reduce or threatened levels of added value. These have included:

- Enterprise funding – it was reported that in some areas mainstream enterprise funding and/or efforts to lever other funding (e.g. European Regional Development Fund) had been reduced as a result of the allocation of LEGI funding and as a consequence this had restricted the additionality of the local LEGI programme.
- Business Link – sometimes a changing core Business Link offer made it difficult to ensure LEGI added value to the mainstream.
- Area Based Grant – the payment of LEGI through the Area Based Grant process could result in LEGI funding being diverted to other priorities particularly as pressure grows on 2010-11 local authority budgets.
- Measuring added value – a common measuring framework would have been useful to measure the added value of LEGI as would greater use of performance monitoring data to understand which activities have higher added value (in addition to measuring 'softer' outcomes and distance travelled).

4.6 Success factors and barriers

Table 4.7 draws upon the case study projects reviewed and other research to provide a summary of success factors and barriers that have influenced the performance of different types of projects in the LEGI areas.

Table 4.7: Success factors and barriers to performance by project type		
	Success factors	Barriers
Residents	<ul style="list-style-type: none"> • Commitment and willingness in certain areas to embed enterprise into the curriculum • Outreach and engagement – underpinned by effective marketing and communication (e.g. use of innovative forms of engagement such as Twitter, Facebook) • Effective referral mechanisms, clear progression routes and access to the same advisor • Intensive good quality information and guidance tailored to the individual with sufficient resources to deliver the intensity of support required 	<ul style="list-style-type: none"> • Difficulty engaging parents and securing recognition of the benefits of enterprise in education • Low motivation and work ethic – lack of (formal) entrepreneurial tradition in areas • Lack of capacity and realism (within the LEGI teams) to engage with hard to help groups • Inability to track and monitor clients.
Start-ups	<ul style="list-style-type: none"> • Local support for local people • Pro-active approach to securing new clients and use of intermediary organisations and outreach locations to engage hard to help groups • Effective early assessment – to ensure start-up is the right option • Flexible accommodation terms – tailored to individuals needs 	<ul style="list-style-type: none"> • Access to bank finance • Skilled advisors who are aware of full range of support available for referring clients – maintaining up to date information and consistency across sub contractors • Lack of clarity regarding roles – poor referral mechanisms and protocols.

Table 4.7: Success factors and barriers to performance by project type (continued)

	Success factors	Barriers
Existing Businesses	<ul style="list-style-type: none"> • Holistic packages of support – e.g. finance with mentoring, aftercare and sector specific advice • Local authority (and other public sector agency) commitment to using procurement as a vehicle to achieve wider local economic benefit and good quality business advice to ensure companies are in a position to compete for supply chain opportunities • Some operational networking between projects 	<ul style="list-style-type: none"> • Grant culture and the size of the funding available to offer through loans • Poor referral mechanisms and protocols between providers including inadequate business planning advice in first instance (including Business Link) • Recession – survival rates; access to capital • Procurement – compliance with tendering requirements (e.g. regarding environmental sustainability); scale of contracts
Place	<ul style="list-style-type: none"> • Local knowledge of partner activities and council departments and subsequent ability to 'join up' different agendas • Combination of capital and revenue funding to enhance the environment and conditions necessary for business growth • Consultation with local businesses • Operational networking between LEGI projects 	<ul style="list-style-type: none"> • Recession and unrealistic expectations • Political interference and sensitivity

Source: Interviews with individual project managers in the case study areas

Section 5

Management and processes

5.1 Introduction

This section provides an assessment of the processes established to administer the LEGI programme. It examines in turn:

- the management, governance and delivery arrangements
- the extent of partnership working
- linkages and synergy with other relevant activities – including the influence exerted on agencies operating in the LEGI areas ('Strategic Added Value').

The section draws on feedback from consultations with the LEGI programme managers, Regional Development Agencies and other stakeholders (through telephone interviews and discussion at the LEGI forums); the area and project case studies; and other local evaluation evidence.

5.2 Management, governance and delivery arrangements

As described earlier (see Table 2.3) the detail of the management, governance and delivery arrangements adopted by the individual LEGI areas has varied. They tend to reflect different starting positions in each area and a desire at the time of the programmes' original design to build on existing capacity.

There are however certain core common characteristics. Across all the areas, local authorities have been responsible for administering the funding, and the programmes have been developed and steered by a multi agency partnership/board with a line of reporting and accountability through to the Local Strategic Partnership. Some partnerships have been granted delegated financial authority, but the majority makes recommendations for local authority final approval (above certain delegated limits).

An executive team is responsible for managing each programme. In the majority of areas this has been based in the local authority – although special purpose partnership vehicles were established and/or contracted within four areas while the Chamber of Commerce assumed responsibility in St Helens. Delivery in all areas has been a combination of in-house and contracted-out provision – although the balance between the two has varied significantly.

At the outset, the LEGI programme was designed in such a way that it provided local authorities with significant flexibility to tailor their areas' programmes to address very specific local needs and priorities – albeit in line with the key objectives underpinning the funding – namely increasing enterprise and investment in deprived areas, boosting local incomes and employment opportunities and building sustainable communities. As a result, the Department for Communities and Local Government (DCLG) did not impose rigid reporting and monitoring arrangements on the areas and local authorities have only been required to account for their spending, rather than their delivery of specific outputs against projected performance. Reporting requirements were lessened further, with the introduction of Area Based Grant, as LEGI was rolled into this overall 'pot' and not ring-fenced specifically for enterprise activity. In several instances, LEGI delivery teams had to locally bid for the funding to continue delivery of their programme.

Table 5.1 presents feedback from the programme managers and the key stakeholders in the case study areas with regard to the effectiveness of the management arrangements and processes put in place by the partnerships to allocate and monitor the use of the LEGI funding in the areas. On the whole the results appear very positive in terms of the overall management and allocation of resources with 62 per cent and 66 per cent (respectively) of respondents reporting that the systems were either very good or excellent. Views with regard to project approval mechanisms and the monitoring data, are slightly less positive, with only 45 per cent suggesting that the use of the monitoring data to inform the ongoing implementation of the programme was either very good or excellent and 14 per cent of respondents viewing project approval procedures as poor.

Table 5.1: Views on effectiveness of management arrangements and processes

	Excellent	Very Good	Good	Poor
Overall	25%	37%	30%	8%
Resource allocation	18%	48%	27%	7%
Project approval	25%	33%	28%	14%
Monitoring procedures	18%	32%	41%	9%
Use of monitoring data	18%	27%	44%	11%

Source: Feedback from interviews with key partners in the case study areas and the all programme managers

Key findings from the research with regard to the management and delivery arrangements include:

- Management costs compare unfavourably with most other programmes. While the 11 per cent of expenditure in the 'Other' category includes a certain amount of operational expenditure, it is well in excess of the 5 per cent 'norm' as cited in the evaluation of City Challenge¹⁵ and in DCLG guidance to partnerships for use of the Neighbour Renewal Fund.

¹⁵ Department of the Environment: City Challenge Interim National Evaluation – European Institute for Urban Affairs, Liverpool John Moores University.

- Management processes took time to establish and to 'bed in'. Their effectiveness improved over time.
- Development of transparent and accountable LEGI boards and structures has been important in building trust with local partners. However, where there are several governance levels, this has in a number of instances led to bureaucratic and inefficient decision making and confusion of remits/roles.
- Leadership capacity has been especially important in achieving credibility and raising confidence amongst the business community. Active leadership has resulted where the chair and members of the board have been given greater authority and an ability to influence the strategic direction of the programme.
- The role of the local authority in LEGI has been viewed as both positive and negative – on the positive side, a number of authorities have provided strong leadership and inspired partners to work together collectively; conversely, such leadership has also led to images of council control (and bureaucratic procedures) and resulted in some instances in a lack of trust from businesses.
- LEGI has been a catalyst in building the capacity and know-how of delivery partners in areas which have not received similar regeneration funds previously. A number of areas reported increased capacity and an understanding of social inclusion and enterprise within the local authority. Overall there has been an increased recognition of the value of community based infrastructure to engage with, and deliver support to, deprived communities.
- Monitoring arrangements were often weak and ineffective. Monitoring frameworks for projects were often not yielding data of sufficient quality to enable effective decision-making concerning future programme development. While the lack of rigorous central reporting requirements was welcomed locally, areas would have benefitted from guidance regarding establishment of a common core monitoring framework.
- Attracting appropriately skilled staff was a problem in some areas. This was compounded due to skills needs varying at different stages of programme and project development.
- Separation of programme management from project delivery can generate problems in terms of, for example, being able to ensure sufficient quality or integration with the rest of the programme. Those programmes where the management team was housed with some projects tended to show the greatest synergy and integration.
- Agreeing the remit and roles between all partners for each project provides clarity and strategic direction and minimises the likelihood of duplication and projects not becoming integrated into wider programme.

- The commitment, expertise and ‘calibre’ of the programme managers has been viewed as a key success factor in a number of the LEGI areas. Managers need to be able to provide vision and enthusiasm to facilitate good partnership engagement and commitment; as well as possess the administrative skills essential to management of a multi-faceted programme.

5.3 Partnership working

Partnership working – particularly through bringing together the private sector and key public agencies – is central to the design of the LEGI initiative. As well as bringing the appropriate range of expertise and experience together to inform ongoing programme management, it helps to ensure that existing resources are pooled and that duplication is minimised.

The LEGI partnership boards have generally involved a consistent core membership comprising the following:

- private sector representatives
- local authority(ies)
- the Voluntary and Community Sector
- local enterprise agencies
- Jobcentre Plus
- colleges
- Regional Development Agencies and/or Business Link (in a limited number of areas).

However, the degree to which the above have been active members has varied considerably. The main findings of the research regarding the effectiveness and operation of the partnerships have included:

The primary motivations for public sector organisations becoming (and staying) involved in a LEGI partnership included:

- relevance of the programme to an agency’s core business and its ability to achieve its targets
- access to money/resources (e.g. one of the reasons ascribed for Regional Development Agencies becoming more involved in some areas was the availability of LEGI resources as potential sources of match funding)
- the opportunities for active participation and influence over decision making.

Private sector involvement at the strategic level was often mainly for altruistic reasons (i.e. wanting to put something back into the area) although there was also a recognition of both long-term (e.g. a more vibrant local economy) and short-term benefits (e.g. better business networking; influence over the design and delivery of business support provision).

In a number of areas, private sector involvement had declined during the duration of the programme – with frustration with bureaucracy including the necessity to follow local authority procurement and other procedures being cited as a reason.

Active Voluntary and Community Sector involvement was more sporadic – with the most active areas being those with well-established approaches to social enterprise development and those where Voluntary and Community Sector organisations were involved in delivery of elements of the programme (including the engagement of target communities).

The partnership approach brought a number of benefits (over, for example, delivering the programme through a local authority department) including the ability to:

- protect resources (e.g. in Area Based Grant resource allocation decisions)
- exert political influence
- provide a degree of independence
- assist with succession (i.e. it's not just seen as the local authority's problem).

Other identified pre-requisites for successful partnership working included:

- the right level of engagement – and the right individual
- clear roles and responsibilities
- flexible funding – that allows for risk taking and innovation
- open consultations among all local partners concerning delivery options
- joint delivery plans – underpinned with dedicated funding.

The majority of consultees viewed the operation of the partnerships in a positive light – 28 per cent rating them excellent, 33 per cent very good and 31 per cent good. However, the involvement of the private sector was variable across the areas and the involvement of the voluntary sector weak. Areas which reported strong private sector representation and involvement in the programme include Blackpool (through the Business Leadership Group), Barking and Dagenham (through the independent organisation established to run the programme), Bradford, Croydon, and St Helens (the latter as a result of Chamber-led delivery). Durham, Hastings Leeds and Pennine Lancs all report restricted private sector involvement.

The following strengths with regard to partnership working were noted in many areas:

- relationships with local authorities have been strong – and especially *between* authorities in multi-area LEGIs
- private sector involvement (and leadership) has been vital – it appears to have worked best where it has been ‘direct’ (i.e. through individual businesses and individuals with a ‘passion’ for the area) rather than through “representative” bodies such as Chambers of Commerce
- individuals on the partnership need to be empowered and vested with the authority to take and challenge decisions
- flexibility of the LEGI funding was vital in securing continued commitment by enabling partners to respond to changing local needs
- close working relationships had been established in most areas with the education sector as key partners at both the strategic and operational level.

However, difficulties with regard to partnership working were also encountered during the development and delivery of the programme including:

- managing expectations (particularly among the business community) of the programme and what it was able to deliver
- confusion over individual/organisational roles and potential conflicts of interest (and blurring of strategic and operational partners roles)
- ‘tetchy’ relationships between partners following the award of LEGI – particularly around the commissioning/procurement and monitoring processes; once these were embedded, relationships smoothed over again
- issues regarding ownership/control, for example where the steering group became too involved in the day to day decisions
- the reluctance of the Regional Development Agencies to engage with the partnerships in many areas despite them having a clear role in joining up agendas and assisting partnerships to access additional resources
- variable involvement from Business Links; although relationships at an operational level appear to have improved over time (as exemplified by increased cross-referral of clients), the input of Business Link at a strategic level has been more limited
- the private sector’s frustration with ‘bureaucratic’ public sector approaches.

5.4 Linkages and synergy

This sub-section assesses the extent to which appropriate synergies and operational linkages were established as part of the delivery of LEGI programmes. Such linkages are important if optimum use is to be made of existing resources and appropriate 'routeways' with effective support are to be made available to beneficiary businesses and residents. They can also deliver 'strategic added value' – including for example changes in organisations' policies and delivery methods. However, 69 per cent of the programme managers and key partners interviewed reported difficulties in establishing links with particular agencies. The most frequently cited were Regional Development Agencies and Business Link – although the relationship with the latter varied from 'non-existent' to 'excellent'. Main findings with regard to the involvement of and linkages with, key partners are summarised below:

Local authorities:

- Local authorities have had the key role in administering the programme in the majority of areas.
- LEGI has facilitated greater cross-directorate working within local authorities and raised the profile of enterprise across departments (e.g. in terms of procurement policy; with regard to education and community development).
- Close linkages have been established with local authority economic development (and wider) activities.

Regional Development Agencies:

- As the LEGI partnerships are not accountable to the Regional Development Agencies, involvement has been variable and LEGI areas have reported mixed experiences – especially in the initial stages of partnership development and delivery.
- Some Regional Development Agencies have engaged more proactively than others (particularly in regions where there is more than one LEGI area) and have been closely involved with the partnerships since the bidding stages. Others have had a more challenging relationship – particularly with regard to the respective roles of LEGI and Business Link and the ramifications of the Business Support Simplification Programme process.
- Regional Development Agency involvement has included assistance with bid preparation; co-ordination and networking across LEGI areas; and steering group attendance – usually with observer status.
- There is now a recognition by most Regional Development Agencies that LEGI has 'filled a gap' in relation to support for intensive pre-start-up advice – particularly in the most deprived areas – and for businesses serving more localised and 'non-growth' markets, thus enabling regional funding to support enterprises with high growth potential.

Business Link:

- Relationships and linkages with Business Link were initially fragmented at best in most areas. This was partly due to the introduction of LEGI coinciding with the Business Support Simplification Programme and re-contracting processes for Business Link in many areas.
- Initially there was a view that LEGI would duplicate the Business Link offer and it took time for the distinct roles to be carved out.
- Operationally relationships have become much more positive after a difficult start in many areas. Clear protocols have been developed for the two-way referral of clients in many areas.
- Marketing and branding of services has been a key issue in terms of the relationship and linkages between the LEGI partnerships, local authorities and Business Link/Regional Development Agency.

Private sector:

- While Chambers of Commerce have played a central delivery role in some areas (St Helens, Coventry), private sector involvement in delivery has generally been limited. The main exceptions to this have been the involvement of certain local businesses in enterprise education and mentoring/coaching programmes.

Voluntary Community Sector:

- Overall the involvement of the voluntary sector in delivery has also been weak.
- Involvement of experienced community based organisations at delivery level is however seen as key to successful engagement of hardest to reach groups.

At an operational level LEGI appears to have enabled trust to develop between partners – this has also been assisted by transparent commissioning processes. However, where a large number of delivery partners have been involved, projects have occasionally struggled to link effectively with one another i.e. provide an integrated programme of support with appropriate cross referrals. This can lead to LEGI projects competing with each other for participants and not referring on through the enterprise support 'routeway'. However, such duplication of services can also be seen in certain instances as being beneficial through providing participating residents and businesses with a choice of provider.

Across the different case study projects a number of benefits arising from new and strengthened linkages were reported. They included:

Projects focused on residents:

- Schools benefited from wider links with business forums and private sector groupings.
- Enterprise awareness projects enabled good operational linkages to be forged with Voluntary and Community Sector and public sector organisations (Jobcentre Plus, Connexions) and outreach facilities (children's centres).

- Local community organisations were an important channel for engagement with ‘hard to reach’ groups and this led in several instances to new working arrangements being forged.

Projects focused on start-ups:

- Good links with public sector partners (e.g. Jobcentre Plus, local authorities) and Voluntary and Community Sector organisations (Princes Trust, Citizens Advice) as well as follow on support projects (access to finance, professional services, premises).

Projects focused on business support:

- Very good linkages with intermediary organisations (banks; accountants; other professionals) as a source of referrals and support – key success factor.
- Procurement projects improved linkages between council departments.
- Networking projects facilitated links to improve the ‘business friendliness of the area’ – community safety, planning, traffic, town centre management.

Projects focused on place:

- Strong linkages and networking with local businesses in the areas.
- Very strong linkages between other place management type projects e.g. district centre managers, property grants, ‘business-friendly planners’.
- Improved relationships across council departments – inward investment, planning, marketing, business support services and links between relationship managers and employment teams.

It is noteworthy that, in general, where relationships between organisations have developed or been strengthened, they appear to have received greatest impetus from operational linkages rather than joint involvement in strategic partnerships. The LEGI partnerships’ links to Local Strategic Partnerships are primarily reporting relationships – often tied to progress against Local Area Agreement targets. There is only limited evidence of Local Strategic Partnerships providing strategic direction for LEGI partnerships or serving as a source of enhanced linkages and synergy (including with Working Neighbourhoods Fund as well as ‘mainstream’ activities). There was, however, widespread recognition amongst LEGI managers and coordinators of the need to proactively build knowledge of LEGI amongst partners through the Local Strategic Partnership in order to increase interest and ownership of the programme – especially with a view to post-2011 arrangements.

A key benefit of adopting a partnership approach to delivery is the opportunity to influence the policies and activities of partner organisations i.e. to deliver strategic added value. The LEGI programme has in particular provided the opportunity to marry up the economic and social inclusion agendas at a local level. It has potentially raised the profile of enterprise with organisations engaged on the social inclusion and regeneration agendas and, conversely, the profile of social inclusion with business development agencies.

Table 5.2 summarises results of the questionnaire of LEGI programme managers and shows that while the programme is felt to have had significant influence on local authorities and a certain impact with Business Link, its influence on Jobcentre Plus was seen to be very limited. This result in many respects is not surprising. Local authorities have had a central role to play in the delivery of LEGI and enterprise has a key potential role to play with regard to their wider activities including the delivery of core services as well as physical and other regeneration activities. Delivery of the enterprise component of the LEGI programmes has required the development of operational relationships with Business Link and, in many instances, LEGI has served to extend the 'market' for Business Link services by operating as a referral source – whereas the relationship with Jobcentre Plus is if anything the reverse.

Table 5.2: Extent to which organisational behavior has been influenced by LEGI (views of LEGI managers and key partners within the case study areas)

	Yes	Partly	No
Local authority	44%	50%	5%
Business Link	18%	47%	35%
Jobcentre Plus	6%	24%	70%

Source: Feedback from interviews with key partners in the case study areas and all programme managers

Section 6

Value for money

6.1 Introduction

The starting point for the assessment of value for money for any programme or area based initiative is to establish the 'counterfactual', i.e. identify what would have happened in the absence of the intervention. There are a number of ways in which a view on the 'counterfactual' can be developed.

- (i) One way is to seek people's views (the bottom-up analysis). In the current evaluation, this is being provided through the case study research and the beneficiary survey. There is however an obvious risk of bias and lack of a fully informed view, so results need to be considered in the light of other evidence and, where appropriate, allowance made for optimism bias.
- (ii) A second approach is to track beneficiaries and identify 'matched' non-assisted comparators to examine the extent of differential performance. However, this is resource intensive and requires sophisticated monitoring systems to be established at the start of a programme.
- (iii) A third approach to developing the counterfactual view is to use 'top-down' data analysis to track the performance of 'assisted areas'; to identify comparator non-assisted areas; and to examine reasons for differential performance. However, areas can vary substantially, in terms of their economic and social attributes, and some of these attributes may operate to enhance policy intervention and some may hinder it. It is therefore important that the 'mix' of local attributes is taken into account in establishing the 'counterfactual'. It is also not uncommon for different policy initiatives to be operating simultaneously which creates a problem of policy 'attribution'. Our approach to resolving these issues has been through use of econometric modelling.

The above methods have been used to derive estimates of the net additional impact of the LEGI programme. Where these are assessed as being statistically significant, they have then been used as the basis for assessing Value for Money. Value for Money is defined as being determined by the relationship between total costs (the resources a project uses up) and total benefits (including, in particular, the outputs and outcomes it is anticipated to achieve). For a project to offer Value for Money its benefits must exceed its costs.

There are two main approaches to assessing Value for Money:

- (i) Cost-benefit analysis based approach – quantification in monetary terms of as many of the costs and benefits of the LEGI programme as possible. The costs and benefits are then compared to determine whether benefits exceed costs and the project/programme is Value for Money. In order to be comparable with other evaluations, it is convenient to express the results in the form of a benefit:cost ratio.
- (ii) 3Es analysis – this technique focuses on public sector funding and involves an assessment of the:
 - ratio of costs to inputs (economy) – in other words, is the required specification being delivered at an appropriate price and have overall costs (including administrative costs) been reasonable?
 - ratio of public sector costs to outputs (efficiency, or sometimes referred to as cost effectiveness)
 - delivery of objectives or key outcomes (effectiveness) – the extent to which the project will achieve the desired objectives.

The evaluation of LEGI encompasses both of these approaches. Cost benefit analysis is used to determine the total net economic value created by the initiative (and its effect on overall net welfare). In addition, a 3Es analysis has been undertaken to examine the relative economy, effectiveness and efficiency of the LEGI investment and the contribution of the programme to meeting its objectives.

6.2 Cost benefit analysis

6.2.1 Top-down

The Difference-in-Difference analysis (described in Section 4.3) identified that LEGI has had an additional positive impact on business formations. The results of this econometric modelling have been used to identify the number of additional businesses formed that are attributable to LEGI – 5,890 additional start-ups (see Section 4.3.2). The average employment and Gross Value Added per business formed derived from the beneficiary survey has been used to estimate the employment and Gross Value Added impact. The Gross Value Added figure has been adjusted to allow for ‘capital consumption’ in order to provide an estimate of Net Value Added. This has been adjusted to allow for persistence, average survival rates per annum and displacement to estimate the net additional employment, Gross Value Added and Net Value Added created.

Each of the stages in the analysis is described in turn:

(i) Employment, Gross Value Added and Net Value Added impact

The average employment (2.3 jobs) and Gross Value Added (£92,500) per business start-up from the beneficiary survey have been used to estimate total employment and annual Gross Value Added generated by the additional LEGI business start-ups. In addition, Gross Value Added has been adjusted using the National Accounts, to estimate Net Value Added. The 'one year' impact of LEGI is therefore estimated to be:

- Employment – 13,520 (5,890*2.3)
- Gross Value Added per annum – £545m (5,890*£92,500)
- Net Value Added per annum – £480m (5,890*£81,500).

(ii) Survival rates and persistence

In reality, a number of the LEGI business start-ups will cease trading and others will grow. Consequently, a 'cohort' survival model has been developed using LEGI area business survival data from the BETA model. In order to be prudent, no allowance has been made for the expansion of surviving firms.

The estimated cumulative Gross Value Added and Net Value Added impact of LEGI over the model period to 2009, after allowing for survival rates, is as follows:

- Gross Value Added (cumulative 2006 - 2009) – £784m
- Net Value Added (cumulative 2006 - 2009) – £691m.

(iii) Additionality

The Difference-in-Difference modelling identifies those business formations that are additional and due to LEGI. However, it does not take account of the extent to which these businesses displace activity from other firms within the local area, Travel To Work Area or region. Consequently, a further adjustment has been made by applying the displacement rates identified in the beneficiary survey, together with the multiplier effect.

The estimated impacts of LEGI at the local, Travel To Work Area and regional level, after allowing for displacement, are as follows:

	Local	Travel To Work Area	Regional
Employment	7,733	6,253	4,117
Gross Value Added (one year/£million)	312	252	166
Net Value Added (one year/£million)	274	222	146
Gross Value Added (cumulative 2006-09)	449	363	239
Net Value Added (cumulative 2006-09)	395	319	211

Source: AMION/LEGI Beneficiary Survey

(iv) Results of the cost benefit based analysis

The total public sector start-up costs are estimated to be £85m.

Table 6.1 sets out the benefit:cost ratio results.

Table 6.1: Benefit: Cost Ratio results – top-down business formation			
	LEGI area	Travel To Work Area	Region
Gross Value Added (one year)	3.7	3.0	2.0
Net Value Added (one year)	3.3	2.6	1.7
Gross Value Added (cumulative 2006-09)	5.1	4.1	2.7
Net Value Added (cumulative 2006-09)	4.5	3.6	2.4

Source: AMION

The analysis shows that the benefits of the business formation component of the programme significantly exceed the costs (i.e the benefit:cost ratio is greater than 1). The LEGI benefit:cost ratio is slightly lower than the Regional Development Agency business development and competitiveness intervention average (2.8). However, the LEGI programme is operating in disadvantaged areas, where there are significant barriers to enterprise development.

If the total LEGI programme cost (including other public) were to be included in the benefit:cost ratio, rather than just the start-up costs, the cumulative local Gross Value Added benefit:cost ratio would be 1.5:1. Taking the one year local Gross Value Added would give a ratio of 1.1:1. Consequently, the start-up benefits alone exceed the overall costs of the programme.

6.2.2. Bottom-up

The preceding section presented a cost benefit analysis using the results from the econometric modelling. This section provides an alternative ‘bottom up’ assessment using the performance information from the areas and the results from the survey as detailed below. This approach to calculating the benefit:cost ratio of LEGI has used the net additional outputs identified above for both start-ups and business expansions, as well as the relevant total public sector costs. In particular it has involved the following steps:

- identification of the total public sector costs associated with business start-ups and expansions
- the net additional benefits (in terms of Gross Value Added/Net Value Added) have been estimated for start-ups and expansions by combining the relevant programme outputs with the additionality and average Gross Value Added per business identified in the survey
- then the ratio of benefits to costs have been compared.

The results of the bottom-up benefit:cost ratio analysis are set out in Table 6.2.

	LEGI area	TTWA	Region
Gross Value Added (one year)	2.3	2.0	1.3
Net Value Added (one year)	2.0	1.8	1.1

Source: AMION – LEGI partnerships performance monitoring information; LEGI Beneficiary Survey

6.3 The 3Es (economy, efficiency and effectiveness)

6.3.1 Economy

The evidence from the evaluation indicates that the LEGI partnerships have spent time and resources developing their own programme management, appraisal, approval and audit systems. There was limited central guidance and this has led to a number of inconsistencies and inefficiencies.

The spending on the ‘other’ category (see Section 2.7) appears quite high at 10 per cent as it largely relates to programme management (the benchmark for Neighbourhood Renewal Fund was 5 per cent) although this may be accounted for by the definitions and variations

from area to area – some areas for example have included early stage feasibility work under this heading.

6.3.2 Efficiency

Table 6.3 sets out the public sector costs and outputs associated with the LEGI programme, together with their cost per unit output ratios. The total business created cost per net additional business created compares favourably with the Department for Business, Innovation and Skills Regional Development Agency evaluation evidence (£187,771 per net business created). The cost per business assisted is higher for LEGI than the Department for Business, Innovation and Skills Regional Development Agency average (£9,705 per business assisted) but benchmarking programmes on this indicator is problematic because of the wide variation in the nature of support being offered. As noted previously many of the LEGI areas have offered the opportunity for longer-term and more intensive support.

Table 6.3: Cost effectiveness of LEGI

Costs and benefits		
A	Total gross public sector (£000)	294,000
B	Total business expansion public sector (£000)	92,000
C	Total start-up public sector (£000)	85,000
D	Gross businesses assisted	23,300
E	Gross businesses created	12,000
F	Net additional businesses assisted	2,479
G	Net additional businesses created	2,371
Cost effectiveness measures		
H	Total business expenditure cost per businesses assisted	3,948
I	Total business created cost per gross business created – local area	7,083
J	Total business expenditure cost per net additional businesses assisted	37,111
K	Total business created cost per net additional business created – local area	35,850

Source: AMION – LEGI partnerships monitoring data, LEGI Beneficiary Survey, econometric modelling

6.3.3 Effectiveness

It is not possible to comment on the achievement of overall targets, since none were set nationally. However, analysis of performance management information has identified that, at a local level, targets set by local partnerships were in the majority of instances being met and often being exceeded.

Table 6.4 assesses the extent to which LEGI has achieved its original objectives.

Table 6.4: Effectiveness of LEGI	
Aim and outcomes	Degree of effectiveness
<i>Aims</i>	
To release the economic and productivity potential of the most deprived local areas through enterprise and investment.	Medium – the overall LEGI programme has increased levels of economic activity – and in particular the numbers of enterprises within the areas – through its focus on enterprise and raising entrepreneurial activity. A significant amount of funding has however been spent on activities that could be seen as peripheral to the programme's overall objectives e.g. worklessness and employability support.
<i>Outcomes</i>	
To increase total entrepreneurial activity among the population in deprived local areas.	Medium/high – both the top-down and bottom-up analyses suggest that the LEGI partnerships have been successful in supporting the establishment of new businesses in the most deprived Lower Super Output Areas in their areas. The profile of entrepreneurship in deprived areas has also been raised through awareness raising in schools and within local communities. The impact of this will take time to come forward/materialise, however feedback from the case study areas and key partners cite 'a changed culture' and 'increased enterprise awareness' as key legacy effects.
To support the sustainable growth and reduce the failure rate of locally-owned businesses in deprived areas.	Medium – the top down modelling suggest that the LEGI areas have performed well in terms of business start-ups. However, the evidence in relation to existing business support is more varied. The qualitative feedback does however provide evidence to suggest that the LEGI programme assisted those businesses that either would not have been eligible for support from Business Link, for example, or that LEGI funding was used in a complementary manner.

Table 6.4: Effectiveness of LEGI (continued)

Aim and outcomes	Degree of effectiveness
To attract appropriate investment and franchising into deprived areas, making use of local labour resources.	Low – very few of the areas used LEGI funding to attract inward investors. Indeed, for many areas inward investment was not necessarily an appropriate objective. A small number explored the potential to set up franchising projects, however, in most instance, these were unsuccessful and not pursued. Although not directly linked to inward investment projects, some partnerships did establish employment brokerage projects matching residents to the demand for labour in the area.

Section 7

Conclusions and lessons for the future

7.1 Overview

LEGI has had a positive impact on enterprise activity in the targeted deprived areas and has served to promote 'enterprise' as a priority with a range of organisations. Its impact on worklessness is, as yet, less clear cut.

The Value for Money analysis identifies that the benefits (as measured by net additional Gross Value Added) exceed the total public sector costs. The programme appears to have been particularly effective in relation to start-ups. However, levels of additionality, especially with regard to support for existing businesses and its impacts, seem to be low. This is likely to be due, in part, to the type of businesses in the areas and the general lack of targeting on growth businesses.

The results of the impact and Value for Money analysis also need to be seen in context. While levels of deadweight in terms of the impacts of support are high, the programme appears to be engaging with individuals and businesses where existing programmes have failed. It is in many respects an experimental programme. Moreover, the core rationale of the LEGI programme is to support enterprise development in deprived areas as a means to enabling the sustainable improvement of such areas. This is a long term task. Proponents of the programme suggest that its most lasting impacts will be in changing cultures and promoting enterprise as an option for residents. The benefits of this will not yet be apparent but the feedback from partners is positive.

The programme's more qualitative benefits that will potentially generate longer term impacts largely derive from its flexibility that enables it to be tailored to the needs of individual areas. They include:

- changing local enterprise cultures to make people less risk averse and more entrepreneurial – and in particular, starting young through schools
- focusing on the provision of quality client centred support and understanding in particular the relationship between employment and enterprise – business start-up may be just one part of an employed/self employed pathway
- recognising the barriers for local people in accessing work and enterprise advice and supporting improved community infrastructure to engage client groups

- building confidence in locations as an environment in which businesses can thrive and ensuring effective linkages with partners to provide 'fit for purpose' infrastructure
- promoting pro-active procurement approaches to develop markets – including public sector purchasing and supply chain development
- ensuring the availability of a continuum of quality pre-start, start-up and post start-up support
- establishing partnership arrangements and capacity that will play an active role in coordinating future delivery.

7.2 Relevance

A core issue for any evaluation is the assessment of the relevance of a programme's design and content to the achievement of its objectives and the (often changing) circumstances within which it is operating. LEGI, and its emphasis on enterprise, was universally seen by consultees (both key partners in the case study areas and the programme managers in all the LEGI areas) as relevant to the needs of deprived local areas. Feedback highlighted in particular the flexibility and the scale of the funding which enabled:

- creative and bespoke local responses in a very wide variety of local contexts
- programmes to respond to changing circumstances
- providers to deliver tailored client-centred 'intensive' and long-term support packages
- the partnerships to test new approaches and 'take risks'.

However, many reported that the reduction of the funding period from the original 10-year LEGI programme timescale had prejudiced achievement of their original objectives – particularly for example in terms of achieving a sustainable shift in cultural attitudes towards enterprise. In hindsight the original vision in some areas was felt in any case to have been too optimistic given the level of funding.

A core aspect of the LEGI programme's design is its targeting on a small number of generally tightly-defined areas. Tight spatial targeting reflected a local vision to target the most excluded residents and was felt therefore to be appropriate for projects such as outreach and engagement. However, most LEGI areas adopted a more pragmatic approach in relation to determining eligibility for business support, with many areas working on a borough wide basis. Several areas had relaxed their initial policy – partly to avoid a postcode lottery and partly as a response to the deteriorating wider economic context.

In terms of the design and scope of programmes, most projects appear to have had a good strategic fit. However, there was some questioning of the relevance of interventions designed to assist local residents into employment given the programme's overall (essentially demand-side) objectives. The counter argument was that low employability skills represented a major barrier to enterprise as well as to employment in deprived areas. Nevertheless the funding of such interventions through LEGI – as opposed to, for example Working Neighbourhoods Fund where available, is open to question.

The other main aspect of programme design that is open to question is the inclusion of the attraction of investment as a core objective. Particularly given the nature of most of the areas, inward investment is not really a feasible priority. Moreover the introduction of LEGI partnerships as another competing player in an already crowded field could well have been counter-productive. In practice, most of the partnerships did not pursue investment as a major priority within their programmes.

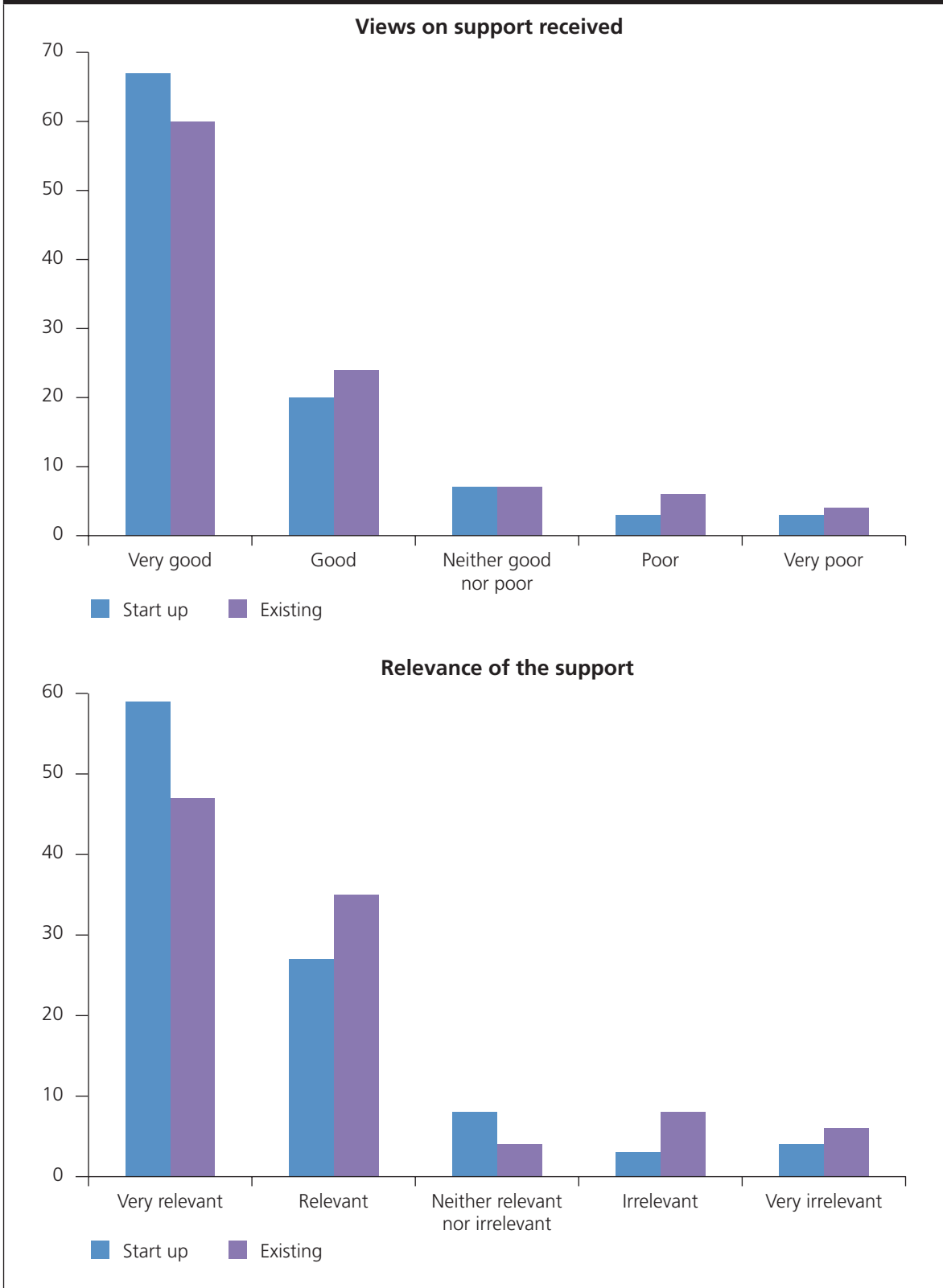
Some consultees have also questioned the amount of funding that appeared to be spent on branding and promotion in certain areas. While this might have improved 'local pride', it was felt to be more relevant to an economic development programme – as opposed to an enterprise programme with limited resources at its disposal.

Generally programmes were based on thorough research and analysis of area needs. There was also evidence that programmes changed projects to suit changing economic circumstances and not just because of under-performance.

While there has been some criticism that there was insufficient guidance from government at the outset of the process, the counter-argument is that areas were given the freedom to design interventions and programmes that met local requirements. A more telling weakness has been a lack of learning from best practice. For example, several Regional Development Agencies identified that consultation with them in the first instance could have provided valuable lessons and input to initial delivery plans. Also several partnerships identified that the LEGI Winners Network meetings could have been used more effectively to promote best practice and relevant activity.

Finally, the surveys of beneficiary start-ups and businesses found that views of the quality and relevance of support provided were generally highly positive – particularly amongst start-ups (see Figure 6.1). Prior to LEGI, only 14 per cent of start-ups and 21 per cent of existing businesses had previously accessed business support and of those – only 3.8 per cent had used Business Link.

Figure 7.1: Beneficiary views of quality and relevance of support received



Source: LEGI beneficiary survey

7.3 Legacy

Programmes such as LEGI can leave a legacy in two broad ways. Firstly, through the continuation of activities and new ways of working and secondly, through the sustainability of the benefits generated – for example, through changes in culture or the survival and growth of new businesses created.

Interviews with programme managers and research in the case study areas identified the most prevalent forms of legacy benefit that would be left by LEGI as being:

- a changed culture
- new physical structures – such as enterprise centres
- ongoing business support networks
- enhanced enterprise education in schools.

Feedback from the areas suggests that LEGI has in particular succeeded in raising the profile of enterprise and self-employment among both adults and school children. Significant resources have, for example, been spent in promoting enterprise education in schools. In several areas this activity has now been mainstreamed as part of the curriculum. Benefits of the resulting change in awareness, in terms of increased rates of enterprise activity, will only be realised many years in the future. However, there is some anecdotal evidence that improvements in educational attainment have arisen as a consequence.

Changing cultures is a long term task and there are concerns that, unless effective succession arrangements are established, benefits could be short-lived. The ability to continue best practice and pass on lessons learnt (which may not necessarily always be 'good') also depends upon effective succession arrangements and, as described earlier, the extent to which partner organisations' activities have been influenced.

There is also evidence that, in some areas, LEGI has helped to develop a more sustainable delivery infrastructure. In particular benefits for social enterprises and the third sector have been highlighted – where they have been used as delivery vehicles (for example both Norwich and Great Yarmouth LEGI partnerships have used a social enterprise for delivery – Norfolk and Waveney Enterprise Services – which has reportedly been strengthened as a consequence).

However, there is also concern in several areas that it is unclear how gaps that will be left at the end of the programme will be filled. For example, the programmes' use of intensive pre-start support and subsequent referral mechanisms has to an extent enabled the gap to

be bridged between deprived communities and mainstream enterprise support services – as currently offered by Business Link. However, given the uncertainty over Business Link's own future plus doubts over future funding available for pre-start support in many areas, establishing continuation arrangements presents obvious difficulties.

There are several examples of succession arrangements for projects already being put in place. These vary according to the type of project as summarised in Table 7.1 below.

Table 7.1: Sustainability feedback from case study projects	
Projects focused on:	
Residents	<ul style="list-style-type: none"> • A number of education projects have been mainstreamed • Lack of agreed continuation arrangements for other resident-focused projects – little evidence of Working Neighbourhoods Fund/Area Based Grant being sought for future delivery
Start-ups	<ul style="list-style-type: none"> • Local authority, European Social Fund/European Regional Development Fund/Regional Development Agency resources being explored to deliver intensive pre-start-up support and business coaching
Businesses	<ul style="list-style-type: none"> • Some of the loan funds will continue, using repayments in the short term – although new resources will be required in the longer term if there is still felt to be a need • Some projects are time limited – e.g. establishing new public procurement practices; new premises etc ; others are exploring European Regional Development Fund, local authority ongoing funding
Place	<ul style="list-style-type: none"> • Some projects entailed one-off funding to upgrade areas/premises • Other projects are exploring the Business Improvement District model; Local Authority Business Growth Incentive Scheme/local authority funding

Source: Interviews with individual project managers in the case study areas

In addition areas have been working on a variety of succession arrangements for their overall programmes. Some, for example, had been looking at LEGI Boards assuming more strategic roles while others had been examining options for new structures such as community interest companies which will assume income-generating delivery roles.

The abolition of Regional Development Agencies and the announcement of the formation of Local Enterprise Partnerships potentially provides new opportunities for the best practice from the LEGI areas to be adopted. It is interesting that discussions with programme managers and other LEGI partners revealed a clear agenda in terms of implications for future policy and delivery. It includes:

- promotion of joint working across neighbouring districts around enterprise
- local flexibility of delivery and use of funding
- improved working relationships with key ‘mainstream’ organisations
- working with a range of partners – including in particular the Voluntary and Community Sector – to target enterprise support on deprived neighbourhoods
- resources
- alignment of enterprise, education and regeneration agendas.

7.4 Lessons for the future

The LEGI Programme has important implications for future policy with regard to enterprise support and deprived areas. Some overarching lessons, and related priorities, for future activity are identified in the panel below.

Lessons and Priorities
Funding
<ul style="list-style-type: none"> • Needs to be flexible so that it can be tailored to the needs of individual deprived areas. • ‘Short-termism’ in funding should be avoided.
‘Core’ activities
<ul style="list-style-type: none"> • Changing local enterprise cultures to make people less risk averse – and in particular, starting young through schools. • Focusing on the provision of quality client-centred support – and understanding in particular the relationship between employment and enterprise – business start-up may be just one part of employed/self employed pathway. • Building confidence in locations as an environment in which businesses can thrive and ensuring effective linkages with partners to provide ‘fit for purpose’ infrastructure. • Promoting pro-active procurement approaches to develop markets – including public sector purchasing and supply chain development. • Ensuring the availability of a continuum of quality pre-start, start-up and post start-up support.

Lessons and Priorities (*continued*)

Synergy and linkages

- Identifying the remit of individual projects and ensuring that they become part of an integrated delivery infrastructure. Facilitating linkages between projects and establishing clear referral protocols.
- Enhancing coordination and collaboration between projects.
- Ensuring projects have the support of Local Enterprise Partnerships and other partners - local programmes need to align with local strategic priorities if resources are to be available in the future.

Measuring impact

- Greater clarity is required on what is expected from activities and at what point in time (making due allowance for project start-up time).
- Effective processes/systems for measuring performance and impact need to be established at the outset.
- Benchmarks need to take account of the fact that targeting hard to reach groups requires more intensive support.
- All delivery partners need to be fully aware of the targets/outcomes to be achieved.

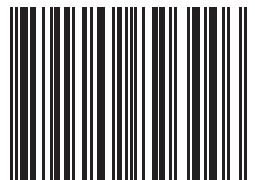
Management and delivery arrangements

- Strategic Boards need to play an active role in leading programmes. Roles and responsibilities need agreement.
- Recruiting skilled staff.
- Establishing leadership capacity to achieve credibility and raise confidence – especially amongst the business community.
- Using community-based infrastructure, and engaging with specialist providers, to engage with and support ‘hard to reach’ client groups.

As a programme LEGI is arguably unique in that it ‘embraces’ both competitiveness and social exclusion policy objectives. There is considerable merit in the integration of these objectives, but this needs to take place (a) at the appropriate spatial levels and (b) with the co-ordinated involvement of all relevant agencies. The continued availability of flexible resources (for example through the Regional Growth Fund) will enable this to happen but needs to take place within a clear framework of agreed objectives.

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