April 2023

# Grants4Growth Summative Assessment

## Final Report

SQW

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# Executive Summary

1. SQW and Qa Research were commissioned by South Holland District Council (SHDC) to undertake a Summative Assessment of the Grants4Growth (G4G) project. G4G is a £15.89m project, which is part-funded by the European Regional Development Fund (30%), in addition to public sector match (0.1%) and private sector match (69%). The project is delivered by South Holland District Council (the Accountable Body for the project) across Greater Lincolnshire. G4G was designed to support SMEs in Greater Lincolnshire to invest for growth, stimulate new product and sales development, enhance process efficiencies and boost productivity, through providing grants of between £1,000 and £25,000 to eligible SMEs to support up to 50% of the total cost of eligible assets. The project launched in January 2017 and is due to run until the end of June 2023.

2. The Summative Assessment adopted a mixed-methods, theory-based approach, which uses G4G's logic model as a framework to test whether the project has delivered the intended outcomes and impacts and assesses factors that have helped or hindered this. This approach is considered proportionate to the nature and scale of the project and is in line with Government evaluation guidance (e.g. the Magenta Book and the ERDF Summative Assessment Guidance). The Summative Assessment has been informed by analysis of G4G monitoring data, impact forms and project documentation, consultations with internal delivery and management staff, and external stakeholders (in November - December 2022), an e-survey of wider external stakeholders (carried out in November 2022), a telephone beneficiary survey (conducted in December 2022 - January 2023 by Qa Research), a telephone non-beneficiary survey (in January - March 2023), and four in-depth case studies, informed by a site visit and consultation with beneficiaries (in February - March 2023).

## Findings of the Summative Assessment

### Project relevance and consistency

3. **There was a strong rationale for the project at the outset:** Economic and productivity growth in Greater Lincolnshire had been a longstanding challenge, with the gap with the UK average widening. Investing in growth was a strategic priority for the area (and nationally). However, evidence gathered for this report suggests the most significant barrier preventing SMEs in Greater Lincolnshire from investing in growth was the lack of *internal* finance available to do so. Beneficiaries and stakeholders also cited challenges in accessing *external* finance, including a lack of awareness, or willingness (often due to risk-aversion) to access finance, which aligns closely with the original rationale for the project.

4. **G4G was appropriately designed to meet its objectives:** The design and targets were informed by evidence from an evaluation of a previous, similar project, and as such, targets were considered realistic and appropriate at the outset. Targets have since been stretched

further to reflect project extensions and additional budget. However, there was growing recognition as the project progressed that job creation was not the only route to growth. Given the external economic context (e.g. price rises, labour shortages, the need for automation to improve cost efficiency), SHDC responded appropriately to support different routes to growth (e.g. productivity, efficiency), where still aligned with the overall objectives of G4G.

5. **The project remains relevant in light of changing context:** Improving access to finance continues to be a priority both nationally and sub-nationally. There has been some (minimal) overlap with other grant schemes delivered locally during Covid-19, but, G4G has maintained a distinctive focus in terms of grant size available, the emphasis on investing for growth, and being largely sector agnostic. There was consensus amongst stakeholders that G4G has continued to remain relevant and consistent in light of major contextual changes since it was designed. A number of significant economic shocks have occurred during the project's lifetime which have only served to increase G4G's relevance, particularly given its focus on supporting investment that improves business resilience, efficiency and productivity.

### Progress against contractual targets

6. **G4G is on track to meet, or exceed, most contractual output and expenditure targets by project closure in June 2023**: At the end of January 2023, G4G had claimed £4.55m of ERDF funding which represents 94% of the project's overall ERDF allocation and spent £30k from SHDC. By project closure, G4G is forecast to have only c.£35k of capital grant funding unallocated and reach 98% of the lifetime expenditure target. The slight shortfall is due to challenges in securing claims from a very small number of SMEs that have more recently been awarded grants. G4G has also leveraged £10.55m private sector match, against a target £11.02m (91%), and is expecting to achieve 98% of the overall project target by project closure (for the same reasons as explained above).

7. **By January 2023, G4G had provided grants to 400 SMEs in Greater Lincolnshire and, in doing so, created 276 gross jobs according to monitoring data**: The project has therefore already met lifetime targets for number of enterprises supported and receiving a grant (both 106% of lifetime target), and job creation targets (105% of target), and is likely to exceed these targets further by project closure. G4G has done well to achieve job creation targets, particularly given (i) very tight labour market conditions in Greater Lincolnshire, (ii) unprecedented challenges during Covid-19 and ongoing economic uncertainty, which has made some businesses cautious about recruiting more staff, and (iii) G4G's shift towards investments that improve efficiency/productivity as a route to growth, which may not necessarily lead to job creation, at least in the short term.

### Delivery and management performance

8. **The project has reached its intended audience:** All beneficiaries were SMEs, with an emphasis on small and microbusinesses. G4G has been particularly successful in supporting the manufacturing sector: almost half of G4G beneficiaries were accounted for by this sector,

which is one of the GLLEP area's priority growth sectors. However, it is important to note that G4G has also supported a range of other sectors, including high value sectors such as professional, scientific and technical activities. Encouragingly, even though G4G is managed by SHDC, the team has successfully reached across the whole LEP area - the spatial distribution of grants broadly mirrors the distribution of SMEs across Greater Lincolnshire. The requirement for businesses to match fund the grant has reportedly ensured that beneficiaries are committed to investing for growth and therefore keen to realise financial benefits.

9. **Grants have been slightly larger than expected, on average, but the funding has been used as intended:** The average grant value awarded was £9,085 across the 400 beneficiaries supported to date, with grant values varying from £1,000 to £24,999. This is slightly higher than anticipated (£6,309), but reflects growing demand for larger scale, more significant investments. Consultees argued that the scale of investment (particularly where the grants had been over £20k) has meant that more meaningful investments could take place, which had contributed towards high levels of growth amongst the SMEs supported (see below). The beneficiary survey found the most common uses of G4G funding were to increase capacity, make processes more efficient, or invest in new machinery/equipment to diversify, i.e. to offer new products or services. There has also been a shift in how the funding was used over time, reflecting the wider economic context, from investments to improve capacity/sales initially to a greater focus on innovation, efficiency and productivity.

10. **Recognition and awareness of G4G was quickly raised during the project's initial years, and then maintained through referrals and stakeholder engagement:** The longevity of the project over a six-year period and consistency in its purpose/aims has helped to with this. Referrals and stakeholder engagement (particularly via the Growth Hub, intermediaries and the local authorities) has been key to raising awareness of the project. Word of mouth has also been important. Marketing activities were considered to have been effective and largely optimal, but not the key driver of demand. The brokerage function has played an important role in facilitating access to the project and ensuring that applications are both appropriate for the business and aligned to the project's purpose. This function has worked best where the broker was closer to G4G processes/the Operational Team. It is clear that the success of the project has, in part, been related to the clarity on G4G's fit in the Greater Lincolnshire business support landscape (and minimal overlap with other projects that provide financial support to SMEs), and the strong relationship established with local partners/stakeholders who have provided appropriate referrals. This presents a risk going forward for any continuation of the project, given the significant change in the business support landscape that is expected as ERDF funding comes to an end. There may be a requirement for increased, and improved marketing in-house, and the development of new relationships as new publicly funded projects emerge in order to raise awareness of any future grant project and ensure that the referral and aftercare network is not lost.

11. **The project has been well managed, delivered and governed:** By introducing continuous improvements throughout the project and being responsive and flexible to changing market conditions, the management and operational team have tried to mitigate risks as the project progressed. The customer journey has generally been effective. Beneficiaries cited very high levels of satisfaction with the scale and level of support provided by SHDC across all stages of engagement. Feedback on delivery and management from consultees/external stakeholders was also very positive, with several highlighting the ease of application process, and mix of representation and levels of engagement within the Strategic Board and Grant Panel as being key strengths of the project.

### Outcomes and impacts

12. **Strong evidence of progress towards the project's intended outcomes and impacts:** For the majority of beneficiaries, the investment supported by the G4G grant has already enabled them to achieve intermediate outcomes including new/improved internal processes, improved capacity, new or improved products/services and improved skills/knowledge. Many beneficiaries noted the grant had led to efficiency improvements and time savings in processes. Beneficiaries are already seeing benefits flowing from those intermediate outcomes, such as efficiency and capacity improvements leading to cost savings, increased productivity and increased profitability.

13. **The G4G grant has played an important role in enabling businesses to achieve outcomes, and accelerate growth:** According to the survey results, G4G has predominantly generated outcomes that are *partially* additional, i.e. outcomes have been achieved more quickly than would otherwise have been the case. This suggests that G4G has helped to *accelerate* economic growth. There is also some evidence of full additionality, whereby outcomes would not have been achieved at all. Deadweight is low, i.e. where all outcomes would have been achieved anyway without a grant. Also, whilst businesses acknowledged that other factors had also affected their business performance, the majority of businesses surveyed indicated that the grant had been either important alongside the other factors (66%) or critical/more important than other factors (25%).

14. **The project has generated substantial quantifiable impacts to date, and these are expected to grow further:** G4G is estimated to have generated £11.6m net GVA and 202 net FTE jobs to date. This is expected to increase to a lifetime net impact of £22.8 million GVA and 327 FTE jobs, when also taking account of impacts expected over the next three years. When multiplier effects are also taken into account, the lifetime impacts rise to £27.3 million net additional GVA and 393 net additional FTE jobs in the Greater Lincolnshire economy.

15. **There is also evidence of wider strategic benefits arising from G4G:** These include new and improved relationships between local partners, improved understanding of business needs, and strengthened capacity and competencies within the operational team.

### Cost effectiveness and value for money

16. **G4G is expected to generate a positive return on investment:** for every £1 of public sector expenditure, the net GVA impact across the businesses supported is £2.50 to date, rising to £5.00 when also taking account of future anticipated benefits over the next three years. The BCR increases further to just over £3:1 to date when multiplier effects are considered, or £6:1 if future benefits are included. Even when more conservative assumptions are used in the sensitivity testing, the project is expected to deliver a positive return on investment. Furthermore, G4G is expected to produce a positive lifetime return on investment when private sector costs (SME match) are included: the BCR is £1.5:1 including future anticipated impacts over the next three years (excluding multipliers).

17. **G4G also performs well in terms of cost per job:** For ERDF spend only, the cost per job created is £22.6k for jobs created to date (excluding multiplier effects) or £13.9k if future anticipated impacts are included. This compares favourably to benchmarks, including emerging evidence from the National Evaluation of English ERDF Programme 2014-20. However, some caution must be taken in interpreting how G4G compares to what are a diverse set of projects which have been evaluated using a range of methods.

### Overall performance against aims and objectives

18. **Overall, G4G has delivered against its original aim to support SMEs in Greater Lincolnshire to invest for growth.** It has provided funding that would otherwise not have been secured or not secured as quickly. This has been used to invest in capital equipment that has led to increased capacity, improved efficiency and productivity and new product development, which in turn has unlocked and accelerated growth. In doing so, G4G has tackled the original market failures relating to the lack of supply of finance and reduced the risk/incentivised SMEs to invest themselves, as illustrated by the private sector leverage secured. The project has also contributed to reducing information failures, as evidenced by SMEs improving their awareness of external finance through their G4G experience.

## Lessons learnt

19. The Summative Assessment identified seven lessons which can be used to inform the design of any similar interventions in future:

- **Lesson 1:** A continued need for capital grant funding in the GLLEP area; whilst G4G has made progress in tackling the original rationale for the project, challenges remain and there is a continued need for this type of intervention.
- **Lesson 2:** Ensuring project design - including objectives, intended outcomes and target metrics - recognises multiple routes to business growth and improvement and is sufficiently flexible to responsive to changing contexts.

- **Lesson 3**: A requirement for match funding in grant interventions is effective in ensuring that businesses are committed to the plans for growth and share in the risk associated with the investment.
- **Lesson 4**: Maximising use of partner organisations and private sector intermediaries and attending local events/conferences is key to stimulating demand and increasing awareness of the project.
- **Lesson 5**: Maximising finance additionality where possible to maximise the net impacts and VfM of the project.
- **Lesson 6:** The importance of wrap-around support and signposting, especially to ensure the investment are well-targeted/appropriate, to facilitate access, and to ensure outcomes are maximised.
- **Lesson 7:** Involving a mix of representatives from different organisations in project governance, and ensuring meetings provide opportunities for all to engage.

# 1. Introduction

1.1 SQW and Qa Research were commissioned by South Holland District Council (SHDC) to undertake a Summative Assessment of the Grants4Growth (G4G) project. G4G is an ERDF-funded project, delivered by South Holland District Council (the Accountable Body for the project) in Greater Lincolnshire.

1.2 G4G received funding under the 'Priority Axis 3: Enhancing SME Competitiveness' strand of the European Regional Development Fund (ERDF) Programme 2014-2020. The project was designed to support SMEs in Greater Lincolnshire to invest for growth, stimulate new product and sales development, enhance process efficiencies and boost productivity. G4G provides grant funding to support a wide range of capital assets that increase capacity, enhance productivity, help create local jobs, increase sales, develop products or exploit new markets. The project offers grants of between £1,000 and £25,000 to eligible SMEs to support up to 50% of the total cost of eligible assets. G4G was originally set up as a £5.19m project (comprising of £1.92m from ERDF, £0.02m in-kind contribution from South Holland District Council and £3.25m private sector match) that launched in January 2017 and was due to run until September 2019. Following a series of Project Change Requests, the overall project budget was increased to £15.89m (consisting of £4.84m ERDF funding, £0.03m public sector match and £11.02m private sector match) and timescales were extended, allowing the project to run until June 2023.

## Summative Assessment aims and approach

1.3 The purpose of the Summative Assessment is to provide an independent assessment of project performance, delivery and management approaches, efficiency, effectiveness and value for money. The Summative Assessment also seeks to generate learning and insights for SHDC and its partners on what has worked well (or less well) and why to inform future project design and funding bids.

1.4 The approach adopted for this Summative Assessment is consistent with the requirements of the ESIF Programme and associated guidance. The Ministry of Housing Communities and Local Government (MHCLG) has provided guidance[1] on the preparation of the Summative Assessment which states that the report must cover the following five themes:

- The continued relevance and consistency of the project
- The progress of the project against contractual targets
- The experience of delivering and managing the project

[1] Evaluation of the European Regional Development Fund 2014 to 2020 - GOV.UK (www.gov.uk)

- The economic impact attributable to the project
- The cost effectiveness and value for money of the project.

1.5 The Summative Assessment adopts a mixed-methods, theory-based approach, which uses G4G's logic model and theory of change as a framework to test whether the project has delivered the intended outcomes and impacts and assesses factors that have helped or hindered this. In line with Government evaluation guidance (e.g. the Magenta Book and ERDF Summative Assessment Guidance), this approach is well suited to interventions that are operating in a significantly/rapidly changing and complex context.

1.6 Using a theory-based framework, the Summative Assessment has gathered evidence on what happened in practice as a result of an intervention, which is compared against G4G's original theory of change of what was expected to happen. This includes any unintended or unexpected consequences of the project, as well as the project's contribution to ERDF objectives and horizontal principles. This evidence is used to evaluate the project's relative contribution to observed outcomes and impacts, compared to other factors, such as external market, policy or economic conditions. This approach provides an evidenced, systematic, and logical line of reasoning which gives more confidence of the project's impact.

1.7 ERDF Summative Assessment guidance also suggests considering quantitative 'counterfactual impact evaluation' (CIE) methods, particularly for larger projects. The scope to use CIE methods was considered by the evaluators. However, given the scale of the project and the associated resources available for the evaluation, it was not feasible to undertake CIE methods such as Difference in Difference. Evidence on the counterfactual has been sourced from beneficiaries, non-beneficiaries and wider stakeholders. The evaluation approach has been designed to minimise risks associated with relying primarily on self-reported benefits/additionality from supported businesses in a number of ways: increasing the beneficiary survey to a scale that is representative of the population and therefore provide greater confidence in project-level impact; carefully designing questionnaires to determine change and attribution; including consultation with stakeholders and non-beneficiaries to corroborate beneficiary evidence; and undertaking sensitivity analysis to test the results.

1.8 The Summative Assessment involved the following research and analysis:

- analysis of G4G monitoring data, impact forms and project documentation.
- in-depth consultations with internal delivery and management staff, and external stakeholders in November and December 2022 (see Annex A).
- an e-survey of wider external stakeholders carried out in November 2022. The survey was sent to a list of 26 stakeholders, of which 18 responses were fully completed and one was partially completed. This represents a response rate of 73%.

- a telephone beneficiary survey carried out in December 2022 - January 2023. The beneficiary survey was conducted via telephone by Qa Research. Out of 386 beneficiaries (at the time of conducting the research), 86 completed the survey, which was above the agreed target of 80 (and represents a response rate of 22%).
- a non-beneficiary survey conducted via telephone between January - February 2023. The survey was completed by five businesses (out of the non-beneficiary population of 48).
- four in-depth case studies, informed by a site visit and consultation with beneficiaries undertaken in February – March 2023.

## Structure of the report

1.9 The report is structured as follows:

- **Section 2: Project Context** presents a summary of the strategic and socioeconomic context in which G4G has been designed and delivered, an overview of the project (including the project logic model and theory of change), and commentary on the continued relevance and consistency of the project.
- **Section 4: Progress against Contractual Targets** assesses the project's performance against its contractual spend and output targets, and contributions towards the horizontal principles.
- **Section 5: Delivery and Management Review** considers what has worked well and less well in terms of different elements of the delivery and management of the project.
- **Section 6: Project Outcomes and Impacts** provides evidence on outcomes and impacts achieved, including quantified net additional impacts, and factors that have helped or hindered business performance.
- **Section 7: Value for Money** draws on the impact analysis to provide an assessment of the value for money (VfM).
- **Section 8: Conclusions, Lessons Learnt and Recommendations** draws together the findings of the evaluation and lessons learned and provides recommendations policy makers in future.

1.10 The main report is supported by four annexes: **Annex A** provides a full list of stakeholders consulted; **Annex B** presents an updated Theory of Change for the project, which outlines the assumptions and factors that may have helped or hindered G4G's performance; **Annex C** provides an overview of the impact methodology used; and **Annex D** provides a summary of survey sample representation, relative to the full population of beneficiaries that have received a grant.

# 2. Project Context

2.1 This section considers the strategic and socioeconomic context in which G4G was designed and delivered, how this has evolved over time. The Section also provides an overview of G4G in terms of its rationale, objectives, activities and intended outcomes and impacts. We also highlight how the project has evolved since it was first launched. The analysis has been informed by a review of project documentation provided by SHDC, relevant policy documents and socioeconomic data.

## Key findings

- **Strong rationale for the project:** G4G was designed to address identified market failures: businesses' often do not have sufficient funds to cover the costs of capital requirements and so require external finance, but information failures on the demand side (businesses do not know how or where to access support) and risk aversion by lenders result in an under-supply of finance for SMEs.
- **The project remains relevant in light of changing context:** There has been some (minimal) overlap with other grant schemes delivered locally (particularly during Covid-19, where access to debt finance and grants increased), but, G4G has maintained a distinctive focus in terms of grant size available, the emphasis on investing for growth, and being largely sector agnostic. Improving access to finance continues to be a priority both nationally and sub-nationally. There is a continued need for interventions such as G4G to improve the competitiveness of SMEs in the GLLEP area, through supporting businesses to overcome barriers to growth.
- **G4G was appropriately designed, with revisions made to adapt to changing context**: The project's overarching aim was broadly appropriate to address the rationale for intervention. Targets were considered realistic at the outset. Output, outcome and impact measures are considered appropriate for capturing progress against the project's rationale and objectives, covering both demand-side issues and various types of growth impacts, ranging from turnover to productivity.
- **G4G has undergone three project change requests:** Due to initial delays in getting the funding agreement approved by MHCLG, and an offer from DLUHC of extensions in response to the EU Exit and the opportunity to utilise outstanding funding during the remainder of the final ERDF programming period, the project timescales and overall funding have been increased. Cost-efficiencies have also been made in terms of the revenue costs of the project compared to what was originally anticipated, which has also allowed the project to redirect funding from revenue purposes to capital grants.

## Strategic context

2.2 G4G received funding under the 'Priority Axis 3: Enhancing SME Competitiveness' strand of the ERDF Programme 2014-2020. At the time when G4G was first designed, strategic priorities in the GLLEP area were captured in the Strategic Economic Plan 2014-2030 (SEP) and GLLEP's ESIF Strategy. Both documents placed **strategic importance on supporting SMEs as a vehicle to unlock local growth**: given the high proportion of SMEs in the local

economy, growth of small businesses would have a large impact on employment and GVA in the region. **Two key barriers to growth for SMEs were highlighted in the GLLEP area: low levels of financial literacy and limited access to finance**. In this context, G4G was established to provide grant funding to SMEs to address these barriers and encourage businesses to make capital investments that would stimulate growth and create job opportunities.

**2.3** At a local level, the GLLEP's Local Industrial Strategy and 'Protecting, Progressing, Prospering' Plan for Growth set out plans to increase the area's GVA and to support post-pandemic recovery through innovation-led growth in seven priority sectors[2] as well as the wider business population. Recognising the particular challenges of the area's local economy (including slow labour market recovery from recessions; and high levels of corporate debt weighing on business investment decisions), **the strategies identified improved access to finance as key for broadening the base of innovating businesses and raising productivity levels**.

**2.4** At a national level, strategic priorities have evolved to respond to emerging challenges and opportunities in the context of post-pandemic recovery, economic restructuring in the aftermath of Brexit, and wider industrial change. With business-led innovation placed at the forefront of national growth strategies (articulated through the 'Build Back Better' paper, the UK Innovation Strategy and the Levelling Up White Paper), strategic importance has been given to policy measures aimed at leveraging private sector investment, with a particular focus on economically underperforming areas across the UK.

**2.5** **G4G continues to be well aligned with both national and subnational strategic priorities** by focusing on improving SMEs' access to finance and financial literacy and encouraging private-sector investment – supporting SMEs to enhance internal processes, innovate and grow. It also aligns with the national levelling-up objectives by supporting growth in an area long characterised by below-average productivity levels.

**2.6** Looking forward, as ERDF funding draws to a close and the UK Shared Prosperity Fund (UKSPF) is introduced, priority is expected to be given to projects that build on areas' own local strengths and address local economic weaknesses within three nationally-determined investment areas: Community and Place; Supporting Local Business; and People and Skills.[3] The Fund is well aligned with the Levelling Up White Paper's missions. For the 'Supporting Local Business' priority area, these include: using public-sector R&D funding to leverage at least twice as much private sector investment (over the long term); and closing the pay, employment and productivity gaps between the top performing and other areas.

**2.7** Under UKSPF, when designing business interventions, places are encouraged to:

[2] These include agrifood; energy; ports and logistics; visitor economy; defence; health and care; and advanced manufacturing and chemicals.
[3] https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus

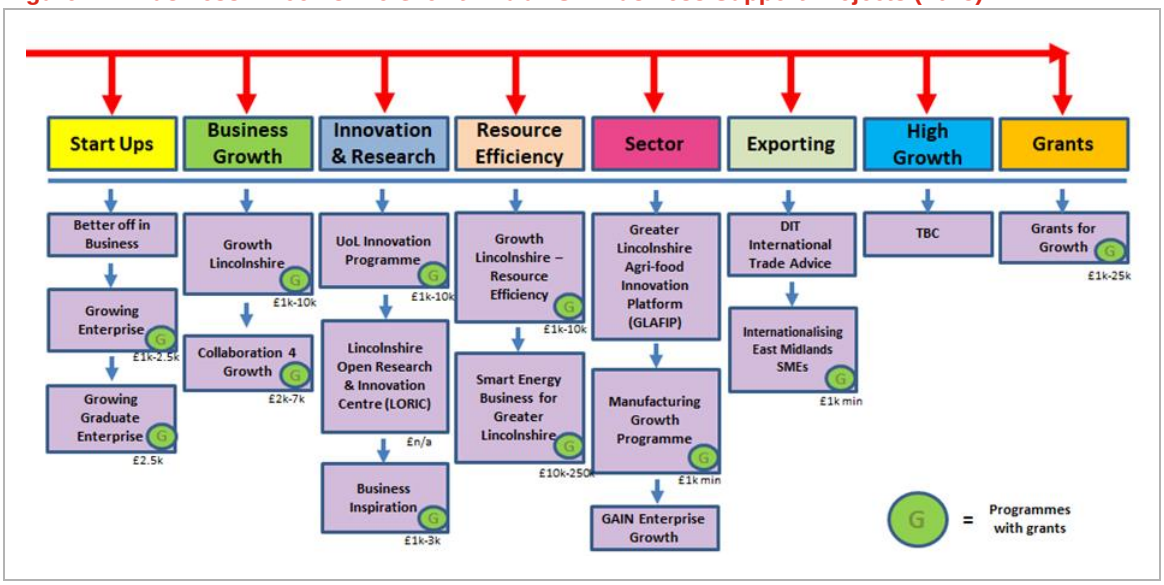
- identify activities that build on existing industries and institutions; promote networks and collaborations; and increase private-sector investment in growth-enhancing activities;
- segment their business population, focusing on specific interventions that will best meet local business need / considering bespoke interventions that meet the unique needs of their community and place;
- work with other places in the delivery of UKSPF interventions where it meets the needs of their place and achieves value for money or better outcomes for local people or businesses (including working with places in different parts of the UK).

### Fit with wider support landscape

**2.8** G4G was intended to be embedded within Business Lincolnshire Growth Hub's offer (with aligned branding) to ensure that the project was visible and accessible to local SMEs (to help address information failures). It was expected that the G4G operational team would develop strong working relationships with the Business Growth Service and Local Authority Development teams to facilitate engagement with businesses across the GLLEP area.

**2.9** **When the project launched, it was seen as a distinctive offer to other projects delivered by the Growth Hub.** Within the Growth Hub's portfolio of ESIF business support projects, there were some other projects that offered business support grants (e.g. Growing Graduate Enterprise, UoL Innovation Programme, Smart Energy Business for Greater Lincolnshire), but these tended to be smaller in value and/or more narrowly focused (e.g. on resource efficiency), as illustrated below.

**Figure 2-1: Business Lincolnshire Growth Hub ESIF Business Support Projects (2018)**




*Source: Growth Hub, 2018 (grant values added by SQW in 2019 G4G evaluation)*

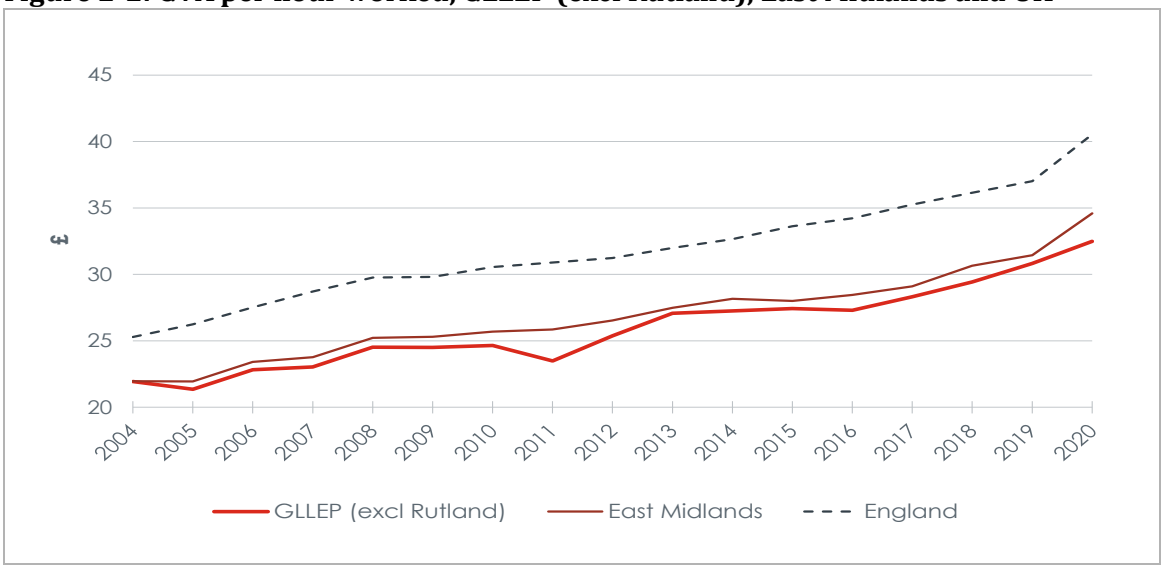
**2.10** Within Business Lincolnshire's directory of support available to businesses in the GLLEP area, there are now 25 projects listed that include a grant offer (including G4G). However, these

projects tend to be distinct in nature, in terms of the use of the grant/value of the grant/focus of the support. For example: the Advanced Capacities for Manufacturing – Industry 4.0 (ACMI4.0) project provides consultancy alongside capital grants from £2,000 to £20,000 to support capital projects but with an explicit focus on supporting SME manufacturers to adopt and integrate Industry 4.0 technologies and design principles; the Manufacturing Growth Programme provides a revenue grant to £10,000 (alongside diagnostic and action plan support) to support the cost of working with an external expert/coach to implement an improvement project. Separate to G4G, the Council also provided grants through the recovery and growth programme (funded by Additional Restrictions Grant – ARG) during the Covid-19 pandemic which required a lighter touch assessment than G4G, offered revenue and grant funding and had a higher intervention rate.

## Socioeconomic context

**2.11** The data below provides an overview the economic context at the time Grants4Growth was launched. In the aftermath of the 2008 financial crisis, the GLLEP area's economic output was growing at a slower rate than nationally, and this trend has continued since the launch of G4G in 2017, with a compound annual growth rate of 0.7% over 2017-2020, compared to 1.4% in England. This is partly explained by the area's productivity performance, which, while growing in absolute terms, has remained below England's productivity trajectory since 2004. As illustrated in Figure 2-2, the productivity gap between Greater Lincolnshire and the UK has widened over time, especially in the five years prior to G4G's launch, reinforcing the need for G4G to focus on productivity improvements alongside job creation, as we discuss further below.

**Figure 2-2: GVA per hour worked, GLLEP (excl Rutland), East Midlands and UK**




*Source: ONS Subregional productivity data*

**2.12** However, Greater Lincolnshire performs relatively well in terms of economic activity and employment rates relative to England as a whole, which is important context for the job

creation results below. **Overall, this evidence demonstrates the continued need for interventions such as G4G to improve the competitiveness of SMEs in the GLLEP area**.

**Table2-1: Socio-economic indicators for GLLEP**

| Statistic | 2017 level | Latest data |
|---|---|---|
| Output and productivity | | |
| Total GVA (current prices) | £22.8bn | £23.3bn *(2020)* |
| GVA per hour worked (current prices) **GLLEP excl Rutland* | £28.3 | £32.5 *(2020)* |
| GVA per filled job (current prices) **GLLEP excl Rutland* | £45,303 | £46,198 *(2020)* |
| People | | |
| Total population | 1,121,800 | 1,138,000 *(2021)* |
| Economic activity rate | 78.1% | 75.9% *(2021)* |
| Employment rate | 74.4% | 73.3% *(2021)* |
| Employment and businesses | | |
| Total employment | 470,000 | 480,000 *(2021)* |
| Top five sectors by employment in absolute terms | 1. *Manufacturing*: 70,000<br>2. *Health*: 63,000<br>3. *Retail*: 47,000<br>4. *Business administration & support services*: 39,000<br>5: *Accommodation & food services*: 38,000 | 1. *Health*: 69,000<br>2. *Manufacturing*: 68,000<br>3. *Retail*: 46,000<br>4. *Education*: 39,000<br>5. *Business administration & support services*: 37,000<br>*(2021)* |
| Top five sectors by employment in relative terms – Location Quotients relative to England | 1. *Agriculture, forestry & fishing*: 3.10<br>2. *Manufacturing*: 1.89<br>3. *Mining, quarrying & utilities*: 1.31<br>4. *Motor trades*: 1.31<br>5. *Transport & storage*: 1.20 | 1. *Agriculture, forestry & fishing*: 2.89<br>2. *Manufacturing*: 1.93<br>3. *Motor trades*: 1.45<br>4. *Mining, quarrying & utilities*: 1.28<br>5. *Transport & storage*: 1.15<br>*(2021)* |
| Number of businesses | 40,190 | 41,285 *(2022)* |
| Business innovation activity | | |

| Statistic | 2017 level | Latest data |
|---|---|---|
| Product or service innovator (percentage of businesses) | 10.8% *(2016-2018)* | 12.7% *(2018-2020)* |
| Process innovator (percentage of businesses) | 10.0% *(2016-2018)* | 14.3% *(2018-2020)* |

*Source: ONS GVA and Subregional Productivity, ONS Population Estimates, Annual Population Survey, Business Register and Employment Survey, UK Business Counts, UK Innovation Survey, ERC Benchmarking Local Innovation report, HMRC coronavirus statistics. Note: Greater Lincolnshire LEP (GLLEP) comprises Lincolnshire, North East Lincolnshire, North Lincolnshire and Rutland*

# Project design and changes to delivery approach

## Rationale

**2.13** G4G was designed to address identified market failures: businesses often do not have sufficient funds to cover the costs of capital requirements and so require external finance, but information failures on the demand side (businesses do not know how or where to access support) and risk aversion by lenders result in an under-supply of finance for SMEs. Whilst a market assessment with evidence of market failures was not provided within the original ESIF application form, there was qualitative evidence of need based on experiences of the precursor project, East Midlands Local Enterprise Growth and Efficiency (EM-LEGE).[4]

**2.14** As discussed above, the availability of finance has varied since the project launched, most notably due to the increased access to debt finance and grants during the Covid-19 pandemic (e.g. BBLS, CBILS, and the Additional Restrictions Grant). Despite this, the analysis of policy documents in the strategic context section above demonstrates that improving access to finance continues to be a priority both nationally and sub nationally.

## Project aims

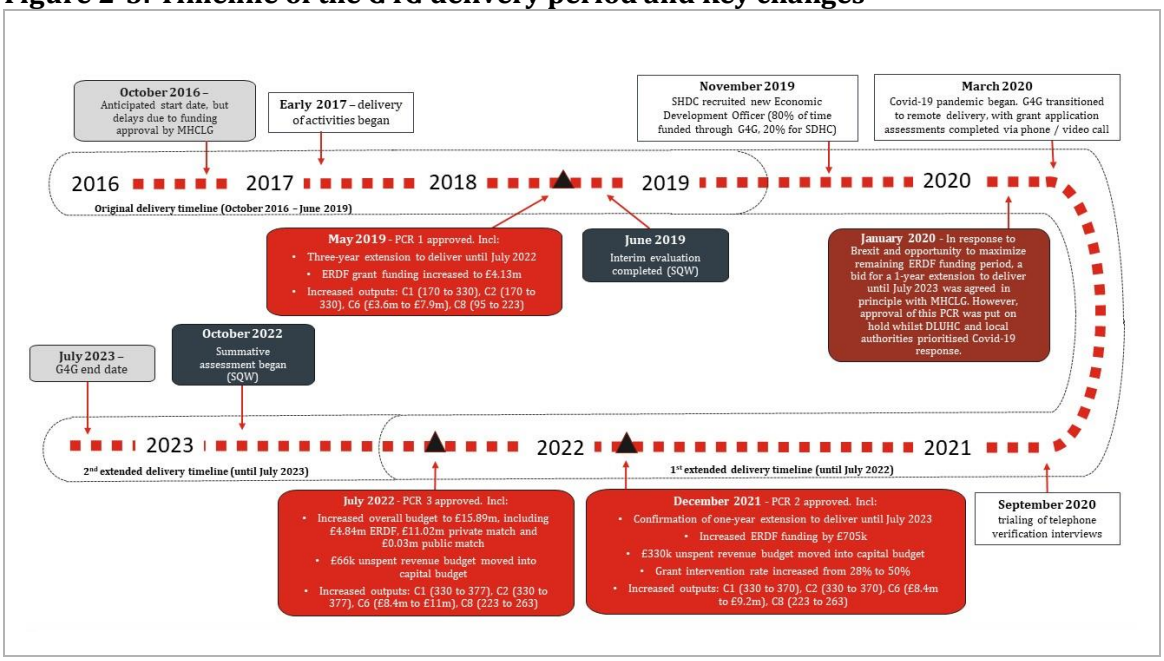
**2.15** **G4G's overarching aim was to support SMEs in Greater Lincolnshire to invest for growth; stimulate new product and sales development; enhance process efficiencies and boost productivity.** The project aimed to facilitate business growth by supporting SMEs to realise efficiency savings, increase their competitiveness and improve their resilience. This aim has been consistent throughout the delivery of the project. The project's overarching aim was broadly appropriate to address the rationale for intervention. There could have been more specific, quantified and timebound objectives. However, G4G intentionally included a broad definition of growth to allow the project to support different growth opportunities.

[4] EM-LEGE was delivered between 2013 and 2015 and offered grants to encourage low-carbon economy solutions to businesses across Lincolnshire. Grants4Growth did not have a low carbon focus but extended the project to North Lincolnshire and North East Lincolnshire.

## Inputs and changes to project budget

**2.16** Figure 2-3 below provides an overview of the key changes to the project as it has evolved over time, including the three Project Change Requests (PCRs) that have been submitted.

**Figure 2-3: Timeline of the G4G delivery period and key changes**




*Source: SQW analysis of project highlight reports, PCRs and internal meeting notes*

**2.17** G4G was originally proposed to be a 3-year project commencing in 2016. The original Funding Agreement[5] outlined that G4G would receive **£1.92m from ERDF** (of which £1.35m was allocated to grants and the remainder to revenue costs) **and £20,000 in-kind contribution from SHDC** to manage and deliver the project. It was proposed that the project would start in October 2016 and run for three years until September 2019. However, G4G did not commence until January 2017[6] due to delays in getting the funding application approved by MHCLG[7]. **The total project value, including £3.25m private sector match, was originally £5.19m.**

**2.18** A minor variation to the funding agreement was agreed in August 2018[8], which increased the **total project budget to £5.52m,** consisting of £1.85m ERDF funding (34%), £3.65m private sector match and £20k public sector match (66% total match funding). The reprofiled budget was adjusted with expenditure starting from January 2017, reflecting the delayed start to the project. However, the project activity end date remained as September 2019.

**2.19** In May 2019 a project change request (PCR) for a three-year extension was agreed, which extended the project to June 2022 and increased all outputs. **The project's total value was**

[5] ERDF Revenue Funding Agreement (ESIF Form 2-015), Greater Lincolnshire Local Enterprise Growth & Efficiency Programme (GL-LEGE), Version 3, Published 23 August 2016
[6] SH1801 – Grants4Growth Outcomes – Phase 1
[7] SH1801 – Grants4Growth Outcomes – Phase 1
[8] Project Change Request By Hand Funding Agreement Variation, ESIF From 3-027, Version 1, Greater Lincolnshire Local Enterprise Growth & Efficiency Programme (GL-LEGE), 13 August 2018

**increased to £12.15m,** with an increase in ERDF funding to £4.13m, an increase in SHDC public match to £0.04m and an increase in private sector match to £7.98m.

2.20 A second PCR was submitted in November 2021 and approved in December 2021. This included the request to extend to June 2023 (in response to MHCLG's offer to extend delivery utilising outstanding funding during the remainder of the final ERDF programming period) and a further request to divert £330k of unspent revenue budget into the capital budget. **This increased the project's overall value to £14.13m[9] and increased output targets further**. The grant intervention rate was also increased from 28% to a maximum of 50%, which lessened the amount of private match funding firms were required to input.

2.21 The third PCR was submitted and approved in July 2022. This increased the private match funding output (C6), as despite the higher grant intervention rate, this output was exceeding its forecast. The PCR also diverted a further £67k of unspent revenue into the capital pot and increased outputs to their final position. **The project's value was raised to a final position of £15.9m, including £4.8m ERDF funding and an anticipated £11.02m private sector match and £0.03m public sector match in total over the lifetime of the project.**

**Table 2-2: Changes to project budget outlined in Project Change Requests**

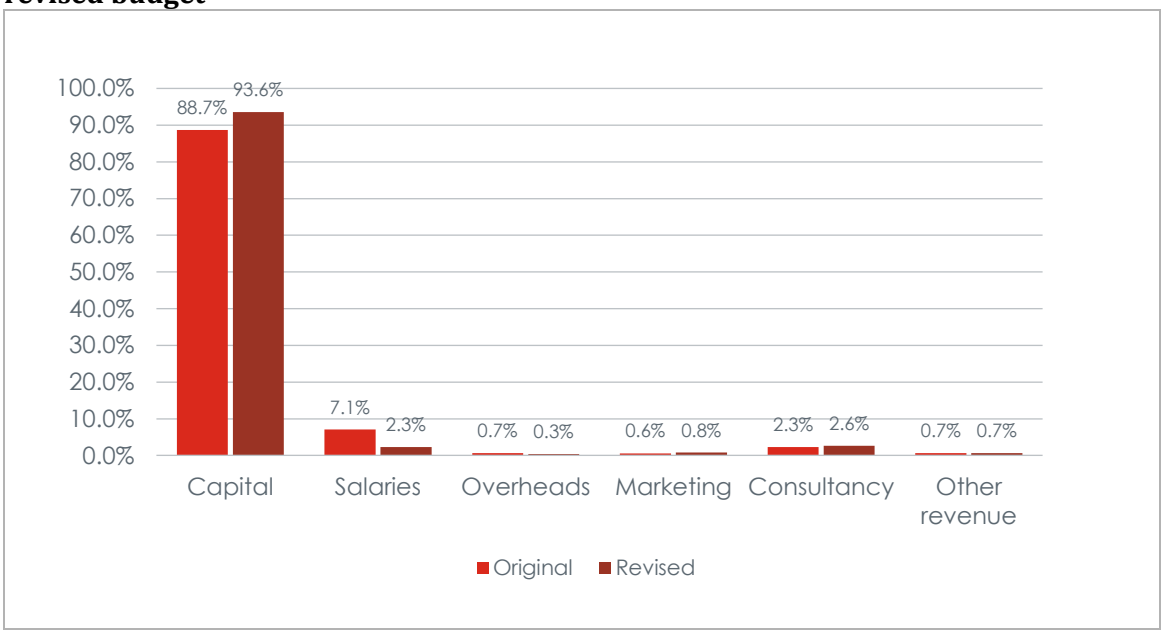
| | Original | PCR 1 (May, 2019) | PCR 2 (Dec, 2021) | PCR 3(July, 2022) |
|---|---|---|---|---|
| Total project value | £5.19m | £12.15m | £14.13m | £15.89m |
| ERDF | £1.92m | £4.13m | £4.83m | £4.84m |
| Public match (SHDC) | £0.02m | £0.04m | £0.04m | £0.03m |
| Private match (SMEs) | £3.25m | £7.98m | £9.26m | £11.02m |

*Source: GL-LEGE Funding Agreement Version 3, Published 23 August 2016, Project Change Request Application and Assessment Form 31st Oct 2018 and Annex A PCR Financial and Output Information October 2021, February 2022 and July 2022, provided by South Holland District Council. Note: total project value figures may differ to the sum of ERDF, public and private match due to rounding.*

2.22 A summary of the changes to cost categories from the original ERDF grant funding agreement to the project, to the current cost profile (following the July 2022 Project Change Request) is outlined in Figure 2-4 below. Overall, it can be seen that **an increased proportion of the budget has been allocated towards capital** (to increase the amount available for grants). Cost-efficiencies have been made in terms of the revenue costs of the project compared to what was originally anticipated, which has also allowed the project to redirect funding from revenue purposes to capital grants.

[9] Note: this also includes additional private sector match. A full breakdown of changes to funding is provided in Table 2-2.

**Figure 2-4: Proportion of costs allocated within each cost category, original and revised budget**




*Source: GL-LEGE Funding Agreement Version 3, Published 23 August 2016, and Annex A PCR Financial and Output Information July 2022, provided by South Holland District Council*

## Activities and changes to delivery

**2.23** G4G was designed to support SMEs across a wider range of sectors. It provides grant funding to support investment in a wide range of capital assets, that increase capacity, enhance productivity, help create local jobs, increase sales, develop products or exploit new markets. The eligibility criteria for G4G grant funding is as follows:

- The business must already be trading for at least 9-12 months and be based in the Greater Lincolnshire area
- The business must employ fewer than 250 employees
- The business must have a turnover less than £44 million a year
- The business must be in an eligible sector[10]
- The grant funding can be used to purchase physical capital assets (such as machinery and equipment).

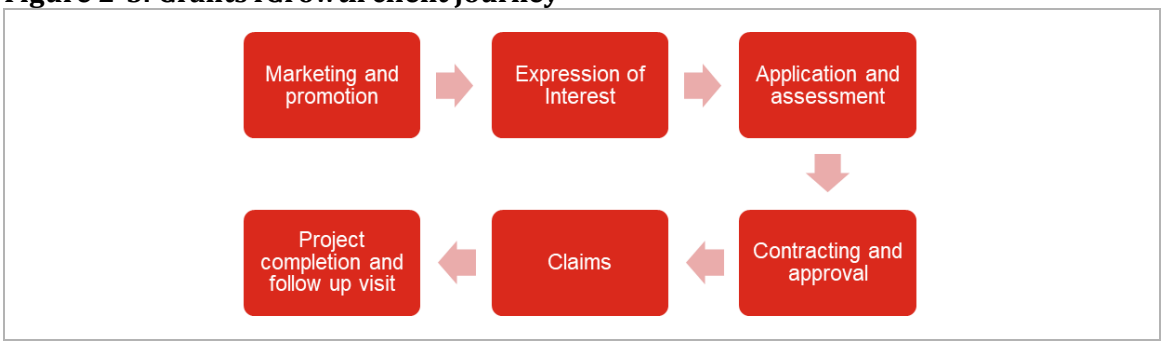
**2.24** The eligibility criteria for the project have remained consistent throughout project delivery, however the grant intervention rate has varied. G4G offers up to 50% to support the total cost

[10] Following ERDF eligibility criteria, certain sectors are not eligible for support from G4G including: the "high street" including retailers, pubs, hotels, restaurants, cafes, hair and beauty salons, opticians, accountants and solicitors; primary agriculture, processing and marketing of agricultural products and horticulture; forestry and fisheries; healthcare and education; finance and insurance; and coal, steel and shipbuilding.

of eligible assets, with grants between £1,000 and £25,000. The total planned expenditure, including match, must be at least £2,000.

**2.25** In terms of the customer journey, this was designed to include a consistent journey from marketing and promotion to project completion and follow up visit, as illustrated below.

**Figure 2-5: Grants4Growth client journey**




*Source: SQW*

**2.26** The Covid-19 pandemic led to some changes in approach. The operational team shifted to remote operations from March 2020, in order to limit face-to-face interactions. This included all internal team processes and external engagements with businesses (e.g. grant application assessments). The second PCR (November 2019) included a reduction in the grant intervention rate and a slight relaxation of some of the funding criteria (e.g. permitting the purchase of IT equipment, which was previously ineligible for funding, in order to support businesses to improve their productivity). Both of these changes provided greater incentive for businesses to make investments post-Covid, and boosted demand for the project overall. During the pandemic the team also trialled telephone verification interviews to ensure that businesses applying to Grants4Growth were eligible prior to submitting an application form. This was intended to reduce the time the team spent assessing ineligible applications, and in turn workload.

## Management and delivery arrangements

**2.27** SHDC is the accountable body for G4G, hosting the Project Director, Project Manager and Operational team. The management arrangements for G4G can be categorised into three 'tiers' of responsibility[11]:

- The **Project Manager** oversaw the day-to-day delivery and had the responsibility of reporting progress towards key milestones to MHCLG.
- The **Operational team** (including the Project manager, all delivery team members and sub-contractors) met monthly to review progress, address key operational issues, and agree short term priorities for the month ahead.

[11] Grants4Growth, 2018, *Operational team Terms of Reference*

- The **Strategic Board** met quarterly to assess the effectiveness of the delivery model, ensure the project was on track to deliver its target and ensure it was contributing towards LEP objectives and aligned with the wider support offer). Board members included representatives from local stakeholders (e.g. an accountancy firm), South Holland District Council and the Business Lincolnshire Growth Hub.

**2.28** The operational team was supported by a **Grants Panel** that provided objective assessment of grant applications. The Grants Panel met bi-monthly and comprised a minimum of three members from SHDC, representing finance, economic development and technical competencies, and a representative from the Growth Hub. The operational team was also supported by two business brokers who were assigned to all businesses that submitted an eligible EOI to facilitate access to the project. One broker has been employed directly by SHDC throughout the lifetime of the project. A second broker was subcontracted to the project until 2019 when this function was brought entirely in-house.

### Intended outputs, outcomes and impacts

**2.29** The design of output targets for G4G were informed by an early-stage draft independent evaluation of the earlier EM-LEGE project, including a beneficiary survey which provided some evidence of ongoing demand for additional grants to support future investment plans. Additional evidence of demand was also gathered through the creation of the Grants4Growth Business Network by SHDC (which was designed to capture the details of SMEs interested in capital grants support for future growth projects). **Output targets were therefore considered realistic and achievable at the outset.**

**2.30** An updated logic model for the project, outlining the project's rationale, aims and objectives, intended activities, and target outputs (revised following PCRs, outcomes and impacts) is provided in Figure 2-6. **These measures are considered appropriate for capturing progress against the project's rationale and objectives,** covering both demand-side issues (e.g. financial literacy and likelihood to invest in growth plans) and various types of growth impacts, ranging from turnover to productivity. An updated theory of change is also provided in Annex D, which outlines the assumptions and factors that may have helped or hindered G4G's performance.

**Figure 2-6: G4G logic model, updated to reflect changes to delivery approach and targets since the project was first designed**

| Strategy & design | | Delivery | | Benefits | |
|---|---|---|---|---|---|
| **Context & rationale** | **Aims & Objectives** | **Inputs** | **Activities** | **Outputs** | **Outcomes/impacts** |
| **Context**<br>• Investment in Capital Assets is recognised as key to UK growth<br>• Recent Productivity statistics shows lack of investment in capital assets within SMEs, caused by a lack of confidence/uncertainty pre-Brexit and a reluctance for established lenders to invest.<br>• National and local policies have recognised this funding gap introducing loan, equity and grant initiatives to stimulate SME growth, productivity and employment.<br><br>**Market failures**<br>There is demand amongst SMEs in the GLLEP area for small amounts of asset finance that would typically be too low for the private sector (e.g. VCs and Angels) to invest in. Moreover, many businesses do not have the financial literacy necessary to access finance, which make it difficult for the private sector to assess the value of investment. These information asymmetries have led to an undersupply of finance to SMEs in GLLEP area. | • To facilitate business growth and generate sustainable jobs<br><br>• To support SMEs in Greater Lincolnshire to invest for growth; stimulate new product and sales development, enhance process efficiencies and boost productivity. | The project received European Regional Development Fund (ERDF) support under Priority Axis 3 – enhancing the competitiveness of SMEs.<br><br>The total project budget (following the July 2022 PCR) is £15.89m, consisting of £4.84m ERDF funding, £0.043m public match (provided by SHDC) and £11.02m private match (provided by the SMEs receiving the grants). | Raise awareness with the SME community of the business support that's available to stimulate growth; including signposting and referrals to other capital and revenue Growth Hub initiatives.<br><br>377 grants to SMEs between £1,000-£25,000 to facilitate investment in capital assets to stimulate growth.<br><br>Produce editorial, case studies and public relations materials to help grant recipients promote their businesses and growth aspirations. | • C1: Number of Enterprises receiving support (377)<br><br>• C2: Number of enterprises receiving grants (377)<br><br>• C6: Provide investment matching public sector to enterprises (grants) (£11.02M)<br><br>• C8: Employment increase in supporting enterprises (263) | **Intended outcomes**<br>• Increase supported SMEs likelihood to invest in their own growth plans<br>• Accelerated private investment by SMEs<br>• Improved capacity through investment in additional production assets<br>• Accelerated investment decisions, by the removal of funding blocks<br>• Improvements to internal processes<br>• Improved financial literacy (via Business Broker support)<br>• Improved energy efficiency (reduced per capita energy use)<br>• New products developed<br>• New markets exploited<br><br>**Intended impacts**<br>• Increased economic activity (sales revenue/turnover)<br><br>• Jobs created and safeguarded in GLLEP areas<br><br>• Improved productivity<br><br>• Cost reductions / efficiencies<br><br>• Increased profitability<br><br>• Increased GVA |

*Source: SQW*

# 3. Progress against Contractual Targets

3.1 This section provides an overview of the project's progress against contractual ERDF expenditure and output targets, and contributions to the horizontal principles. The assessment of performance is based on the latest data available at the time of writing, covering the period up to January 2023 and forecast position by project closure (end of June 2023). A summary of beneficiary characteristics is also provided. The analysis draws on data provided by SHDC, including project management highlight reports, quarterly claims, Operational and Strategic Board minutes, and beneficiary monitoring data.

## Key findings

- **G4G is on track to meet, or exceed, most contractual output and expenditure targets by project closure:** G4G is forecast to overperform against its target number of enterprises supported, grants provided and employment increase supported. The project had fully allocated its grant funding, as at the end of December 2022, with a minimal forecast underspend of £35k.
- **Some evidence provided on progress against the horizontal principles**: Applicants were encouraged to consider the environmental sustainability of their projects and several grants have helped businesses to reduce energy consumption/waste. Applicants were asked to submit their Company Equality Policy, or sign an Equality Statement, when submitting a grant application.
- **Varied demand and purpose of investments over course of delivery**: Demand for G4G has varied over the delivery period, reflecting changing market conditions, business confidence and new opportunities arising since the Covid-19 pandemic. Initially, most applications focused on assets to support increased capacity/sales, but there has been an increasing focus on innovation, increasing capabilities in-house and increasing efficiency. Average grant value awarded across the 400 beneficiaries supported to date was £9,085, with grant values varying from £1,000 to £24,999.
- **G4G has been particularly successful in supporting the manufacturing sector:** Almost half of G4G beneficiaries were accounted for by this sector, which is one of the GLLEP area's priority growth sectors. The other 51% of beneficiaries operate within a broad variety of sectors, including high value sectors such as professional, scientifical and technical activities.
- **Good representation spatially:** The spatial distribution of grants broadly mirrors the distribution of SMEs across Greater Lincolnshire.
- **G4G tended to support small and microbusinesses**: Beneficiaries had 16 FTE employees on average before receiving a grant from G4G.

## Expenditure and output performance

3.2 Table 3-1 below summarises the financial and output performance of the project, using the standard Summative Assessment format. Performance to date (end January 2023) and anticipated performance at project closure (end June 2023) is compared against lifetime targets (i.e. those agreed in the third PCR).

**Table 3-1: Spend and output performance (as of the end of January 2023)**

| Indicator | Targets | | Performance at end of January 2023 against lifetime targets | | Projected performance at project closure against lifetime targets (June 2023)[12] | | Overall Assess-ment |
|---|---|---|---|---|---|---|---|
| | Original | Adjusted (PCR 3 – July 22) | No. | % | No. | % | |
| **Total project value** | **£5.19m** | **£15.89m** | **£15.13m** | **95%** | **£15.59m** | **98%** | |
| ERDF funding | £0.02m | £4.84m | £4.55m | 94% | £4.76m | 100% | |
| Public match | £3.25m | £0.03m | £0.03m | 93% | £0.03m | 100% | |
| Private match | £3.25m | £11.02m | £10.55m | 96% | £10.82m | 98% | |
| C1: Number of enterprises receiving support | 210 | 377 | 400[13] | 106% | 411 | 109% | |
| C2: Number of enterprises receiving grants | 210 | 377 | 400 | 106% | 411 | 109% | |
| C6: Private investment matching public support to enterprises (grants) | £3.25m | £11.02m | £10.55m | 96% | £10.82m | 98% | |
| C8: Employment increase in supported enterprises | 95 | 263 | 276 | 105% | 525 | 200% | |

*Source: Project management highlight report, dated 31.01.23 and ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC*

**3.3** **G4G is on track to meet or exceed the majority of contractual expenditure and output targets.** As of the end of January 2023, the project had spent £15.13m, which is 95% of the overall project budget (consisting of £14.2m capital expenditure and £920k revenue expenditure). In terms of the ERDF funding for the project, G4G had claimed £4.55m as of the end of January 2023, which covers capital and revenue expenditure. This represents 94% of the project's overall ERDF allocation. **By project closure in June 2023, G4G is forecast to have only c.£35k of capital grant funding unallocated and reach 98% of the lifetime**

[12] Note that at the time of reporting, forecast data had not been formally agreed with DLUHC, and an updated PCR (post July 2022) had not been submitted.
[13] Note: the January 2023 Project Highlights Report provided by SHDC indicated that 401 grants had been claimed (C2), and 401 SMEs had been assisted (C1) as of the end of January 2023. However, the beneficiary monitoring data used for analysis of the beneficiaries supported and grants issued to date included 400 beneficiaries, therefore this number has been used here.

**expenditure target.** This is a result of two beneficiaries being unlikely to claim their grant before the deadline, which in turn means that private sector match is forecast to be 2% below target. The project team anticipate that a further one or two businesses may not claim their grants.

**3.4** Consultees noted that in the final year of G4G's delivery, businesses were taking longer to claim grants than experienced earlier on in delivery (5-6 months, compared to 3-4 months previously), due to lead times for equipment purchases being longer (partly due to supply chain issues related to Brexit, Covid-19 pandemic and more recently, the war in Ukraine). In response, the delivery team offered beneficiaries extensions to the claim submission window, with a final deadline set for the end of February 2023. During this period, several beneficiaries also decided to reduce the size of their investments, leading to a partial spend of their initially allocated grant, leading to small amounts of the capital funding pot being reimbursed.

**3.5** By January 2023, G4G had provided grants to 400 SMEs in Greater Lincolnshire and, in doing so, created 276 jobs according to monitoring data. The project has therefore already exceeded lifetime targets for number of enterprises supported and receiving a grant, and job creation targets (C1, C2 and C8 indicators). The current forecast position on job creation outputs was caveated by SHDC: this is driven, in part, by several recently supported businesses and it is unlikely that all forecast jobs will be created, nor monitoring data collected by project closure.

**3.6** The project has done well to reach job creation targets, particularly given very tight labour market conditions in Greater Lincolnshire, which has made recruitment difficult, and unprecedented challenges during Covid-19 and ongoing economic uncertainty, which has made some businesses cautious about recruiting more staff. It is also important to note that as the project progressed, there was recognition that job creation was not the only route to growth and SHDC appropriately supported projects that were investing in growth via other routes (e.g. productivity and efficiency) whilst still being aligned with the overall objectives of G4G. This reflected the external economic context, including price rises, labour shortages, and the need for firms to automate and improve cost efficiency. However, it has also meant that not all investments would necessarily lead to job creation, at least in the short term. In effect, the underpinning assumptions at the start of the project (i.e. that job creation would be a key driver of growth) have changed. Consultees also noted that the quality of jobs created was as important as the number, with the grants often supporting higher skilled jobs. We discuss survey findings on this further below.

**3.7** G4G has also leveraged £10.55m private sector match, against a target £11.02m (91%), and is expecting to achieve 98% of the overall project target by project closure. This slight under-performance reflects the anticipated grant expenditure above and challenges in securing a very small number of claims. Beneficiaries that responded to the telephone survey carried out as part of this Summative Assessment were asked about the source of their match funding for the grant. The vast majority of respondents stated 'business' own funds' (93%, n=86). This suggests G4G is encouraging SMEs to invest their own money in growth. This is particularly

positive given the results on additionality discussed below which suggest the majority investments would not have gone ahead as quickly without the grant (see Figure 5-5) – and therefore G4G has levered private sector investment more quickly than would otherwise have been the case. A minority accessed funding from a bank or another mainstream finance provider (8%), whilst a further 1% of the sample utilised funding from family/ friends or via a hire purchase agreement.

## Progress against horizontal principles

3.8 The following table provides an assessment of the project's contribution towards the ERDF horizontal principles, drawing on details provided within the project progress reports.

**Table 3-2: Evidence of actions contributing to achievement of horizontal principles**

| Horizontal principle | Evidence of progress |
|---|---|
| Sustainable development | • SHDC have an Environmental Policy, which is reviewed annually<br>➢ All grant applicants are encouraged to consider the environmental sustainability of their projects, and identify the environmental impact of their investment in the application |
| Equal opportunities and non-discrimination | • SHDC has a Corporate Equity Policy, which ensures:<br>➢ All staff have training on Equality and Diversity<br>➢ All grant applicants submit their own Company Equality Policy, or sign an Equality Statement when submitting a grant application |

*Source: ERDF project progress report, 30 Sept 2022*

3.9 Consultees argued that the project's activities have made a notable direct contribution to achieving sustainable development, with many businesses using grants to make their operations more sustainable or efficient. For example, several investments made by manufacturing firms into new machinery were purposed to reduce energy consumption and wastage, which will in turn reduce costs and improve productivity.

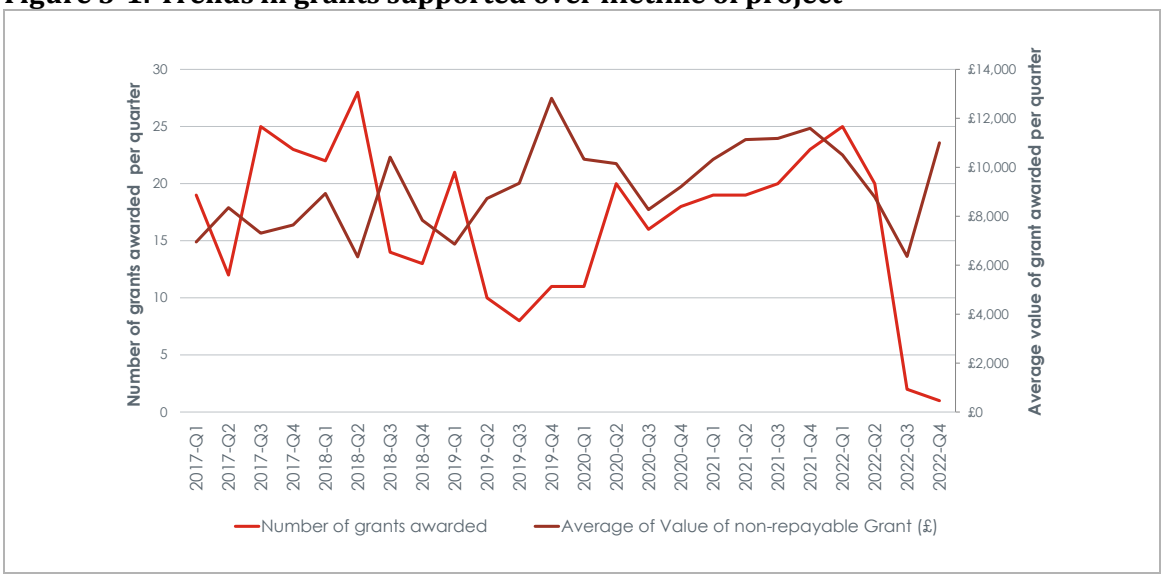
## Take-up of support

3.10 The **average grant value awarded was £9,085** across the 400 beneficiaries supported to date, with grant values varying from £1,000 to £24,999. This is slightly higher than the original anticipated average grant size of £6,309. However, the project received a larger number of applications for larger-scale grants than anticipated. In the November 2021 PCR, it was noted that the number of larger grant applications coming forward was growing. Therefore, the Board decided to increase impact through better planned and more significant investments.

**3.11** As illustrated below, **the number and value of grant approvals has fluctuated over the delivery period.** Consultees noted that there was often a decline in interest over the mid-winter and mid-summer period, but that since the Covid-19 pandemic, demand became more varied, linked to changing market conditions, business confidence and new opportunities arising. A notable lull in demand is observed across 2019, with the operational team reflecting at the time that prior to Brexit, the business community had an observed decline in confidence, linked to uncertainty of the timing and details of the final agreement. Similarly, demand has declined in 2022, explained by the operational team increasing messaging about the project being close to fully allocated, and a consequent reduction in social media and marketing activity.

**3.12** Since the second PCR was approved in December 2021, the project management team has been flexible in the approach to grant intervention rates and grant values awarded. Prior to this date, the grant intervention rate was static at 28%, but the PCR enabled the team to flex the intervention rate for individual grants up to 50%. Decisions on grant intervention rates were based on the details of individual applications (i.e. the case for intervention, purpose and scale of investment, size of business etc), overall demand from market at the time and expenditure profile of the project (e.g. encouraging smaller grant values at times where the project was trying to boost the number of grants awarded to meet the project profile and larger grants towards the end of the project to meet the overall target). The budget has been carefully managed to ensure that funding was continually available throughout the operational period of the project.

**Figure 3-1: Trends in grants supported over lifetime of project**




*Source: ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC. Note: quarter refers to the date that the support from G4G started.*

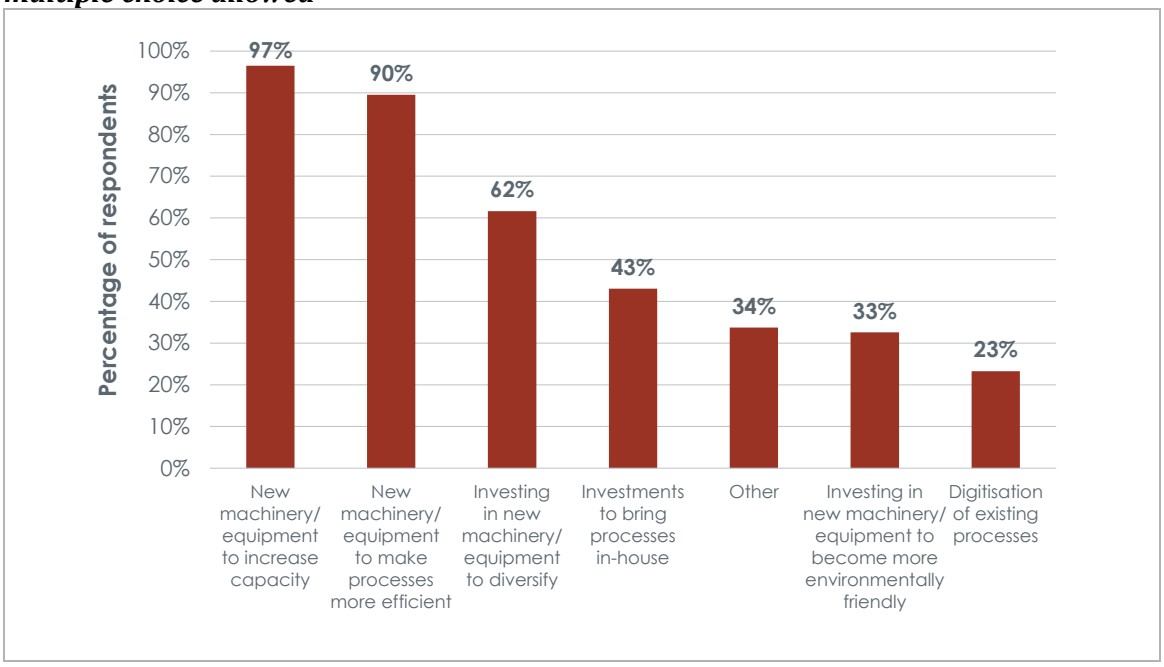
## Investments funded and activities

**3.13** The capital assets invested in through the G4G grants were varied, depending on the business' sector, growth intentions and size of investment. Common items included machinery such as

forklift trucks or CNC lathes, printing/3D printing machinery and storage equipment for warehousing, such as racking and shelving. Purchases for automated machinery were also common (e.g. automated welding machine, automated paying machine etc.).

**3.14** Findings from the beneficiary survey indicate that the most common uses of G4G funding were to **increase capacity** (97% of respondents), **make processes more efficient** (90%) or invest in new machinery/equipment **to diversify, i.e. to offer new products or services** (62%). Bringing processes in-house, becoming more environmentally friendly and digitalisation/automation of existing processes were also cited by a smaller number of beneficiaries. 'Other' responses received from beneficiaries about their use of the G4G funding were varied but included reference to improving productivity, health and safety/wellbeing for improvements, expanding technological capabilities, improving flexibility/versatility and facilitating general growth.

**Figure 3-2: Beneficiary survey results; What the G4G grant was invested in, n=86 *multiple choice allowed***




*Source: SQW & Qa, G4G Beneficiary survey*

**3.15** The operational team noted that **the purpose of the investment has varied during the delivery period, influenced by economic conditions**. Prior to the pandemic, the majority of applications made were for assets that would support businesses to improve their capacity or sales. During and soon after the pandemic, there was an increase in applications that supported innovative activities, such as developing new products and services, with some links to businesses pivoting towards newly growing markets. Post-pandemic, and as cost inflationary issues have become more common, many businesses have been seeking to bring capabilities in-house or make investments that will improve cost efficiencies. **There was also an increase in digital and technology focused investments** during and after the pandemic, which led to the operational team widening the investment criteria to allow for IT goods to

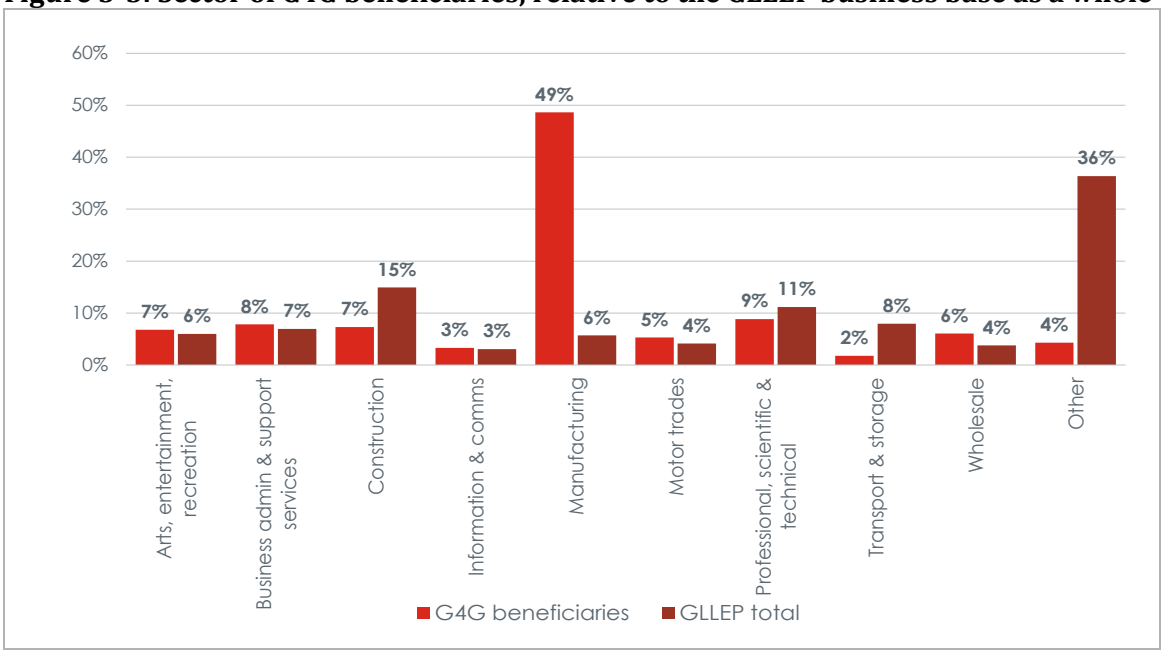
be procured specifically for purposes of improving capacity or capabilities, as opposed to general operations.

## Profile of beneficiaries

**3.16** The project has had strong take-up from businesses operating in the manufacturing sector, which is one of the GLLEP's priority sectors[14]. Almost half of the businesses supported to date (49%) operate within the manufacturing sector. These businesses are overrepresented within the project relative to within the wider business base (with the manufacturing sector accounting for 6% of the businesses in the GLLEP area overall). This is likely to reflect the nature of the project, whereby capital grants are in higher demand from more capital-intensive firms. Consultees noted that the project has been relatively sector agnostic and has sought to support any suitable business that applied for the project.

**3.17** **The other 51% of beneficiaries operate within a variety of sectors,** with the professional, scientifical and technical activities sector and business administration and support services sector accounting for the next largest proportion of beneficiaries (9% and 8% respectively). Sectors which account for 1% or less of the beneficiaries supported are grouped as 'other' within Figure 2-2. Some of the sectors grouped in this category are not eligible to receive support from ERDF-funded projects, such as agriculture, fishery, banking and insurance, which explains why this category appears to be underrepresented on the project, relative to the wider business base.

**Figure 3-3: Sector of G4G beneficiaries, relative to the GLLEP business base as a whole**



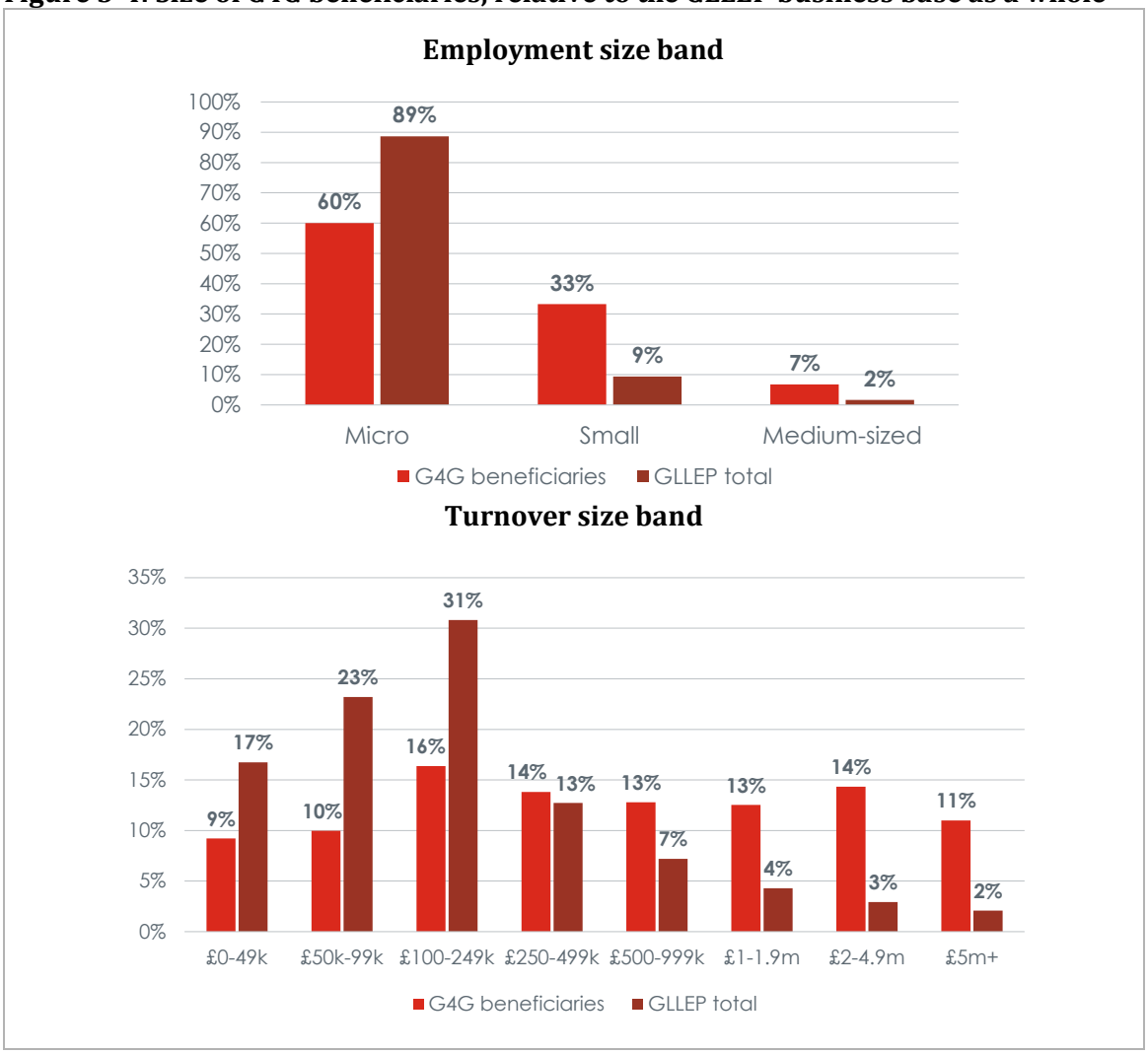

*Source: ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC and ONS UKBC 2021 Note 1: sectors accounting for 1% or less of beneficiaries are grouped as 'other' which includes accommodation and food services, agriculture, mining & utilities, education, financial & insurance, health, public administration, property and retail. Note 2: businesses with missing sector information have been excluded from analysis.*

[14] Greater Lincolnshire Local Enterprise Partnership | Local business support | Business Lincolnshire | Business Lincolnshire

**3.18** In terms of the size of the businesses supported, **the project has tended to support smaller SMEs, with 93% of beneficiaries being either micro or small businesses.** All businesses were SMEs, with FTE employees at the time of receiving support ranging from 0.5 to 229, and an average of 16. Consultation evidence suggests that profile of applicants became more diverse over Covid-19, with an increased number of applications from smaller and younger businesses (including more sole traders) from a wider range of sectors (beyond manufacturing). This is supported by project monitoring data, with the proportion of manufacturing businesses supported falling over time (from nearly two thirds in 2017 to 40% in 2022).

**3.19** Looking at the turnover of supported business (prior to receiving support), businesses with lower turnover (£0-249k) tended to be underrepresented in the project, relative to the wider business base. **Just over half of beneficiaries (51%) had an annual turnover of over £500k,** which compares to 16% of businesses across Greater Lincolnshire as a whole.

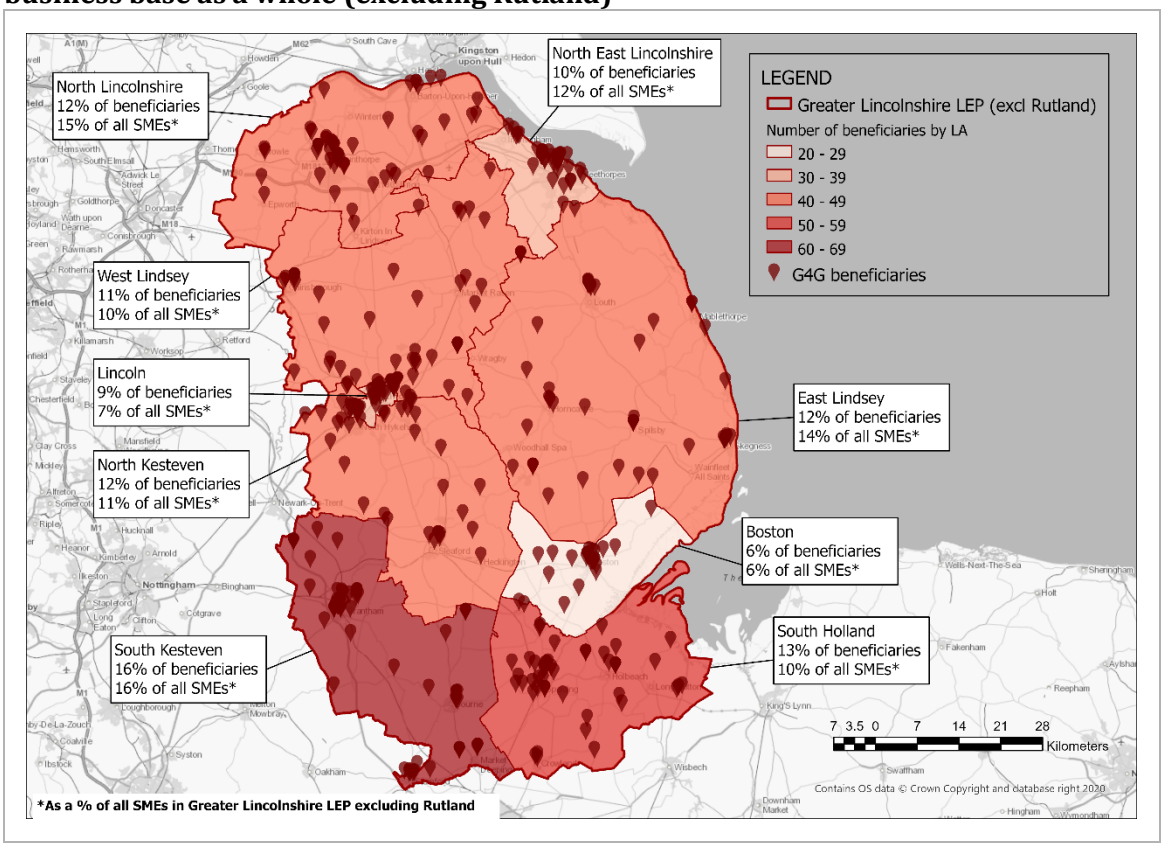
**Figure 3-4: Size of G4G beneficiaries, relative to the GLLEP business base as a whole**




*Source: IDB VAT and PAYE based enterprises, ONS UKBC employment size band (as of 2022) and ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC.*

**3.20** Businesses from across the LEP area were supported by G4G, with businesses in South Kesteven most represented (16% of beneficiaries), whilst businesses in Boston and Lincoln were least represented (representing 6% and 9% of beneficiaries) on the project. Relative to the GLLEP business base as a whole, the spatial distribution of beneficiaries was similar to that of all SMEs in Greater Lincolnshire. Encouragingly, even though G4G is managed by SHDC, the team has successfully reached across the whole LEP area.

**Figure 3-5: Spatial distribution of G4G beneficiaries, relative to the GLLEP SME business base as a whole (excluding Rutland)**




*Source: Produced by SQW 2023. Licence 100030994. Contains OS data © Crown copyright and database right 2022. Data sources included ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC, and ONS UK Business Counts (as of 2022). Note 1: Rutland has been excluded from analysis as there were no beneficiaries in Rutland (which became part of GLLEP in 2020). Note 2: Two businesses had postcodes outside the GLLEP area – they have been excluded from the analysis of geographical distribution.*

# 4. Delivery and Management Review

4.1 This section reviews how effectively the project has been implemented and delivered, highlighting the factors that explain the project's development over time and performance. Building on the analysis of the evolving context for the project in section 2, it also reviews the continued relevance and consistency of the project in light of these changes. It draws on evidence from consultations, an e-survey with stakeholders and a telephone survey of beneficiaries. A full list of consultees is provided within Annex A and an overview of the survey approach and representation is provided in Annex D,

## Key findings

- **The project has maintained a strong strategic fit, despite significant changes to context since the project launched:** There has been some (minimal) overlap with other grant schemes delivered locally (particularly during Covid-19), but G4G has maintained a distinctive focus in terms of grant size available, the emphasis on investing for growth, and being largely sector agnostic.
- **Barriers faced to investing in growth align with original rationale for G4G:** Findings from both the beneficiary survey and consultations with stakeholders suggest that the most significant barrier preventing SMEs in Greater Lincolnshire investing in growth is the lack of internal finance available to do so. Beneficiaries and stakeholders also cited barriers that prevent firms in Greater Lincolnshire accessing external finance, including a lack of awareness, or willingness (often due to risk-aversion) to access finance. This aligns with the original rationale for the project and suggests a continued need for this type of intervention.
- **Recognition and awareness of G4G was quickly raised during the project's initial years, and then maintained:** Referrals and stakeholder engagement (particularly with regards to the Growth Hub, intermediaries and the local authorities) has been key to raising awareness of the project. Word of mouth has also been important, with several beneficiaries noting that they heard about the project from other businesses.
- **The broker function has been helpful to facilitate access, particularly when closer to G4G processes/the Operational Team:** The broker function has helped to ensure G4G is appropriate for business needs, and check the output projections were realistic. Consultees indicated that this role worked better when closer to G4G processes/the Operational Team.
- **The operational team has made continuous improvements to the project, responding to the changing context**: The team have been highly responsive and flexible in light of substantial changes in the external context. This has enabled them to efficiently mitigate risks as the project progressed.
- **Positive feedback from both stakeholders and beneficiaries on the delivery and management of the project:** Beneficiaries cited very high levels of satisfaction with the support provided by SHDC across all stages of engagement. There was also positive feedback from all consulted on the delivery and management of G4G, with several consultees highlighting the ease of application process, and the mix of representation and good levels of engagement within the Strategic Board and Grant Panel as being key strengths of the project.

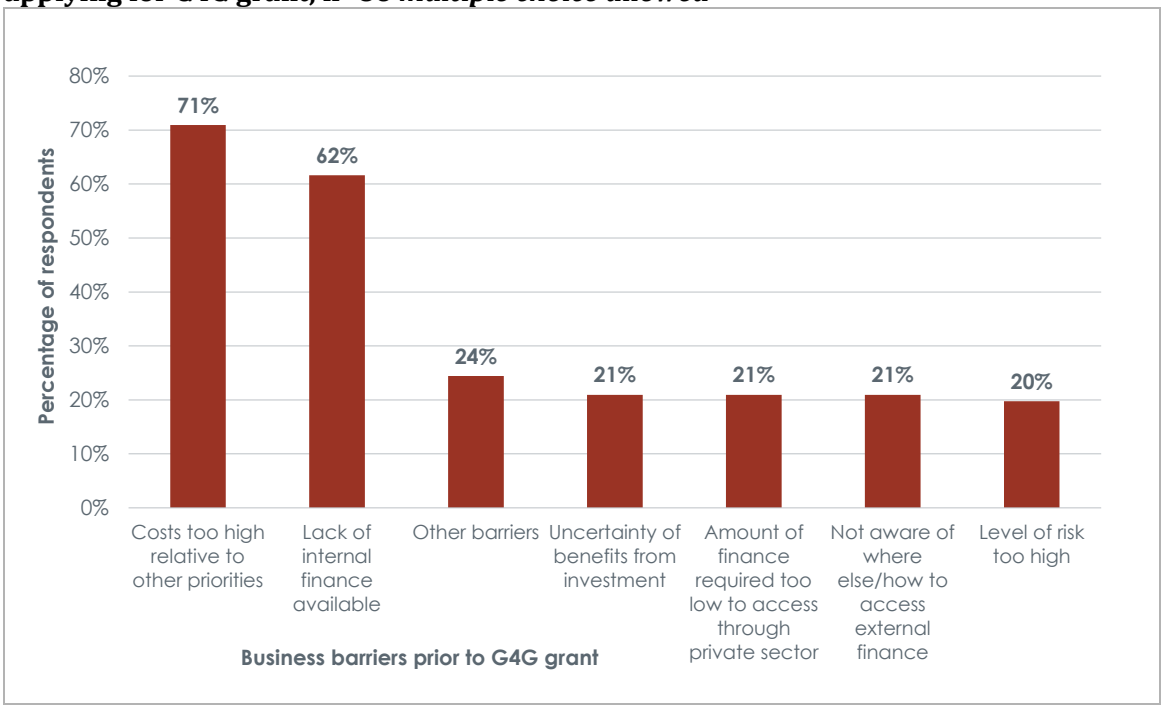
# Project design and continued relevance

## Barriers faced to investing in growth align with original rationale for G4G

**4.2** The most important barrier preventing SMEs in Greater Lincolnshire investing in growth is the lack of internal finance available to do so, which aligns closely with the original rationale for G4G set out above. Information failures relating to SMEs' lack of knowledge about how to find alternative finance or the potential benefits of investment also played a role (to a much lesser degree), alongside the level of risk being too high for the business to invest without grant support.

**4.3** In the survey, beneficiaries were asked about their reasons for approaching G4G and the barriers they faced to achieving these aims prior to applying for the G4G grant. As illustrated below, the most commonly cited barriers were that the costs were too high relative to other priorities (71% of respondents) or that a lack of sufficient internal finance to cover the costs of capital requirements (62% of respondents). For example, beneficiaries commented that '*we were nervous to spend that level of capital*', that '*G4G helped them to release funds for other projects*' and that they '*did not have enough funds to make the investment*'. Other responses indicated that information failures may be preventing some businesses from accessing external finance; just under one fifth of respondents cited uncertainty of the benefits from investment or not being aware of where or how to access finance as a barrier.

**Figure 4-1: Beneficiary Survey Results; Barriers faced by beneficiaries prior to applying for G4G grant, n=86 *multiple choice allowed***

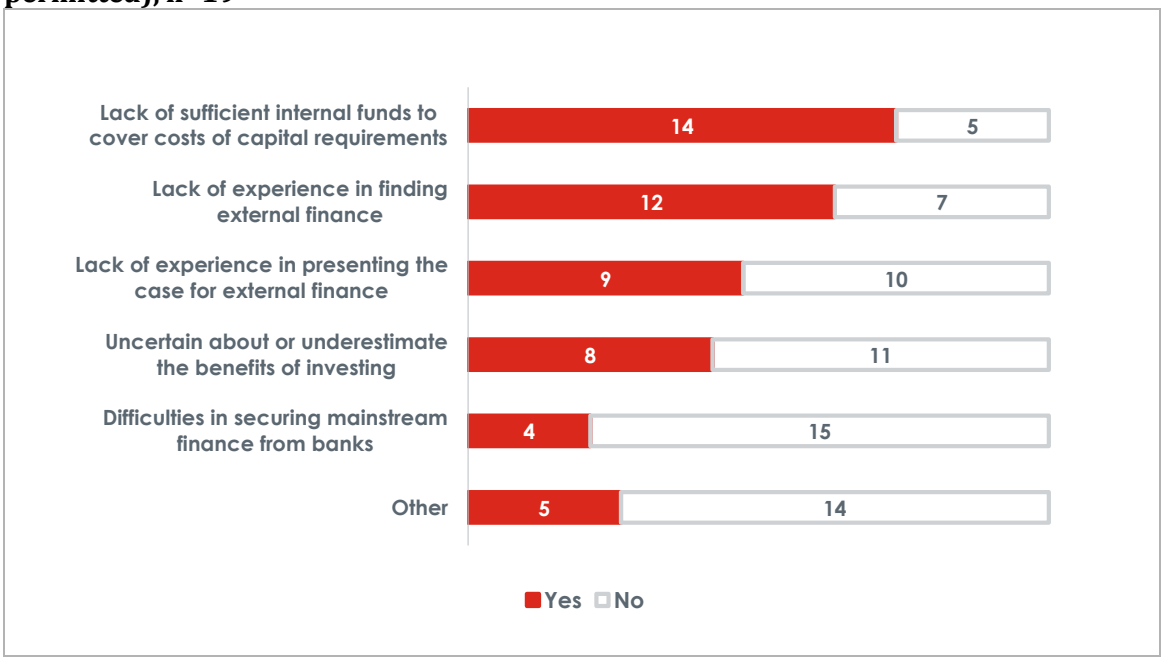



*Source: SQW and Qa G4G Beneficiary Survey*

**4.4** These findings aligned with consultee feedback. According to consultees, the majority of firms applying to G4G faced internal barriers that limited their ability or willingness to invest in assets to enable growth or improv productivity. **The most cited barrier to investing in capital for SMEs in Greater Lincolnshire was lack of sufficient internal funds to cover costs of capital requirements.** Similarly, in the e-survey with stakeholders, the lack of sufficient internal funds to cover costs of capital requirements was also the most common barrier, selected by 14 out of 19 respondents (see Figure 4-2).

**4.5** It was also reported by consultees that **many businesses faced barriers to accessing external finance**, which limited their ability to invest. The majority of consultees had found that businesses often lacked awareness or a willingness to access finance, and had limited connectivity to private sector finance sources. This was confirmed by stakeholders responding to the e-survey, who stated that firms had a lack of experience in finding external finance (63%, see graphic) and noted that SMEs found it difficult to present the case for external finance (47%). Some e-survey respondents (42%) felt SMEs in Greater Lincolnshire were uncertain about, or underestimated, the benefits of investing. Other responses included not being aware of grant funding or the process to access it, lack of time to source opportunities and apply, and management failure to financially plan for growth or inward investment.

**Figure 4-2: Stakeholder e-survey results; What hinders SMEs in Greater Lincolnshire from investing in capital to grow and/or improve productivity? (multiple answers permitted), n=19**




*Source: Evaluation of Grants4Growth – stakeholder e-survey.*

**4.6** Other issues raised by consultees that hinder investment were related to **capacity and growth ambitions**. Consultees noted that micro/small firms often have limited time or resource available for planning strategic activities, and struggle to prioritise growth-related

activities relative to day-to-day operations. Also, in some more established/mature businesses, growth-related activities had become a lesser focus compared to maintaining stability and security. Some firms also had long-term ownership structures with little changeover in senior staff (e.g. typically family owned), which were often linked to lower levels of innovation.

**4.7** Market conditions were noted by both consultees and e-survey respondents to have affected business' confidence in making investments and thus affected demand and take-up of the grants. Events such as Covid-19, the Russia-Ukraine war have led to inflationary pressures and supply chain disruptions that had directly both created barriers to procurement and led to tighter margins, leaving businesses with lower financial reserves to re-invest. The UK's Exit from the EU was also seen to be a barrier to procurement of products sourced from the EU. These events were said to have led to many businesses becoming more cautious, particularly in the last two years. As a consequence, internal and external consultees agreed that **the rationale and case for intervening through a grant project has remained strong and even increased during the delivery period.**

**4.8** Many e-survey respondents also commented that given the challenges associated with the pandemic, Brexit, the Ukraine war, recessionary times and rising fuel and energy prices, grant support of this kind was needed more than ever. Examples of respondent comments include the following: *"trading conditions for SMEs are always tough but the current macro-economic environment creates even more challenges so businesses need all the help they can get"*, *"businesses are constantly having to look to change, innovate and diversify at a rate that would never have occurred to them four years ago; more than ever they need some support, stability and a chance to dip their toe in the water to invest in new projects"*.

**4.9** Another key test of the rationale is the extent to which SMEs are seeking - but struggling to secure - external finance from elsewhere, thereby supporting the case for public sector intervention. Overall, the evidence suggests that **for the majority of beneficiaries demand-side challenges were more prevalent than supply-side challenges in preventing beneficiaries from accessing external finance.** Consultees stated (to a lesser extent than the above) that banks were not willing to provide finance to some beneficiaries, with some firms being ineligible for loans (e.g. typically smaller, younger businesses), which had compounded the demand-side challenges above. However, in the survey, only 33% of beneficiaries had considered external sources of finance (largely from banks) and few appear to have attempted to secure it. Interestingly, one business was rejected from the bank because their turnover was too small to justify a loan to purchase the equipment needed – they found themselves in a "Catch 22" situation. In the survey, this beneficiary stated, "*we needed machinery to push us, but the bank would not support us because we were at the bottom level [in terms of turnover] because of our poor equipment*".

**4.10** It also appears that the majority of beneficiaries lacked prior experience of securing external finance, especially private finance, which reinforces the rationale for G4G set out above. For

example, the survey also found that only a third of respondents (34%) had a recent track record in securing external finance in the three years prior to the G4G grant for business growth and only 13 of all 86 survey respondents had accessed bank or other mainstream finance providers.

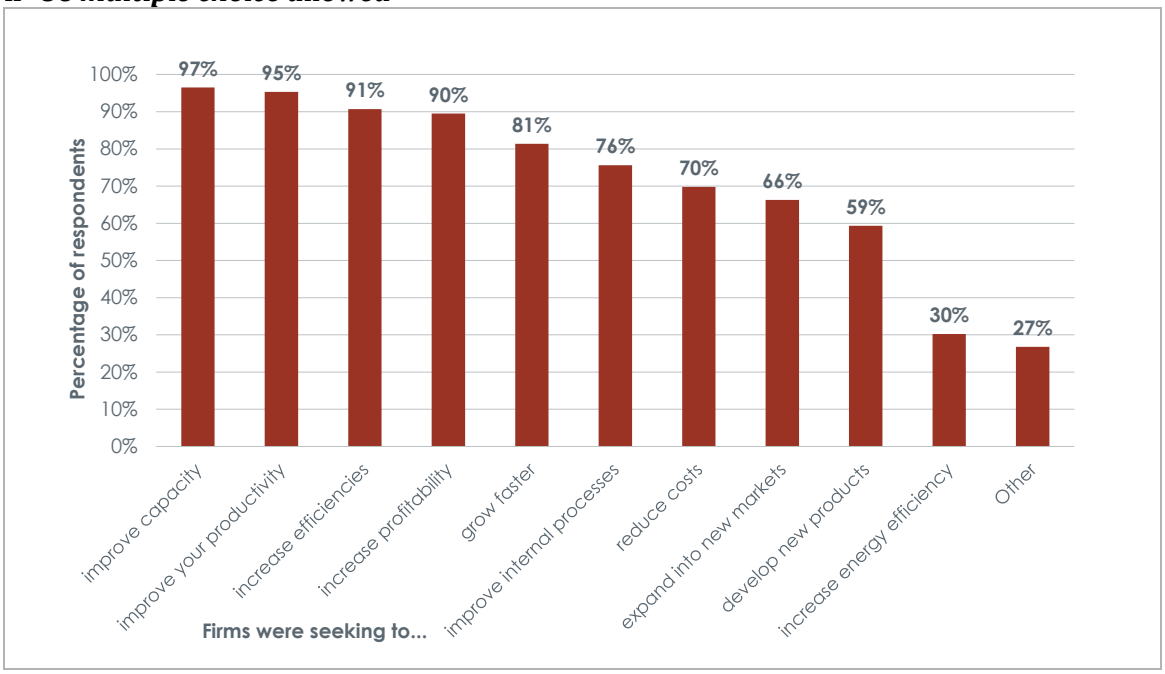
**4.11** Most firms were attracted to G4G because the process was simpler/clearer, it was perceived to be a 'lower risk' source of finance, better suited to their needs and more flexible.

### Clear, consistent and well understood aims and objectives

**4.12** G4G's aims and objectives have been clearly presented to the business community, and well understood by businesses throughout the project's delivery. Objectives have been consistent, with the project maintaining a central focus on supporting businesses to grow and/or become more productive. Moreover, these objectives have remained relevant despite significant changes in the economic and market context during the delivery period.

**4.13** In the survey, beneficiaries were asked why they approached G4G. The responses indicate that the majority of businesses were looking to make changes that would help to improve their productivity or grow their business (e.g. through improving capacity, or increasing efficiencies), aligning with the aims and objectives of the project. This suggests that the purpose of G4G was understood by beneficiaries and that G4G has been successful in reaching appropriate businesses that have ambitions that align with the objectives of the project.

**Figure 4-3: Beneficiary Survey Results; Reasons why beneficiaries approached G4G, n=86 *multiple choice allowed***




*Source: SQW & Qa, G4G Beneficiary survey*

### Strong alignment with strategic priorities and distinct offer locally

**4.14** Stakeholders that responded to the e-survey thought **G4G was well aligned with the wider strategic priorities of Greater Lincolnshire LEP (GLLEP).** In particular, respondents felt it aligned well with GLLEP's funding and investment theme, with one person describing the project as *"simple access to external funding for SMEs who traditionally struggle with the application for funding and wordsmithing their needs appropriately"*. Some respondents also highlighted G4G's strong alignment with priority sectors such as manufacturing.

**4.15** There has been a number of other grant schemes available to businesses in Lincolnshire during G4G's delivery period. During the first half of the project, there were several sector-specific schemes delivered by the LEP and Growth Hub, as well as programmes delivered by national bodies such as Innovate UK and BEIS[15]. However, consultees argued that these schemes tended to differ from G4G due to the focus or scale of support offered, especially in the £10k-25k space. E-survey respondents concurred, with 14 of 18 respondents (78%) stating that G4G was distinctive within the GLLEP's portfolio. There was no grant scheme delivered within the GLLEP area with directly comparable grant sizes or eligibility criteria.

**4.16** G4G was largely agnostic to the sector of business supported, or form of capital investment made, whereas other schemes tended to have more specific focuses (e.g. only supporting the manufacturing sector or enabling digital based investments). During the second half of the project, the pandemic led to the introduction of several grant projects delivered on a national and sub-regional basis which led to a more crowded grant offering[16]. As such, consultees indicated that at times during the delivery period, there has been an unavoidable level of overlap with some other similar schemes. However, G4G has remained distinctive to many of the Covid-related grant schemes, which were aimed at supporting business survival rather than growth and productivity. Several external consultees highlighted that, with post-Covid emergency funding, and other LEP schemes coming to an end, G4G has been the only grant project of its scale and nature still operating in Greater Lincolnshire. **Overall, the project was reported to have maintained a distinctive focus to other grant schemes, and its strategic fit alongside other projects has been good**.

## Marketing and awareness of the project

### High levels of awareness, with social media marketing and engagement with intermediaries effective in raising awareness of G4G

**4.17** Consultees believed that **recognition and awareness was quickly raised during the project's initial years, and then maintained**. The longevity of the project over a six-year period and consistency in its purpose/aims has helped to maintain awareness. The project's

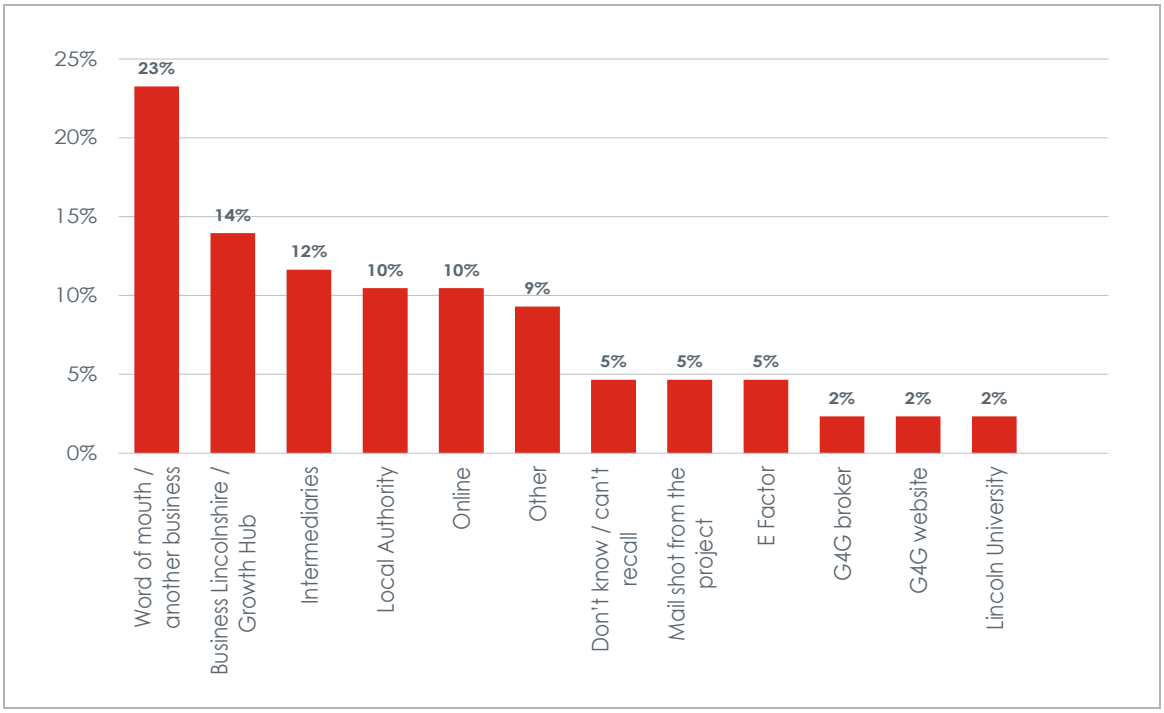
[15] For example, the Growth Hub's range of grant schemes, the LLEP's Business and Digital Growth Grants and national programmes such as Manufacturing Growth and Help2Grow.
[16] E.g. The coronavirus Additional Restrictions Grant (ARG) which was available between 2020-21 FY. The ARG provided local councils with grant funding to support businesses severely impacted by covid-19 restrictions and could be used between 2020 to 2022.

distinctive provision of grants up to £25k, and more recently, its higher intervention rates, were increasingly promoted, and in turn resulted in greater awareness from businesses.

**4.18** The project has a website and was promoted directly by the Councils within the delivery partnership's economic development teams as well as the Business Lincolnshire Growth Hub. Additionally, an external marketing agency was contracted to deliver ongoing marketing activities, including digital (i.e. social media), print and press releases (i.e. within local news outlets), case studies and wider PR management services. Relative to the project's allocated marketing budget of £152k, **marketing activities were reported by consultees to have been effective and largely optimal.** Engagement with the project's social media pages was also relatively high, and during and after the pandemic, social media became an increasingly common method for businesses to express initial interest in the project and receive direct referrals. Social media presence was also seen as effective by nearly half of e-survey stakeholder respondents. While some thought event attendance and case studies were effective methods, nearly all respondents indicated that mail shots were ineffective.

**4.19** **Beneficiary feedback suggests that referrals and stakeholder engagement has been key to raising awareness of the project**; 36% of respondents found out about G4G via referral from the Growth Hub, intermediaries, or the local authority, and a further 4% through a G4G broker or University of Lincoln. **Word of mouth has also been important**, with 23% of respondents indicating that this is how they heard about the project; several respondents specifically noted that they heard about the project from other businesses.

**Figure 4-4: Beneficiary Survey Results: How beneficiaries first became aware of G4G, n=86**




*Source: SQW and Qa Research G4G Beneficiary Survey*

**4.20** **The operational team utilised a flexible approach to marketing activity which was deemed sensible**. In order to avoid risks of over-subscription and overburdening of the project team, marketing activity was often dialled down during periods of high demand.

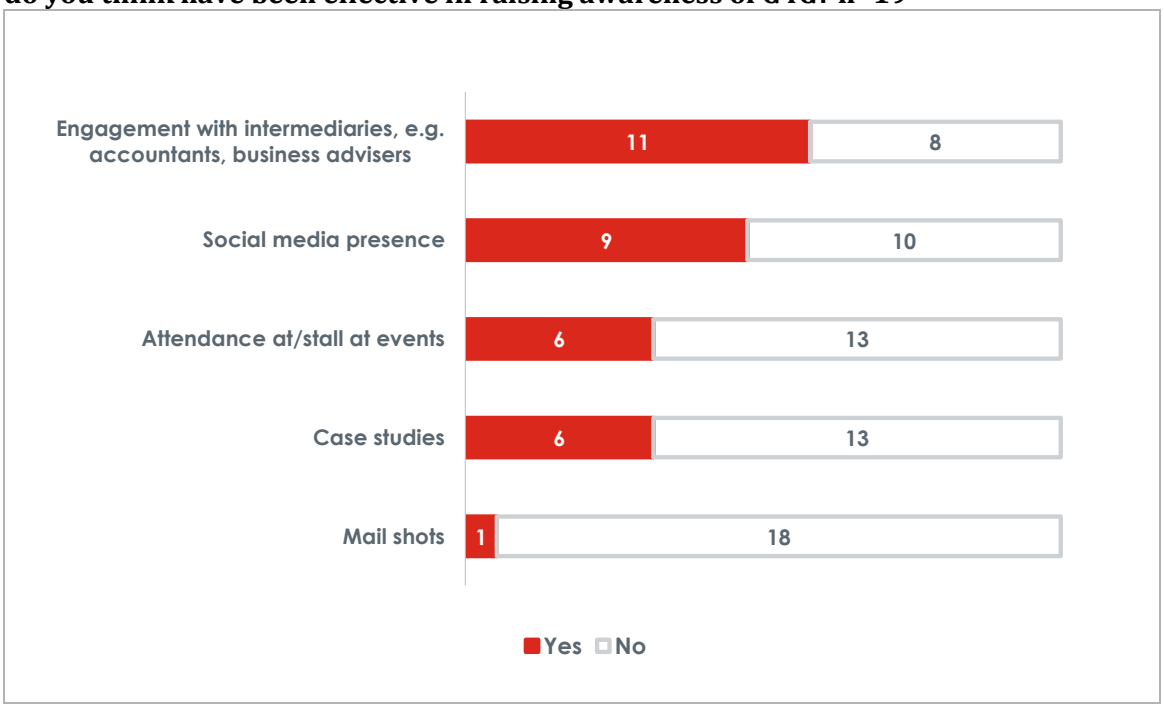
**4.21** Internal consultees reported that marketing activity was necessary and supported awareness building but was not the most critical route for businesses identifying the project. Having a **proactive operational team 'on-the-ground' and effective collaboration with external partners** (including Economic Development officers at District/Unitary Councils, the LEP and Growth Hub) to facilitate referrals was thought to be critical here. Consultees also noted that applications received via referrals (compared to cold approaches from businesses) tended to be of a higher quality.

**4.22** **The Growth Hub have been the most significant partner to G4G, being the source of the majority of referrals.** The G4G operational team has worked closely with Growth Hub advisors to ensure they are up to date on the project and provide mutual signposting support. Anecdotal evidence from consultees suggests that within Greater Lincolnshire, districts with the most success in terms of businesses referred/supported are those with the most resource available for advisors. The beneficiary survey corroborates the view that the Growth Hub has been important in referring businesses to the project. As well as being a key route to supporting beneficiaries, having strong partnerships allowed G4G to effectively signpost ineligible businesses to other potentially more relevant schemes, which enabled the project to offer a broader, inter-connected form of referral-based support. Similarly, G4G has worked closely with wider partners at GLLEP to ensure the project was promoted via GLLEP networks. There has also been strategic level interaction with the GLLEP, with a representative from the LEP sitting on the G4G Strategic board, which has helped to ensure the project is well understood by the LEP and aligned to economic planning activities conducted in the LEP.

**4.23** According to the external stakeholders consulted, **engagement with intermediaries such as accountants or business advisers was also seen as critical to raising awareness of G4G**. This was corroborated by stakeholders in the e-survey (see Figure 4-5 below) and as can be seen in Figure 4-4, one of the most cited ways in which beneficiaries became aware of the project was through intermediaries. The majority of respondents to the e-survey (79%) also indicated that they were promoting G4G to their clients regularly. We found that awareness of G4G was perceived to be higher amongst stakeholders than the wider business base in the e-survey[17]. That said, internal consultees have found that engagement and referrals from private sector intermediaries has been ad hoc and a challenge at times, in part reflecting the lack of incentives/commission for this type of activity.

[17] On a scale of one (very poor) to five (very good), on average, stakeholder e-survey respondents rated the level awareness of G4G to be higher among stakeholders (3.9) than businesses (3.3).

**Figure 4-5: Stakeholder e-survey results; Which of the following marketing methods do you think have been effective in raising awareness of G4G? n=19**




*Source: Evaluation of Grants4Growth – stakeholder e-survey.*

# Project delivery

## Customer journey

**4.24** The first stage of the customer journey is the business submitting an expression of interest form, which provides details on company structure and activity, investment plans, whether the company meets the eligibility criteria and details on any previous state aid received. The G4G team aim to complete eligibility checks within five to seven days, and if deemed eligible, the business receives 1-2-1 brokerage support for the application process.

**4.25** The project has included a broker function to (primarily) support businesses in ensuring that G4G is appropriate for them and to provide guidance during the application process. During the first two years of the project, G4G had two brokers: one employed by SHDC and one sub-contracted to an external provider. In 2019, this function was brought entirely in-house at SHDC, as the function was deemed to be more effective when the broker was closer to the project operational team and had a better understanding of the entire grant process. Brokerage activities were initially undertaken on the business' site, but since the pandemic it has moved to a telephone-based process, which was reported by internal consultees to have had no effect on the quality of applications received.

**4.26** Once a business submits an application alongside financial information and copies of three quotes for the equipment being purchased, the overall application is reviewed by the Grants Panel to confirm whether or not it will be funded. The Panel meets twice monthly, and grant

offer letters are usually returned within two days of the Panel's meeting, which is then required to be signed by the business and returned within two weeks. The Operational Team aim to keep the overall time between businesses submitting an application and receiving a grant offer letter to two weeks.

**4.27** Businesses are then able to make the purchase, using their own funds. Once the item was received, the G4G team asked for proof (typically a photograph of the item in- situ displaying the ERDF sticker and supplier invoices) and the business can make a claim back for the grant. Following this, businesses are required to complete two business impact forms: the first six months after claiming the grant; and the second after one year. In practice, there have been some delays in the G4G operational team issuing the business impact forms, due to Covid-19. Whilst this has not impacted on the delivery of the project, it has contributed towards a delay in collating evidence of outputs and impacts achieved by beneficiaries.

**4.28** Table 4-1 below provides an overview of consultee messages on what worked well and less well in terms of the customer journey.

**Table 4-1: Consultee opinions on the customer journey**

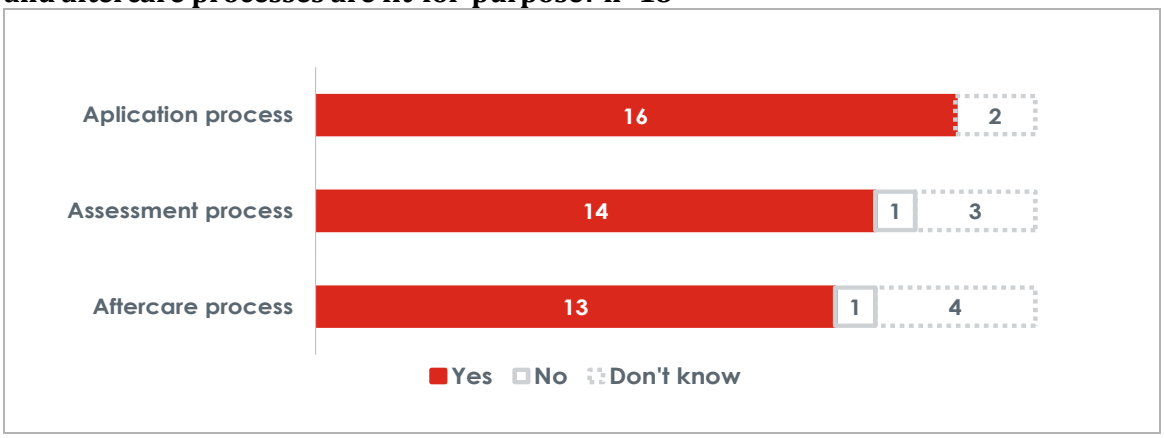
| | Key messages |
|---|---|
| Broker role | **Worked well:**<br>• Effective method of building relationships and ensuring businesses have correct understanding of the project<br>• Enables higher quality applications and ensures the business provides all of the information required, supporting efficiencies for the business and project delivery<br>• Ensures that G4G is an appropriate fit for the business, and where this is not the case, businesses are signposted to other relevant support<br>• Challenging projected job output targets to ensure they are realistic (to improve the quality of data feeding into project management/monitoring systems)<br>**Challenges:**<br>• Mixed quality/appropriateness of applications received from the external broker |
| Application process and form | **Worked well:**<br>• Relatively brief and easy to complete for the business<br>**Challenges:**<br>• ERDF requirements for wet signatures from businesses led to some delays<br>• Business' experience with and capacity for applying for grants had an effect on how efficiently, they completed the form/quality of application, although broker role sought to level the playing field to some extent. |

| | Key messages |
|---|---|
| Assessment process | **Worked well:**<br>• Having a subjective, non-criteria-based process was judged by delivery consultees to be effective and enabled flexibility, important considering varying levels of demand throughout the project and need to distribute capital funding efficiently.<br>• Grants Panel involved public and private partners, enabling diverse perspectives to be provided<br>• Feedback turnaround was generally quick and fair. Very little questioning from applicants. |
| Contracting and claims | **Challenges:**<br>• For some items, especially very specialised equipment, it was difficult to source three quotes at the procurement stage due to small numbers of suppliers<br>• Following Covid-19, many businesses have experienced delays in the delivery of items due to transport / supply chain issues, so have experienced a prolonged claim period, creating a large allocated but unclaimed grant pool. SHDC sought to mitigate against this by allowing businesses to split grant claims, if some but not all of the equipment had arrived, and allowed extensions to the claim period. |
| Aftercare | **Challenges:**<br>• Once a business had claimed the grant, limited support is provided within the remit of G4G to ensure implementation leads to the anticipated growth or productivity improvements |

*Source: Consultation analysis, SQW*

**4.29** The majority of respondents to the stakeholder e-survey indicated that the application, assessment and aftercare processes were fit-for-purpose: as illustrated below, 89%, 78% and 72% of those who submitted an answer, respectively.

**Figure 4-6: Stakeholder e-survey results; Do you think the application, assessment and aftercare processes are fit-for-purpose? n=18**




*Source: Evaluation of Grants4Growth –e- stakeholder survey.*

### All consultees reported that the project had been well delivered

**4.30** Considering the project's overall size, operational team capacity and aims and objectives, **the evidence gathered consistency suggests that G4G had been well delivered.** For example:

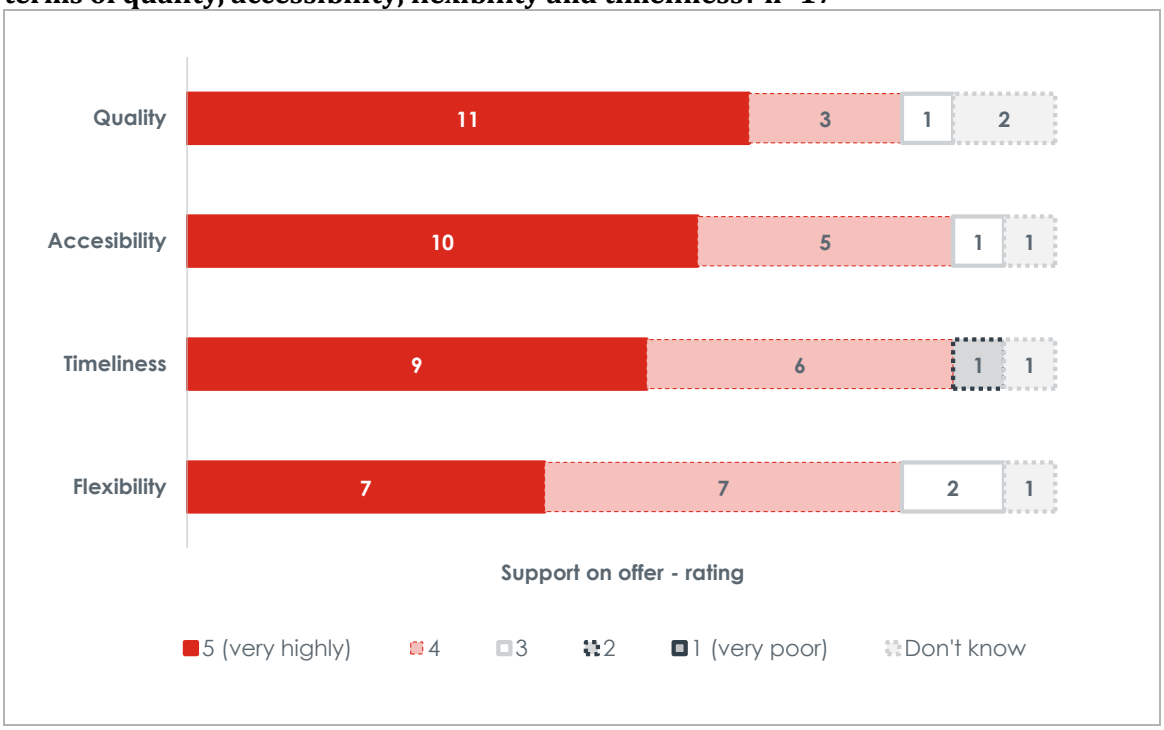
- The majority of external stakeholders that responded to the e-survey rated the support on offer highly or very highly in terms of timeliness (88%), flexibility (82%), accessibility (88%) and quality (83%)[18]. On a scale of one (very poor) to five (very highly), the average ratings were 4.7 on quality, 4.6 on accessibility, 4.3 on flexibility and 4.4 on timeliness (see Figure 4-7).

- When asked how satisfied they were overall with the scale/level of support provided by SHDC across all stages of engagement, 95% of the beneficiaries that responded to the survey indicated that they were either satisfied or very satisfied. This clearly suggests strong levels of satisfaction amongst beneficiaries with the ways in which the project has been delivered.

- Beneficiaries were also asked to rate their satisfaction with each individual stage of support (as shown in Figure 4-8). The clarity and coverage of information provided to submit application was rated highest, whilst levels of satisfaction with the ease of application process and aftercare support were slightly lower, but still high. It should be noted that at the point that this survey was carried out, a large proportion of the business impact verification visits (in which some aftercare support is provided, including asking businesses whether any further support is required) had not yet been completed.

[18] Note: percentages are based on the 17 stakeholders that responded to this question.

**Figure 4-7: Stakeholder e-survey results How would you rate the support on offer in terms of quality, accessibility, flexibility and timeliness? n=17**




*Source: Evaluation of Grants4Growth – stakeholder e-survey.*

**Figure 4-8: Beneficiary Survey Results; Satisfaction with different stages of the G4G process, n=86**

*Source: SQW and Qa Research G4G Beneficiary Survey*

**4.31** When asked about whether there were ways in which G4G could be improved, over half of beneficiaries (56%) responded that no improvements were needed, with several making

positive comments about the ease of application and smooth process, relative to other schemes.

4.32 **Views on how the project could be improved were mixed**: the most commonly cited area for improvement was that the project should make further efforts to raise awareness and advertise more widely (9% respondents), with one beneficiary commenting that they had '*came across [the project] by chance*' and another that '*It would be good to have a monthly newsletter with potential availability of resources/schemes.*' Other responses included increasing the longevity of the project (3%), allowing the grant to cover a larger intervention rate/offer larger sums of money (8%), allowing businesses to have more rounds of fundings (5%) and making the paperwork/processes simpler or more consistent (7%) – one beneficiary noted that digitalising the paperwork would help with this.

## Project administration and governance

### Monitoring, administration and compliance

4.33 Internal consultees believed that all monitoring and administration processes were delivered consistently to a high standard, and that all IT systems were suitable for the project and well managed. However, the project currently only uses paper-based monitoring forms to collate impact data from beneficiaries; it would be more efficient for this to be digitised. The project underwent a series of audits during delivery, with the majority being passed. However, the project did encounter one compliance issue for a procurement exercise carried out by the delivery team for the appointment of the external business broker in 2017, due to a missing document that was requested. There was judged to be a lack of transparency, therefore a penalty of c. £17k was incurred.

4.34 The operational team reported their relationship with DLUHC (formerly MHCLG to 2021) has been challenging at times, but overall has improved during the course of the project's delivery. The department faced constrained capacity and there were several changes to the contract managers, which led to inconsistent communications and expectations being set. This did not impact the delivery of the project overall, but there were delays in confirming PCRs, leading to some delivery periods being 'at risk' until PCRs were confirmed.

### Management and governance structures

4.35 The project has a Strategic Board that meets quarterly, consisting of senior representatives from public and private organisations, including SHDC, other public partner organisations (Growth Hub, GLLEP), local businesses and delivery partners. The Grant Panel is similarly structured, and again was perceived to have worked well in making decision making over grant applications.

4.36 Having involvement from the private sector was believed to have led to wider benefits for the Council, in that it has increased its own profile and networks in the business community. It

was noted by consultees that the Strategic Board and Grant Panel meetings had good attendance and engagement, and that it was helpful to have a mix of representatives from different organisations. According to consultees, meetings have been well-structured, with good attention to detail and robust processes for decision-making in place.

**4.37** The operational team has made **continuous improvements throughout the project and been highly responsive and flexible** in light of substantial changes in the external context caused by events such as the pandemic, as well as policy and economic conditions. In doing so, the Team has quickly mitigated risks as the project progressed. Quality of delivery to businesses has been a focus continuously, with regular reflection on process improvement and implementation when required (e.g. changing intervention rates, adjusting criteria) with the aim of striving to meet business needs to the greatest extent possible. External stakeholders also recognised this, and one e-survey respondent commented that:

*"the approach to managing and delivering G4G has been flexible and dynamic responding to the needs of businesses throughout the pandemic and ongoing difficult economic climate; G4G has considered innovative projects and thought outside of the box to support business."*

**E-survey respondent**

**4.38** The G4G management model is seen as good practice in SHDC and was therefore also adopted for the management and governance of the Additional Restrictions Grant (and there are plans to adopt this approach also for the Shared Prosperity Fund).

**4.39** Overall, the majority of respondents to the external stakeholder e-survey also agreed that **Grants4Growth had been well managed and governed** (89%) and is targeting support appropriately (76%), as illustrated in Figure 4-9. E-survey respondents also believe G4G has effective partnerships with other key stakeholders in the GLLEP area (83%). In particular, some respondents praised the work done by the G4G team, saying they were *"an excellent client-centric team"*, *"much respected in the business community"*, *"a pleasure to work with"*, and *"helpful, efficient and professional at all times."*

**Figure 4-9: Stakeholder e-survey results; To what extent do you agree or disagree with the following statements? n=18***

*Source: Evaluation of Grants4Growth – stakeholder survey. *Note: number of responses is 18 (except for 'G4G has targeted support appropriately' where it is 17).*

# 5. Project Outcomes and Impacts

5.1 This section provides an assessment of outcomes and impacts achieved, and a quantified estimate of net GVA impact generated by the project. The analysis draws on the survey and case studies with beneficiaries, and SHDC's impact forms. An overview of the survey approach and representation is provided in Annex D and an overview of the impact/VfM methodology is provided in Annex C.

## Key findings: project outcomes and impacts

- **Strong evidence of progress towards the project's intended outcomes and impacts:** For the majority of beneficiaries, the investment supported by the G4G grant has already enabled them to achieve intermediate outcomes including new/improved internal processes, improved capacity, new or improved products/services and improved skills/knowledge. Many beneficiaries noted the grant had led to efficiency improvements and time savings in processes. Beneficiaries are already seeing benefits flowing from those intermediate outcomes, such as efficiency and capacity improvements leading to cost savings, increased productivity and increased profitability. Survey findings suggest that this is then translating into business growth impacts for a large proportion of beneficiaries.
- **Evidence that G4G has enabled businesses to accelerate growth**: In the main, G4G has generated outcomes that are partially additional, whereby impacts may have occurred in the absence of G4G, but at a slower rate. This suggests that G4G has helped to accelerate economic growth, and therefore delivered against its overarching aim.
- **Significant impacts achieved to date, and these are expected to grow further:** To date, the project is estimated to have generated £11.6m net GVA and 202 net FTE jobs. This is expected to increase to a lifetime net impact of £22.8 million GVA and 327 FTE jobs, when also taking account of impacts expected over the next three years.
- **There is also evidence of wider strategic and business benefits arising from G4G:** Strategic benefits cited by stakeholders include new/improved relationships between local partners, improved understanding of business needs and strengthened capacity/competencies within the operational team. Examples of wider business benefits include improved quality of products, health and safety benefits, improved working conditions and increased morale amongst staff.
- **The G4G grant has played an important role in enabling businesses to achieve outcomes and impacts:** Whilst businesses acknowledged that other factors had also affected their business performance, the majority of businesses indicated that the grant had been either important alongside the other factors (66%) or critical/more important than other factors (25%).

## Outcomes achieved

5.2 **There is strong evidence of progress towards the project's intended outcomes and impacts** (as outlined in the project logic model), which can be seen in the graphic below in Figure 5-1.

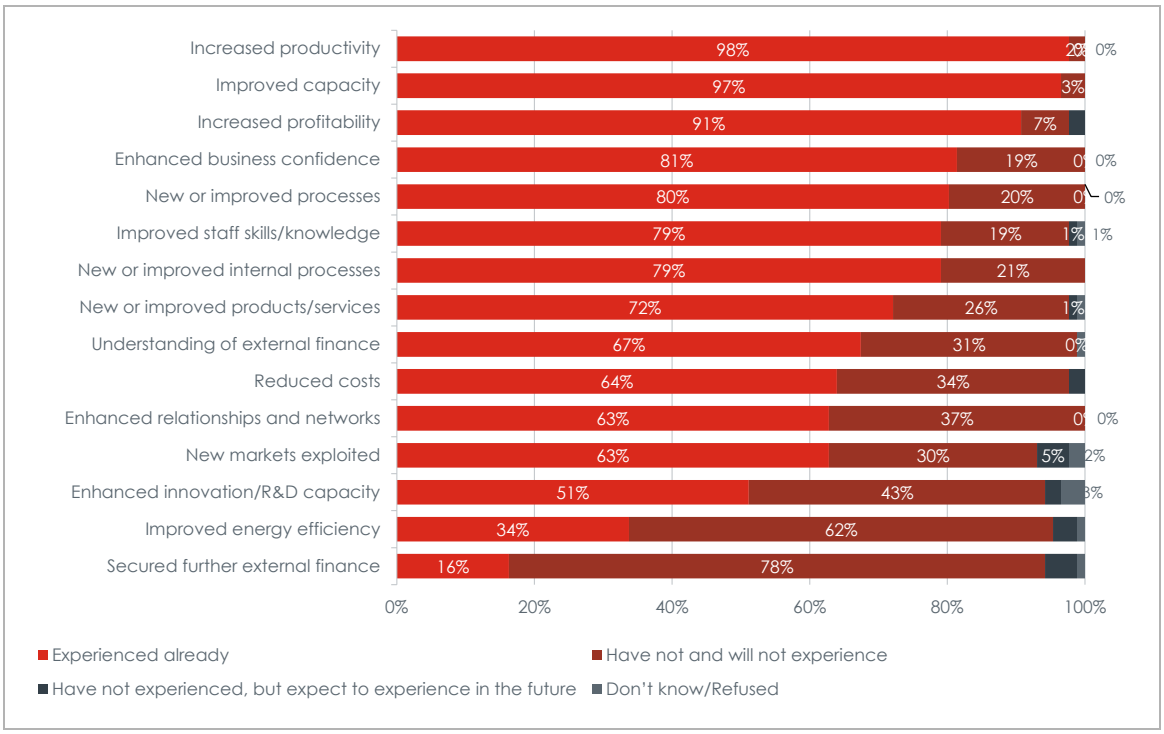
**5.3** The project logic model assumes that using the G4G grant to invest in new processes, production facilities, equipment, and product development will enable beneficiaries to improve capacity and achieve greater efficiencies in their production and operations, which was anticipated to contribute towards cost efficiencies and increased productivity.

**5.4** **Beneficiary survey findings indicate that this logic is being realised.** For the majority of respondents, the investment supported by the G4G grant has already enabled them to achieve intermediate outcomes including **new/improved internal processes** (80%), **improved capacity** (97%), **new or improved products/services** (72%) **and improved skills/knowledge** (79%). Many beneficiaries noted the grant had led to **efficiency improvements** and **time savings** in processes either directly linked to the use of the new capital investment (e.g. within the production process), or in downstream activities (e.g. in packaging, sales or business development).

**5.5** Beneficiaries are **already seeing benefits flowing from those intermediate outcomes.** For example, for 63% of beneficiaries, the grant had allowed them to **access new markets or customers** as a result of increased capacity, or by now having a new or improved products or services. **Use of more efficient machinery or processes has enabled beneficiaries to increase profitability** (an outcome reported by 91% of respondents), **reduce costs** (64%) **and increase productivity** (98%). These positive benefits have enabled the majority of beneficiaries to have **enhanced business confidence** (81%). Consultation feedback supported these findings. One consultee argued that enabling firms to take the initial step into new areas, has in turn given them confidence to continue expanding in the future. Stakeholders thought that the G4G-supported investments have enabled businesses to become more resilient, sustainable and competitive. As one consultee stated, "*G4G has helped with future-proofing businesses*". Given current economic challenges, especially relating to costs, this has become increasingly important. The majority of stakeholder e-survey respondents also thought that through enabling businesses to leverage and accelerate private investment, G4G had enabled growth, increased capacity and improved productivity, and the beneficiary survey responses corroborate this finding.

**5.6** Just over two thirds of respondents (67%) indicated that G4G had improved their understanding of how/where to access external finance. This suggests that **G4G has supported them to overcome information barriers to external finance**. Furthermore, 16% of respondents, said this had **enabled them to secure further finance from elsewhere**. Beneficiaries that had secured further external finance from other sources (14 respondents) were asked for details of how much they had been able to secure due to G4G: responses ranged from £1,500 to £1m, with the median being £25,000. **The total amount of external finance raised by these beneficiaries as a result of G4G was £1.3m.**

**Figure 5-1: Beneficiary survey results: Benefits achieved, expected or not expected, n=86**




*Source: SQW and Qa Research G4G Beneficiary Survey*

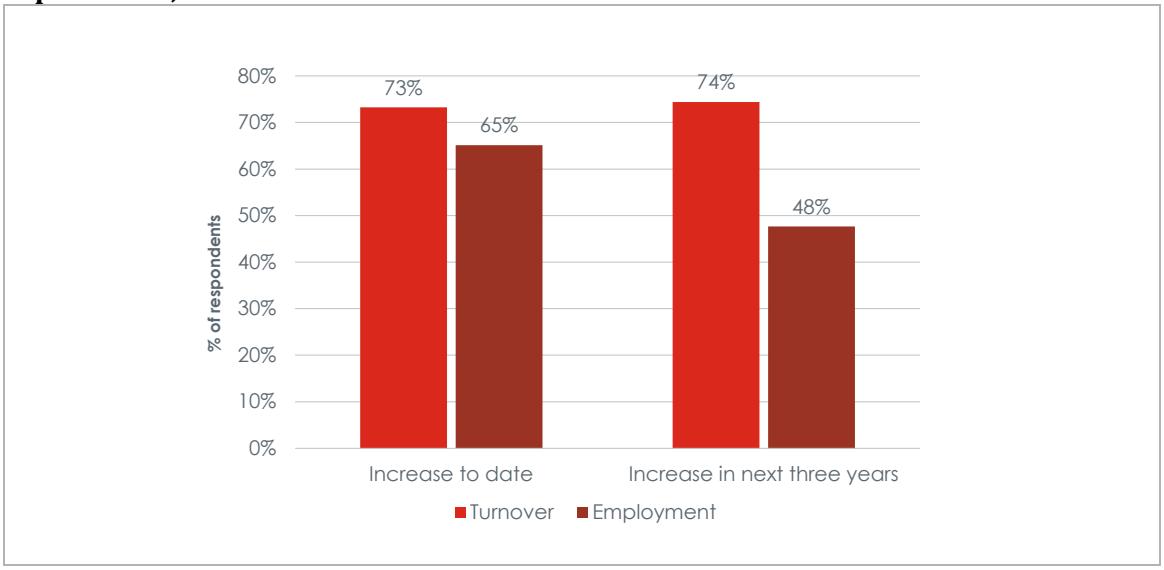
**5.7** Evidence from the 70 business impact forms collected by SHDC[19] also supports these findings. The majority (84%) of beneficiaries that completed the impact forms reported that the grant had enabled them to increase their productivity. When asked how this had been achieved, most referred to the grant helping them to either having purchased machinery with the grant that was **more efficient**, or that the investment made with the grant received had enabled them to **automate processes/make processes quicker**, **turnaround products more quickly** or **improve capacity**.

## Business growth impacts

**5.8** The beneficiary survey findings suggest that for the **majority of beneficiaries, the outcomes achieved as a result of the G4G grant have enabled them to grow their business**. Just under three quarters of respondents said that they had experienced an increase in turnover to date and 65% had experienced an increase in employment (see Figure 5-2). The beneficiary survey also found that a **large proportion of beneficiaries expected their business to continue to grow in the next three years as a result of the investment** made with the G4G grant. Just under three quarters of beneficiaries expected their turnover to increase, while just under half expected their employment to increase over the next three years.

[19] Note: SHDC provided 70 scanned beneficiary impact forms, which had collated data from beneficiaries on the grant they had received and the impacts this has had on their business. These were collected in Q1 2023.

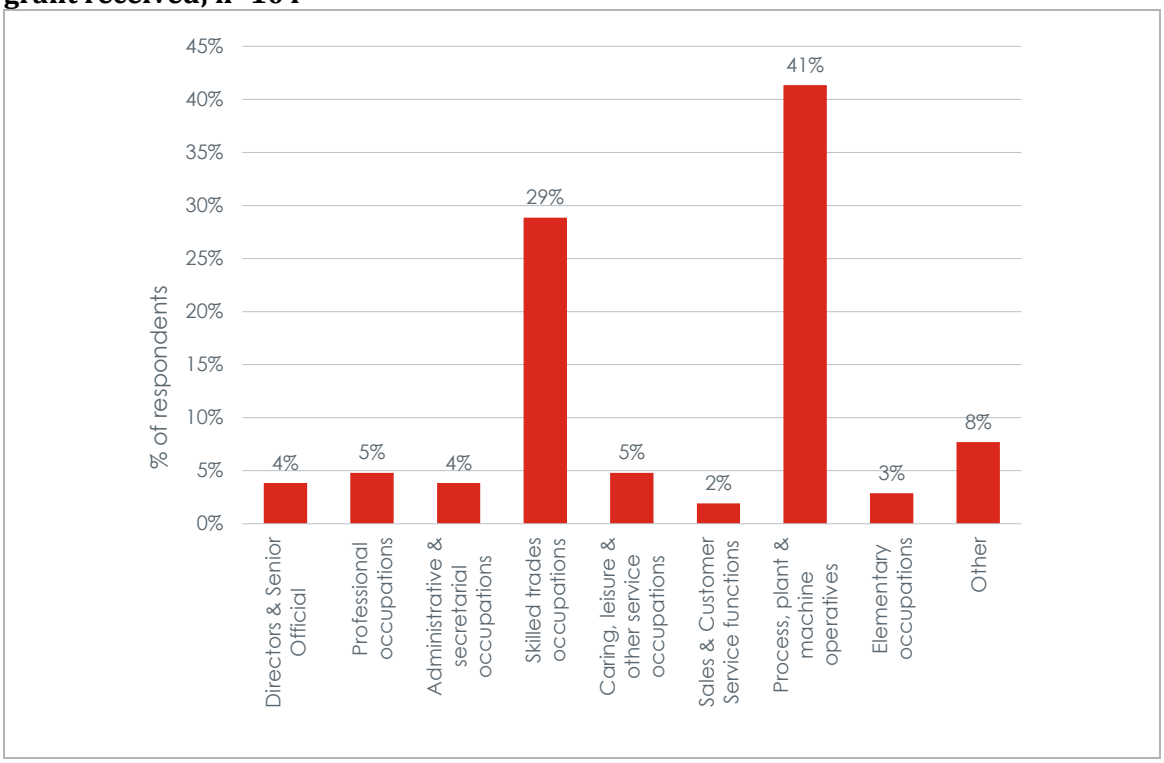
**Figure 5-2: Beneficiary survey results; Employment and turnover impacts experienced, n=86**




*Source: SQW and Qa Research G4G Beneficiary Survey*

**5.9** As seen in Figure 5-3 below, the majority of gross jobs created to date as a result of the G4G grant received were skilled jobs including process, plant and machine operatives (41%) and skilled trade occupations (29%). The large proportion of process, plant and machine operative positions created is likely to reflect the focus of the project on capital equipment and manufacturing sectors.

**Figure 5-3: Beneficiary survey results; Roles of new jobs created as a result of the G4G grant received; n=104**




*Source: SQW and Qa Research G4G Beneficiary Survey*

**5.10** Evidence from stakeholder consultations and impact forms corroborated these findings. For example, over half (60%) of the beneficiaries that completed impact forms reported that the grant had helped them to achieve a variety of wider benefits. Some common examples included, that the grant had enabled **the business to reach new customers**, **increase quality of** (and client satisfaction with) **products / outputs**, **improve precision/reliability of production**, and **develop new products**. **This had translated into business growth impacts for a large proportion of the respondents**, with 79% indicating that the grant had enabled them to increase their turnover, and 71% indicating that it had enabled them to increase their employment. A further 9% of respondents stated that the grant had lessened the impact of Covid-19, and 4% stated that it had both increased their turnover and lessened the impact of Covid-19.

**5.11** Several beneficiaries also commented in the impact forms that the grant had **helped them to maintain their position or grow during Covid-19**. For example, beneficiaries commented that the grant had '*helped in keeping the business afloat during a hugely challenging year*', that equipment enabled firm to provide outside service during Covid – '*this was huge*', that '*the support came at a pivotal period with uncertainty around Covid*' and had given them confidence to invest at a challenging time.

### Wider benefits supported by G4G

**5.12** G4G has also contributed towards a range of wider benefits for the beneficiaries of the project, in addition to strategic benefits for the delivery partners and stakeholders involved.

**5.13** Examples of wider benefits achieved by beneficiaries as a result of the G4G grant received included improvements to **customer's knowledge** and **awareness of business' processes**, **quality of products**, and **health and safety**. Benefits for staff were also achieved, including **upskilling, improved working conditions** and **increased morale**. A small number of beneficiaries reported that the grant had lessened **environmental impacts** and provided benefits **for their community** due to increased activity in local supply chains.

**5.14** Linked to this, some beneficiaries (c.19%) reported that G4G had provided **positive unintended effects** such as new equipment leading to improvements to staff attitude and interest in their work, unforeseen opportunities to access new markets and customers as a result of new products, and increased capacity to complete internal R&D and improve quality of marketing content. Only a very small proportion of beneficiaries (c.7%) reported **negative unintended effects** they had experienced as a result of G4G. These tended to be quite business-specific and included **higher operating costs**, either due to increased electricity costs of operating new machinery, or higher insurance premiums. One business was concerned that the equipment they had purchased had already been out-dated by an upgrade.

**5.15** There was also anecdotal evidence from consultees which indicated that some G4G-funded equipment had come from suppliers based in Greater Lincolnshire, leading to **wider supply chain benefits**.

**5.16** The consultations and stakeholder e-survey identified a number of wider strategic benefits arising from the G4G project. These included:

- **Strengthened partnership working relationships**: Through the delivery of G4G, SHDC has worked in partnership with other Councils, and a number of consultees (internal and external) and e-survey respondents noted that relationships have strengthened as a result. G4G has reportedly stimulated more collaboration between Councils, especially in relation to economic development and business support. In some instances, G4G has developed relationships with partners that previously did not exist. These partnership working outcomes should have benefits for future programmes, including development and delivery of SPF. Consultees also noted that G4G has helped to strengthen relationships with Central Government, including DLUHC and BEIS.

- **Improved the capacity and competencies within SHDC:** in relation to designing and delivering grant support to businesses. As discussed in Section 4, the management and operational team for G4G have sought to continually reflect on what was working or not and make continual improvements. This learning has aided the delivery of other economic development activities at SHDC. For example, it fed into the implementation of SHDC's Covid-19 ARG scheme – using the G4G model (with adjustments) meant the Council could implement the ARG scheme promptly, efficiency and robustly. Lessons learned from G4G will inform the design of the area's SPF. Delivery staff also noted they have gained a much better understanding of the local business base and their challenges/plans for growth as a result of engagement via G4G, which can also inform the design and targeting of future programmes.

- **Reputational benefits for the Council**: especially in relation to their business focused ethos. G4G has reportedly helped the Council forge a better relationship with businesses in the area.

- **Raising awareness amongst businesses of Government support:** G4G has contributed towards educating the business base about external grants available and wider public sector, although over the last two/three years, Covid-19 emergency support has also played a key role in raising awareness.

### Additionality and contribution

**5.17** Testing the extent to which the funding provided, and outcomes achieved are additional, i.e. would not otherwise have happened, or not as quickly or at the same scale, is a key aspect of the evaluation. This has a bearing on the *net* benefits generated by G4G.

### Finance additionality

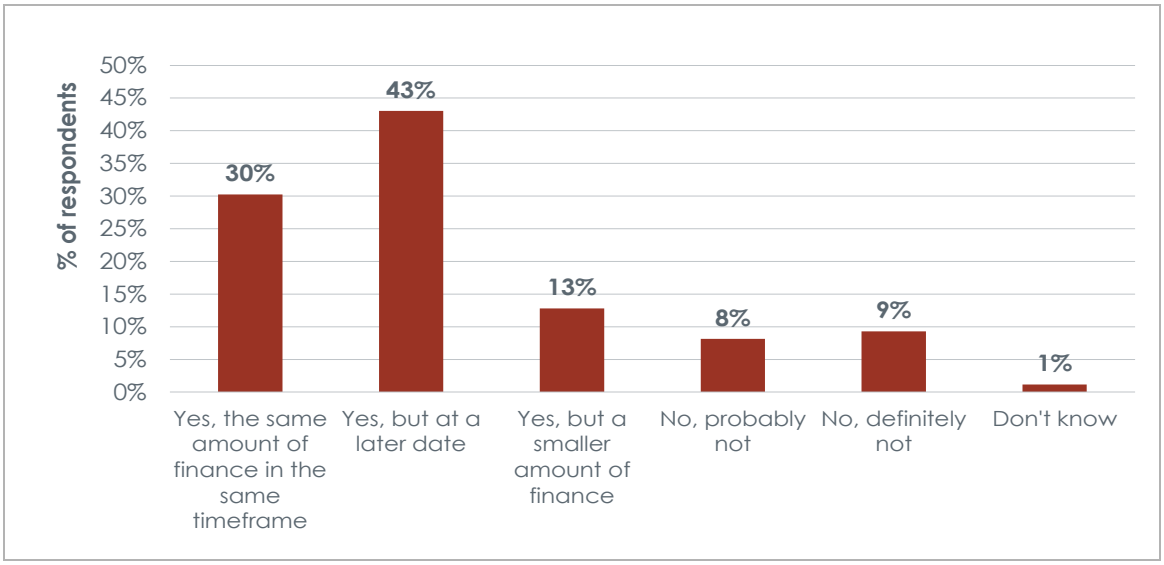
**5.18** As noted above, finance additionality refers to the extent to which SMEs would have been able to secure the funding in the absence of G4G. **Overall, G4G has played an important role in**

**accelerating access to finance**: as illustrated below, the survey results show that 43% of respondents could have secured the same amount of finance without the grant but at a later date. This represents partial additionality.

5.19 Accelerating access to finance is not only critical to ensure they are resilient in the face of challenging economic pressures (e.g. improving efficiency in a context of growing cost inflation) but also important to ensure that SMEs in Greater Lincolnshire are able to respond to opportunities when they arise. A further 13% thought they could have obtained a smaller amount of finance. Just under a third of survey respondents indicated that they could have obtained the same amount of finance in the same timeframe, which represents deadweight. Only 17% of respondents thought that they probably or definitely would not have been able to get this amount of finance from elsewhere (i.e. the G4G funding was fully additional).

5.20 The operational team believed that additionality was higher for businesses who were making the G4G funded investment as part of a strategic plan, rather than those that were speculatively seeking grants, or made an investment that was not central to a business plan. A level of deadweight was anticipated, with some beneficiaries seeking to utilise the grants as 'free money' for projects that could have otherwise happened. The project has sought to maximise finance additionality by prioritising support for businesses that were most unlikely to, or unable to make the investments without the grant, and reducing the size of grants or adjusting intervention rates for businesses that were likely to have been able to fund it independently. However, this assessment was subjective, rather than guided by rigid criteria. Whilst it is recognised that part of G4G's role is to accelerate investment (as so it is not just a "funder of last resort"), minimising deadweight is important. This was raised in SQW's earlier evaluation, although the application/assessment process does not appear to have changed.

**Figure 5-4: Beneficiary survey results; Finance additionality; n=86** *multiple choice allowed*



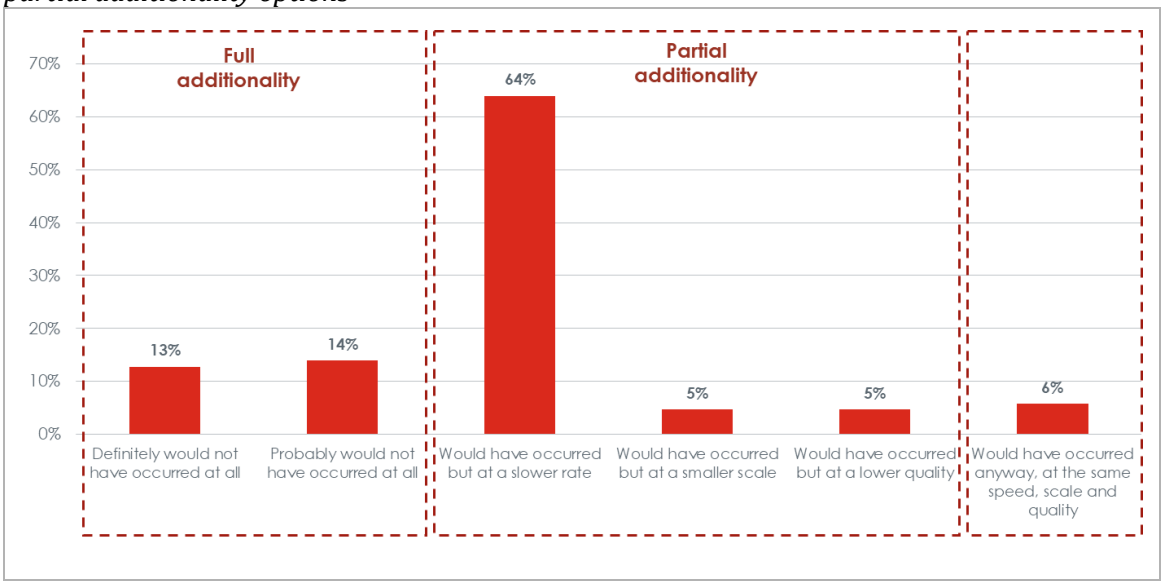

*Source: SQW and Qa Research G4G Beneficiary Survey*

## Outcome additionality

**5.21** In the beneficiary survey, evidence was also gathered on outcome additionality, i.e. the extent to which outcomes would have been achieved without the G4G grant. **Overall, partial additionality was the most common response, with 64% respondents indicating that the impacts would have occurred in the absence of G4G, but at a slower rate.** As above, this is a particularly important finding because one of G4G's key ambitions is to accelerate economic growth and the ability to accelerate investment is key to this. There is also some evidence (to a lesser extent) of full additionality, whereby firms would not have been able to realise the outcomes at all without the grant. Deadweight is very low (i.e. those that would have achieved all of the benefits anyway in the absence of G4G). The survey findings on additionality are outlined in further detail below:

- 27% of beneficiaries interviewed stated they would not have observed outcomes at all without the grant (i.e. outcomes are fully additional).
- Around two-thirds of beneficiaries (67%) indicated that they have realised outcomes more quickly, to a greater scale and/or to a better quality because of the grant (i.e. partial additionality).
- Only 6% of respondents would have achieved the outcomes anyway (to the same scale, speed and quality) without the grant, which is effectively "deadweight".

**Figure 5-5: Beneficiary survey results; Additionality, n=86** *multiple choice allowed for partial additionality options*




*Source: SQW and Qa Research G4G Beneficiary Survey*

## G4G's contribution and other influencing factors

**5.22** In order to assess the scheme's contribution to the outcomes and impacts observed, beneficiaries were asked about whether other factors, aside from the G4G grant, have affected

business performance since making the investment. The most commonly cited factors were improvements to business' marketing or branding (19% of respondents), accessing other public funded business support projects, making additional capital investments in machinery or equipment and upskilling of staff (each reported by 10% of respondents). Other factors highlighted by two to four respondents included markets recovering post-Covid-19, continuous effort and "hard work" being put into growing the business, digitalisation of processes, increases in demand for products and networking.

**5.23** When asked how important the grant was in achieving the outcomes and impacts observed, relative to factors given above, the majority of respondents indicated that the grant was important alongside the other factors (66% of respondents). A quarter of respondents said the grant had been critical or more important than other factors. Only a small proportion said the grant was less important than other factors (9%). **Overall, this suggests that for the majority of beneficiaries, the G4G grant has played an important role in enabling the achievement of outcomes and impact.**

## Non-beneficiary comparisons

**5.24** A small number of telephone interviews were conducted to understand the experience of those who applied to G4G and either had their application declined or were approved a grant but then withdrew before claiming. The survey explored whether the businesses have gone on to make the same or an alternative investment, and their overall feedback on G4G. We were able to reach five 'non-beneficiaries' – two in the former group and three in the latter. The box below provides a summary of findings from these interviews.

**5.25** Whilst we need to be cautious in interpreting these findings given the small sample, the non-beneficiary interviews suggest that:

- Where applications were withdrawn, applicants have not invested anyway – in the case where this was due to affordability issues, this supports the rationale for G4G and demonstrates the additionality brought about by the grant funding
- Rejection of applications was appropriate, because SMEs have been able to afford to invest anyway, indicating processes in place are helping to minimise deadweight in these cases.

**Figure 5-6: Summary of findings from the non-beneficiary interviews**

- Among those who were approved for a grant but withdrew before claiming, the decision not to claim the grant was due to either internal reasons (e.g., changed priorities, move outside the GLLEP area) or the amount of grant funding awarded being too low to be able to afford the match funding. **None of the three 'withdrawn' businesses have gone on to make the investment anyway.** The reasons differed among the respondents (internal strategy changes, outsourcing to a third party, and lack of finance). Some commented, however, that **their engagement with G4G improved their understanding of business planning/strategy, of where/how to access finance and the business support landscape**. One person also

commented on improved speed of investment decisions due to their G4G experience ("we now know there is a route for capital purchases which is significantly speedier").

- **Among those who had their application declined, both businesses have gone on the make the same investment as the one they were planning to fund through G4G.** One funded it with their own internal funds, and the other one received funding from a mainstream finance provider. The amounts invested were either the same as or higher than the total project cost submitted to G4G. The timing of the investments was the same as they planned if they had secured support from the project. The respondents commented that investments had already led to benefits for the businesses, with outcomes cited by both including improved capacity; increased productivity, profitability, turnover and employment; new or improved processes; enhanced confidence; and enhanced relationships and networks.
- In terms of engagement with G4G, the respondents first became aware of the project through local authorities (such as an SHDC networking event), other businesses and intermediaries (such as a business support organisation). The majority were very satisfied with each stage of the G4G process, from expression of interest to aftercare support, did not think the project could be improved, and said they were very likely to recommend it to other businesses. However, one respondent (whose application had been declined) had a negative experience of the project due to lack of follow up and feedback on their application.

*Source: SQW synthesis of feedback*

# Assessment of economic impact

## Our approach

**5.26** Our assessment of economic impact involved an estimation of gross and net change in GVA and employment achieved by beneficiaries as a result of G4G. This was informed primarily by evidence from 86 beneficiary survey responses, with some supplementary evidence on 17 beneficiaries from business impact forms collected by South Holland District Council[20]. As a result, the sample consisted of 103 businesses out of the beneficiary population of 400 businesses (as 31st January 2023). This represents a response rate of 26% (+/-8% margin of error, at a 95% confidence level[21]).

**5.27** We conducted the analysis in two steps. First, we used survey data on the self-reported impacts of G4G on firm performance. For each business in the sample that had observed turnover benefits due to the grant to date, or expected to observe them over the next three years, we converted the reported turnover increase into GVA (based on ONS data[22]). This gave us an estimate of *gross* GVA change across the survey sample on aggregate. In order to convert this to *net* GVA impact[23], we applied additionality adjustments[24] to account for:

[20] Note: this includes beneficiary self-reported data collected by South Holland District Council through interviews with 17 beneficiaries in January – February 2023. Beneficiaries were asked the same questions on impacts and additionality as used in the SQW and Qa Research telephone beneficiary survey.
[21] i.e. that we can be 95% confident that the figures presented based on the sample of beneficiaries surveyed would be within +/-8% of the true figure for the full population of beneficiaries.
[22] Annual Business Survey data for the East Midlands by industry section, 2020.
[23] i.e. the GVA impact that would not have occurred in the absence of the grant.
[24] In line with Additionality Guide and Green Book guidance, as well as assumptions applied in the interim impact evaluation of Grants4Growth.

- deadweight – where survey respondents said benefits would have occurred anyway in the absence of G4G, these were eliminated from the estimate of impact;
- displacement – this accounts for increased output experienced by G4G beneficiaries that might have led to reduced output elsewhere in the GLLEP area; adjustments were made based on the reported level of competition in the respondents' markets from other businesses based in the GLLEP area;
- substitution – to reflect where a business might have substituted one activity for a similar one to take advantage of public sector funding; here we have used ready reckoners from BIS 2009 Additionality Guide;
- leakage – where outputs benefitted firms based outside the GLLEP area; based on monitoring data, leakage was very low: only one firm in the sample and two firms overall have a postcode outside of Greater Lincolnshire;
- time discounting (for expected future benefits only) – to reflect the fact society places greater value on benefits that arise sooner rather than later; here we have used the discount factor of 3.5% in line with Green Book guidance.

**5.28** Note, future benefits have been limited to the next three years because of uncertainties relating to the current economic climate. This means that estimates of future impact are relatively conservative.

**5.29** Second, we scaled-up the net GVA impact from the survey sample[25] to the total beneficiary population. As the survey sample was deemed representative of the population in terms of business sector and size, it was not necessary to weight the results when scaling-up (see Annex D for further details on survey representation). Finally, this step also involved applying multiplier effects to account for further economic activity resulting from G4G's direct impact.

**5.30** To note, the survey results included a small number of outliers. Therefore, in order to test for possible bias driven by those outliers in the sample, we performed sensitivity analysis where the scaling up process was undertaken with and without outliers (this is presented in section 6).

**5.31** The same general approach was used to calculate the gross and net employment impact. Further details about the methodology are provided in Annex C.

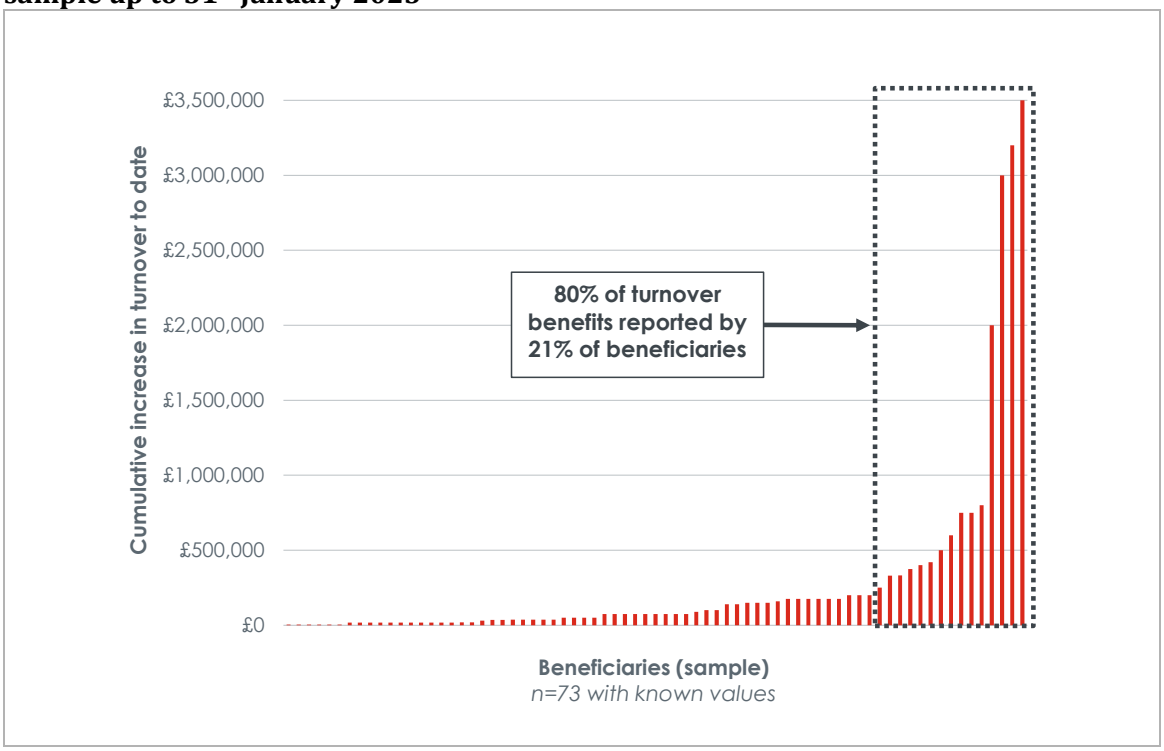
### Distribution of reported benefits

**5.32** Figure 5-7 presents the distribution of gross turnover impacts attributable to G4G by January 2023 across businesses in the survey sample. There was a high degree of variation, with reported turnover increases ranging from £5k to £3.5m. Overall, we can see that a small

[25] Note: We calculated the net impact per beneficiary responding to the survey (including those with no impact), taking account of each individual beneficiary's responses on impacts experienced and additionality factors, and then aggregated these results and then scaled them up. Where there were gaps in the information provided by beneficiaries, averages from across the rest of the survey sample were applied.

number of beneficiaries (21%) accounted for the majority (80%) of turnover impacts – this is a typical pattern for business support interventions (i.e. in line with the Pareto Principle of 80:20).[26]

**Figure 5-7: Distribution of gross turnover benefits reported by beneficiaries in the sample up to 31st January 2023**



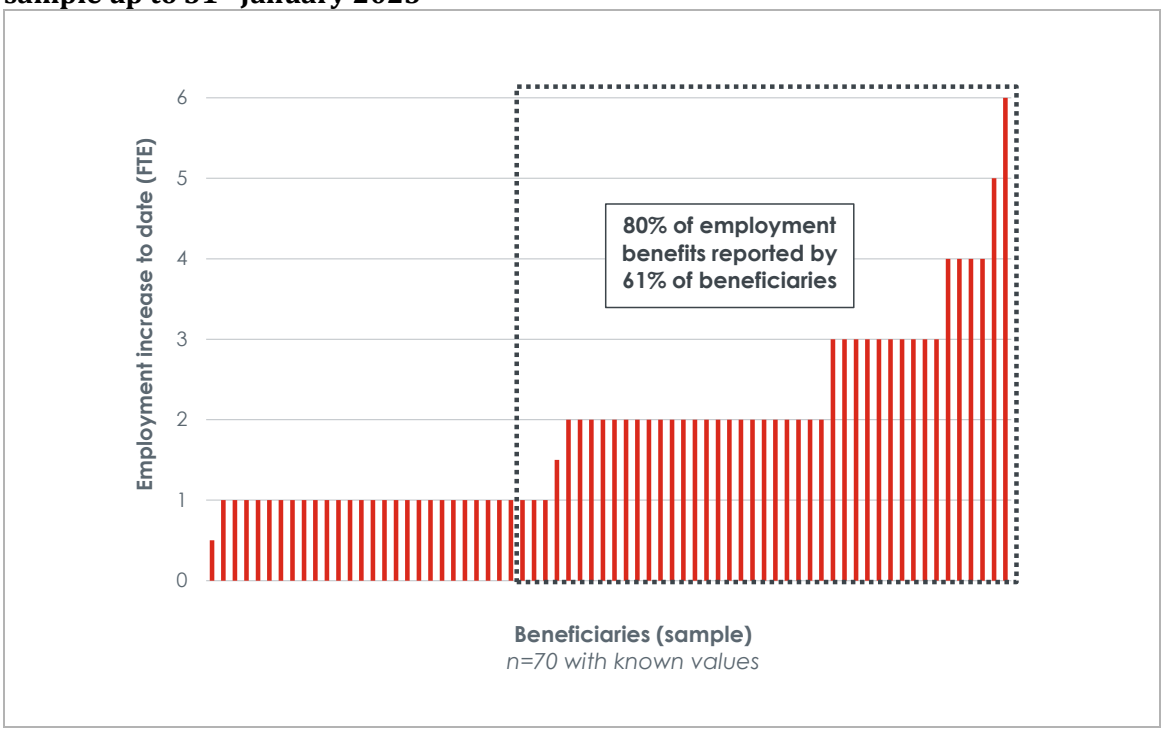

*Source: SQW*

**5.33** In terms of employment, there was less variation in impacts achieved to January 2023 across the survey sample. Reported employment increases ranged from 0.5 to 6 FTEs, with the majority of beneficiaries reporting an increase of 1-2 FTE employees. This is reflected in the more equal distribution of benefits shown in Figure 5-8, with 80% of employment impacts experienced by 61% of beneficiaries.

**5.34** Distributions of gross turnover and employment benefits expected over the next three years are presented in Annex C.

[26] The '80-20' Pareto Principle asserts that 80% of outcomes typically come from 20% of cases.

**Figure 5-8: Distribution of gross employment benefits reported by beneficiaries in the sample up to 31st January 2023**




*Source: SQW*

## Impact estimates

**5.35** The results for gross and net GVA impact are presented in Table 5-1. **The total lifetime GVA impact amounts to £22.8 million in net terms**. This is split almost equally between impact achieved up to January 2023 (£11.6m) and impact expected over the next three years (£11.2m). When multiplier effects are taken into account[27], the total lifetime impact increases to £27.3 million, reflecting a further ~£4.5 million produced in the economy through indirect and induced output effects.

**Table 5-1: Gross to net impact on GVA in the GLLEP area at population level**

| | Achieved to date (by 31st January 2023) | | Anticipated in future (next three years, discounted) | | Total (lifetime impacts) | |
|---|---|---|---|---|---|---|
| | Value, £m | Adjusted | Value, £m | Adjusted | Value, £m | Adjusted |
| **Gross GVA impact** | **91.3** | **-** | **34.7** | **-** | **126.0** | **-** |
| After deadweight | 17.7 | 19% | 17.3 | 50% | 35.0 | 28% |
| After displacement | 11.9 | 67% | 11.6 | 67% | 23.5 | 67% |

[27] We have assumed multiplier effects to be 20%, based on BIS 2009 Additionality Guide.

| | Achieved to date (by 31st January 2023) | | Anticipated in future (next three years, discounted) | | Total (lifetime impacts) | |
|---|---|---|---|---|---|---|
| | Value, £m | Adjusted | Value, £m | Adjusted | Value, £m | Adjusted |
| After substitution | 11.6 | 97% | 11.3 | 97% | 22.9 | 97% |
| After leakage | 11.6 | 100% | 11.2 | 99% | 22.8 | 100% |
| **Net GVA impact** | **11.6** | **13%** *(rel to gross)* | **11.2** | **32%** *(rel to gross)* | **22.8** | **18%** *(rel to gross)* |
| With multiplier effects | 13.9 | 120% | 13.5 | 120% | 27.3 | 120% |

*Source: SQW*
*Note: Figures based on the full sample (including outliers).*

**5.36** Table 5-2 presents gross and net impacts in terms of employment in the GLLEP area. The project has led to 202 net jobs to date and is expected to produce a further 126 net jobs over the next three years – giving a **total lifetime impact of 327 additional FTE jobs in the GLLEP economy**. Including multiplier effects, this figure rises to 393 net additional jobs. These numbers are based on survey evidence scaled up to the G4G population and represent net effects, i.e. jobs which would not have been created in the absence of G4G. They are therefore different from the figures presented in section 3 which are based on SHDC's monitoring data and are gross numbers.

**Table 5-2: Gross to net impact on employment in the GLLEP area**

| | To date (31st January 2023) | | Future (next three years) | | Total (lifetime impacts) | |
|---|---|---|---|---|---|---|
| | No. | Adjusted | No. | Adjusted | No. | Adjusted |
| **Gross employment impact, FTE** | **520** | **-** | **339** | **-** | **860** | **-** |
| After deadweight | 325 | 62% | 206 | 61% | 531 | 62% |
| After displacement | 209 | 64% | 129 | 63% | 338 | 64% |
| After substitution | 203 | 97% | 126 | 97% | 329 | 97% |
| After leakage | 202 | 99% | 126 | 100% | 327 | 99% |

| | To date (31st January 2023) | | Future (next three years) | | Total (lifetime impacts) | |
|---|---|---|---|---|---|---|
| | **No.** | **Adjusted** | **No.** | **Adjusted** | **No.** | **Adjusted** |
| **Net employment impact, FTE** | **202** | **39%** *(rel to gross)* | **126** | **37%** *(rel to gross)* | **327** | **38%** *(rel to gross)* |
| With multiplier effects | 242 | 120% | 151 | 120% | 393 | 120% |

*Source: SQW*

## Case study evidence

**5.37** The four case studies below provide additional evidence of the ways in which G4G has enabled benefits and impacts for grant beneficiaries, and additional perspectives on additionality. The investment made with the G4G grant has helped these beneficiaries to achieve a range of benefits, such as making internal processes faster and smoother, developing staff skills, increasing innovation capacity, diversifying the firm's offer, accessing new markets and reducing operational costs. The case studies demonstrate the ways in which these outcomes have translated into impacts for the businesses, including increased turnover employment, and improved productivity, and wider benefits for local supply chains.

# Case study – Ace Tones Entertainments

Ace Tones Entertainments is a family-run business specialising in event design, planning and management. The firm's services cover a wide range of corporate and private events, including team-building activities, themed parties and weddings. The firm employs six permanent staff members and 25-30 casual wo`rkers. While continuing to deliver 'mobile' event services to clients across the UK, in 2019, the firm moved to its current location at Crown Hall Farm near Spalding which serves as an event venue for weddings and corporate bookings.

In 2020, Ace Tones Entertainments received a £17.5k grant from G4G to part-fund a new permanent marquee structure at the farm. The total project cost was c. £62k, with match funding coming from the business' own funds. **The marquee was a core element of the firm's new business strategy to host events at their own venue, rather than taking their service to the client's location.** At the time of applying to G4G, the firm was facing challenges from Covid-19 restrictions – with no income coming in due to business closure and uncertainty as to how long the pandemic would last, using the business' own funds to cover the full cost of the investment was considered too risky. The company director stated the firm would not have been able to obtain finance from other sources due to their "*dire financial situation*" at the time of the pandemic.

## Use and benefits of the grant

The marquee has been in use as an event venue since the business reopened post-pandemic. Initially there were plans to host ten weddings per year but the demand for the venue has far exceeded expectations – they had 12 weddings in the first six months of operations and have since hosted c. 30 weddings per year. The firm commented that the investment had allowed them to "*increase prices and look for quality wedding bookings, rather than quantity*". While so far, the venue has mostly been used for weddings, there are plans to increase the number of corporate bookings at the site.

As a result of the grant, Ace Tones Entertainments was able to **diversify its offer** by offering venue hire services and

**increase capacity** by being able to host larger events. **The marquee "*has massively increased our turnover*", with the business' income doubling.** The investment has also led to **an increase in employment**, with the firm taking on a new event manager and a full-time caretaker/gardener, whilst also hiring more casual staff. Moreover, the firm highlighted that the investment has **increased the firm's innovation capacity** as *"the marquee allows us to provide a wider variety of events, from summer parties to awards ceremonies to proms from local schools."*

In terms of the firm's market reach, **the investment has helped to attract clients from further afield** – the quality of the venue means people are willing to travel to the site, bringing in more customers from outside Lincolnshire. This has led to wider benefits for the local area, as Ace Tones Entertainments is able to offer more business to local companies (such as taxi operators, hotels and shopping centres).

As a result of very positive client feedback, **business confidence** has also improved. The firm **now has a different approach to financial planning and is more analytical in terms of finance** ("*we have done a lot more financial forecasting and are looking at the minimum number of weddings to break even*").

According to the business, in the absence of the grant they would not have had enough funds to finish the project (venue hire services) in time for the lifting of Covid-19 restrictions. As at the time there was a "*surplus of couples who cancelled their wedding during the pandemic*", **the delay would have meant the firm would have "*missed the boat*" with regards to wedding bookings**. **As a result, the firm stated that the benefits would probably not have occurred at all in the absence of G4G.**

### Future use of business support

Looking forward, Ace Tones Entertainments is planning to expand the corporate events side of the business, whilst also further increasing capacity with respect to wedding venue hires. Given the firm's current financial stability as a result of the previous investment, they do not envisage needing further financial support to progress their plans and will use the business' own internal funds instead. In terms of non-financial business support, the firm noted that marketing support would be useful, as well as support with making connections with local businesses, as the firm is still relatively unknown in the local area.

***"The grant allowed us to diversify and forge ahead with opening our own venue whilst our business was subject to closure due to Covid. It has allowed us to come out of Covid and come from strength to strength."***

# Case study – Lincoln by Design

Lincoln by Design is an embroidery business based in Boston. The firm offers a service in embroidered clothing, covering a full range of garments, including workwear, teamwear and uniforms. In addition, it also provides a clothing printing service (subcontracted to a third party). The majority (c. 60%) of the customer base comes from student clubs and societies at universities across the UK; the rest are SMEs. The business currently employs two full-time staff members and two part-time employees.

The firm was established in 2014 but operated on a part-time basis with one embroidery machine until December 2021 when the company owners decided to "*go full steam ahead with the operations*". Within the first six weeks the business grew to a point where more embroidery machines were needed to keep up with the demand. The firm commented that they "*had to grow quickly, couldn't grow one machine at a time*" but were not able to afford the full cost of the investment needed (£23k) using the business' own funds only.

In August 2022, Lincoln by Design received a £7k grant from G4G, which was used towards purchasing a set of four single-headed embroidery machines. The rest of the investment was financed with the business' own internal funds. **Prior to purchasing the machines, the business had reached capacity and had needed to turn customers away, therefore the investment was key to sustaining the growth momentum**. The expansion meant that the firm had to relocate from Bicker to a new location in Boston which could accommodate the new, heavier machines, with income from the new machines used to cover rent.

### Use and benefits of the grant

With the new set of machines, the firm has been able to **diversify and expand operations** by setting one of the machines to run more expensive, personalised items only. Personalisation was not possible with only one machine (prior to the investment) due to the amount of time needed to switch between items. Working with five machines **has allowed the firm to perform several jobs at the same time, made internal processes faster and smoother, and increased staff skills with respect to work organisation – leading to increased productivity**. The business is now able to produce and sell more, has expanded its customer

base, and employs two workers on a part-time basis, with **the current turnover being six to seven times what it was in the same period a year ago**.

The grant has also led to **increased business confidence**. The firm highlighted that the support received was hugely important in this context: "*Something clicked around the time of the grant and the investment, our whole attitude is different now, for the first time ever we feel like a real business. The grant has made us more aware; we go out and look for support now*." As a result of the investment, **the business has been able to secure further finance** (£6k) from the Business Lincolnshire Growth Hub, which will be used to expand the production shed.

Additionally, the grant has indirectly led to **benefits in terms of enhanced relationships and networks**, with one of the company owners enrolling on a business start-up course at Lincoln University, which has helped to expand their business networks of friends and suppliers, and "*people we can reach out to if we have questions*." G4G is seen as a stepping stone in this context ("*this would never have happened without the machines*"). **Improved access to the local networks has helped the firm expand its footprint within Lincolnshire**.

In terms of wider benefits, the firm has grown enough to be able to **support local community organisations**, and uses **local suppliers, which supports local business**. The firm provides in-kind sponsorships to local cricket clubs, scouts and a children's football club. The firm notes that they *"want to give back to the local community and serve as an example to anyone wanting to start a business*." According to the business, **in the absence of G4G the benefits would have taken much longer (3-4 years) to occur**. This is because the machines purchased were sold as a set at a discounted price – without the grant the firm's own funds would not have been enough to cover the price of the full set nor the higher price of individual machines. Due to the level of risk, they did not want to accumulate debt and would have had to wait to save up the extra funds needed.

### Future use of business support

As a result of the substantial growth to date, the business is planning to expand its production area, purchase four more embroidery machines, employ two more full-time staff members and expand into new markets. Apart from the £6k already secured from the Business Lincolnshire Growth Hub, these plans are expected to be financed with the business' own internal funds.

In terms of non-financial support, the firm commented they would like to have access to free training opportunities to improve business skills such as marketing or HR, as "*fees for MBAs are prohibitive for small businesses like us*." This would be particularly useful as the firm continues to grow and employ more people.

***"Without the G4G project, our business would have stagnated and quite possibly failed."***

# Case study – Lincoln Jigs

Lincoln Jigs Ltd is an established precision engineering firm based in Metheringham, North Kesteven. As a CNC engineering specialist, the firm's primary activity is jig and tool manufacturing. Lincoln Jigs offers a bespoke service and works closely with customers to ensure products are designed optimally. The firm's market ranges from serving vast orders for parts from customers in agriculture/automotive sectors, to bespoke pieces for individuals.

In 2019 the business received a £20k grant from Grants4Growth, which was used towards the purchase of a new CNC milling machine, a key piece of equipment for the business' production line. The total spend was £80k, with the business using asset finance from its bank alongside the grant. This enabled the firm to replace machinery which had been used for two decades. The old machinery had become outdated in terms capacity, capabilities and operational efficiencies. This had meant that Lincoln Jigs had to increase costs or deliver contracts over longer periods relative to competitors, meaning the firm was at risk of losing customers and failing to achieve potential growth.

The Co-Owner stated that the firm applied to Grants4Growh because *"we were looking to improve the productivity of our production process to become more competitive"*. Receiving grant funding was "*very beneficial*" as it allowed the business to retain internal funds for working capital purposes, whilst not having to access costly loans.

### Use and benefits of the grant

Since installing the new CNC milling machine two years ago, the Co-owner said "*it simply hasn't stopped being used"*. The machine offers specific improvements on its predecessor, including:

- offering greater versatility in the specification and complexity of products
- increasing manufacturing speed by 30%, due to a higher spinning speed
- having a larger work-base, enabling increased capacity for manufacturing larger pieces
- using less energy and better handling of waste through its 'in-coolant' clearing process, enabling the firm's production processes to be more environmentally friendly
- being more user friendly through an improved digital interface and onboard measuring systems, which allow operating engineers to have more accurate inputs and closer insight into the process.

The overall outcome of the investment is that Lincoln Jigs can **deliver faster and more efficient processes**, and that the firm can now **accept contracts with larger** and **more detailed product specifications**. This has enabled the firm to halve lead times for some contracts, safeguard pre-existing contracts and become more competitive. Accounting for work paused during the pandemic, the machine is estimated to have **increased the firm's turnover by 20%**.

Several wider benefits were also reported. Firstly, it is believed that where lead times were reduced, customers were happier, more **likely to repeat contracts** and **recommend the business to others**. Secondly, the machine has **improved the skills of engineers** who use it, as it has required training and stimulated interest, likely **supporting an increase in job satisfaction** and **retention**. Thirdly, investing in this new machinery with the grant has led to **cost savings** due to more efficient energy use, which had been valuable given recent inflationary pressures. In the absence of the grant, it is likely the business would have still invested in a CNC machine, but this would have been **at a later date,** and **the nature of the investment would have been different.** Judith thought that without the grant, the firm may have bought a second-hand machine, which would not have been to the same quality and may have resulted in **delayed and smaller scale benefits.**

### Future use of business support

Following the positive experience with Grants4Growth, the Co-Owner was positive about using publicly funded business support again. "*For a manufacturing business like ours, capital grant support is often more relevant and impactful than revenue*". Future plans for growth included continuing to make efficiency improvements and upgrading other machinery. "*It is going to be really important we identify savings to tackle rising costs in energy and supplies*". The firm is looking to serve more contracts requiring high quantities of small, high-spec products, which are more profitable.

***"I appreciated how easy the application was. Having someone at the Council to speak to directly was helpful when we were trying to decide if it was worthwhile and had queries"***

# Case study – The Pastry Room

The Pastry Room is a food manufacturing business founded in 2013 by an ex-chef and food industry professional with an idea to fill a niche in hospitality for B2B suppliers of high quality, pre-made allergen-free, gluten-free and vegan pastry mixes. The business positioned itself with this USP to meet the growing demand for these types of products from consumers seeking increasingly healthy and sustainable diets. All operations are based at a 6000 sq.f.t industrial premises on converted agricultural land in Brigg, North Lincolnshire, which is powered entirely by solar energy. Following its first decade of operation, the Pastry Room currently has an annual turnover of over £1m and employs eight FTE employees.

The firm has continually invested in developing its product range (now including dessert mixes and food coatings), enabling it to trade with more customers. The growth experienced has required the firm to increase the scale of its manufacturing and warehousing activities, which has led to a need to increase the size of its premises. As part of this expansion, the business needed to purchase warehouse and kitchen equipment, and applied to G4G for support. In 2019 the firm received a £15k grant which part-funded a £50k investment in equipment including storage racks, loading platforms, a blender, pastry roller and digital augers for weighing ingredients.

### Use and benefits of the grant

The new warehousing equipment has increased capacity to store ingredients and enabled more efficient handling processes. The Co-Founder and Managing Director (MD) stated this directly enabled **growth in output**, **improved productivity,** and **cost savings,** with staff now spending less time moving goods in the warehouse. The kitchen equipment has also enabled **increased output** and **improved efficiency of manufacturing,** particularly through automating the measurement of ingredients. It has also stimulated ideas for new products by widening capabilities to prepare different mixes of ingredients.

Overall this has **increased the firm's capacity** to handle and manufacture **greater volumes of products** and **increase trade**. This has enabled **increased sales**, **access to new customers** and **markets** and **reduced operational costs.** Since the investments were made, the business has seen an average monthly turnover increase of 50% and recruited one new FTE operative. The MD also reported several wider benefits. Firstly,

the equipment purchased has improved the role for operatives by minimising time spent on labour intensive tasks, and reduced potential for human error through digitising processes. Also, having an uplift in productivity in some areas of the business has highlighted where other improvements will be needed next, in turn prompting **revisions to the business' strategy.**

At the time of applying to G4G, the Pastry Room was at a relatively early stage in its growth journey, having not used any external (private or public) finance since being founded. Because of this, accessing finance from banks was challenging and only preferable for higher value capital spending that would generate returns quickly. Considering the type of investments made, it was said that "*a grant was the best form of finance as it has leveraged internal spending which we would have otherwise put off*". G4G also appealed due to its "*easy*" application process which was helpful due to various constraints on the MD's time.

Without the grant, it is likely the business would have made these investments anyway but staged over a longer period and at a smaller scale. The grant made a key contribution towards **improving multiple areas of operation at once,** which allowed a consistent uplift in capabilities. This was critical for enabling growth in the business due to the nature of their processes, and without the grant, the MD was certain that the **benefits achieved would have been delayed**. *"The grant allowed us to grow across both manufacturing and warehousing, which is important to do at the same time, so the scale of our processes is aligned".*

## Future use of business support

As part of its growth strategy for the next five years, the business is planning to expand its premises by an additional 5,000 sq.ft, to enable further increases in operations. Additional capital investments will be a part of this, with the MD planning to fund these through a mixture of external finance and internal funding. Due to internal cashflow restrictions, a need to manage risk and preferences to spread pay-back periods will influence decisions when making investments. Following his positive experience with Grants4Growth, the MD was confident that the experience was worthwhile and he would "*definitely*" consider applying to publicly-funded business support again.

*"I'd recommend other businesses at a similar stage and facing similar challenges go for support like this. The funding has been very useful for leveraging our internal spend and supporting growth"*

# 6. Value for Money

6.1 This section assesses the value for money delivered by the G4G. It draws on the GVA and FTE job impact estimates presented in the previous section of the report, and project expenditure from SHDC monitoring data.

## Key findings: value for money

- **G4G is expected to generate a strong return on investment:** For every £1 of public sector expenditure, the net GVA impact across the businesses supported is £2.50 to date, rising to £5.00 when also taking account of future anticipated benefits (excluding multiplier effects). Even when more conservative assumptions are used in the sensitivity testing, the project is expected to deliver a positive return on investment. Furthermore, G4G is expected to produce a positive lifetime return on investment when private sector costs (SME match) are included: the BCR is £1.5:1 including future anticipated impacts over the next three years (excluding multipliers).
- **G4G also performs well in terms of cost per job when benchmarked against other ERDF projects**: For ERDF spend only, the cost per job created is £22.6k for jobs created to date (excluding multiplier effects) or £13.9k if future anticipated impacts are included.

## Value for money assessment

6.2 The value for money assessment compares the estimated net GVA and employment impacts to the project spend to date. By 31st January 2023, ERDF spend amounted to £4.5m. SHDC had contributed an additional £38k, leading to a total public spend figure of £4.6m.

6.3 Table 6-1 shows the benefit-to-cost ratios (BCR) for Grants4Growth. The BCRs are presented with and without multiplier effects. **The 'core' BCR estimate is £2.5:1**, i.e. for every £1 of public sector expenditure, the net GVA impact across the business supported is £2.50 to date, which rises to £5 when including future anticipated benefits. The BCR increases further to just over £3:1 to date when multiplier effects are taken into account, or £6:1 if future benefits are included. **Overall, these results indicate that G4G offers good value for money.**

6.4 When private costs (i.e. SME match) are included in the costs alongside public costs, the BCR is £0.8:1 to date, which rises to £1.5:1 including future anticipated impacts over the next three years. With multiplier effects taken into account, the BCR rises to £0.9:1 to date, or £1.8:1 including future impacts. Again, this demonstrates that G4G is expected to produce a positive lifetime return on investment, even when compared to the total project costs.

**Table 6-1: Benefit to Cost Ratios (BCRs) for net GVA impact**

| | | Achieved to date | Achieved Plus Expected in Future |
|---|---|---|---|
| ERDF spend Only | **Without multipliers** | **2.54** | **5.01** |
| | With multipliers | 3.05 | 6.01 |
| Total public spend (ERDF plus SHDC) | **Without multipliers** | **2.52** | **4.96** |
| | With multipliers | 3.02 | 5.96 |
| Total project spent | **Without multipliers** | **0.76** | **1.50** |
| | With multipliers | 0.92 | 1.81 |

*Source: SQW*

6.5 Table 6-2 presents the cost per net job created, based on public sector costs and net employment impact estimates (without and with multipliers). For ERDF spend only, the cost per job created varies from £22.6k for jobs created to date excluding multiplier effects, to £11.6k for the total lifetime employment impact with multipliers.

**Table 6-2: Cost per Job Created (net employment impact)**

| | | Achieved to date | Achieved Plus Expected in Future |
|---|---|---|---|
| ERDF Spend Only | Without multipliers | £22,500 | £13,900 |
| | With multipliers | £18,800 | £11,500 |
| Total public spend (ERDF plus SHDC) | Without multipliers | £22,700 | £14,000 |
| | With multipliers | £18,900 | £11,600 |

*Source: SQW*

## Benchmarking

6.6 The National Evaluation of English ERDF Programme 2014-20[28] presents initial value for money evidence from across 63 Summative Assessments which included quantified estimates of impacts. This should only be taken as illustrative due to the various methods used, sample sizes, and types of projects covered by the analysis. It suggests that the average cost (in terms of ERDF grant only) per net additional job to date achieved was £57,500 (based on 46

[28] Hatch Regeneris Consulting (2021). ERDF National Evaluation Phase 2 Report - Interim Impact Evaluation.pdf (publishing.service.gov.uk) for MHCLG, p.36.

Summative Assessments of non-capital projects across PA1, PA2, PA3 and PA4), which fell to £17,400 (based on 12 Summative Assessments) when taking account of future expected impacts. **Based on these comparator ERDF cost per net job created figures, G4G appears to perform relatively well**. However, some caution must be taken in interpreting how G4G compares to what are a diverse set of projects which have been evaluated using a range of methods.

6.7 The total public sector cost per net job created of £22,700 to date, is also well within the range of wider benchmarks considered within the previous evaluation of G4G. For example, the cost per net job created was £23-25.5k for the Smart programme[29], c.£33k in Rounds 1 and 3 of the Regional Growth Fund[30], and c.£14.2k in the National Impact Evaluation of the former English Regional Development Agencies (RDAs) for 'business development and competitiveness interventions'.

## Sensitivity testing

6.8 We have sensitivity tested the BCR estimates in two ways:

- **With and without outliers**: as shown in Figure 5-7 and Figure C-1 (Annex C), there were four outliers among turnover increases to date (those above £2m) and one outlier among future expected turnover increases (£7m). In order to test for possible upward bias due to outliers, i.e. whether the results reported above are driven by a small number of very high values, we estimated the project's GVA impact with and without outliers, and calculated two sets of BCRs. In contrast to the turnover/GVA effects, there were no outliers in the employment figures reported by beneficiary survey respondents.

- **Optimism bias (OB)**, i.e. the tendency for survey respondents to be over-optimistic about benefits. In order to obtain OB-adjusted VfM figures, we applied a 20% reduction to the estimates of future GVA and employment benefits in line with Green Book guidance.

6.9 Note, all sensitivity testing focuses on the return on the public sector investment only.

6.10 Table 6-3 compares the previous set of benefit-to-cost ratios for GVA impact (that is, including outliers) with BCRs when outliers are excluded. Even without outliers, the value of GVA benefits achieved to date has already exceeded the public cost of the project – for every £1 of public sector expenditure, the net GVA impact across the business supported is £1.28 to date. When future anticipated impacts are added**, the total lifetime net GVA impact is 3.8 times higher than the cost, even in the more conservative case where outliers are excluded.** This rises further to £4.5:1 with multiplier effects.

[29] Source: SQW Evaluation of SMART (R&D Grants) for Innovate UK
[30] https://www.nao.org.uk/wp-content/uploads/2012/05/121317.pdf

**Table 6-3: Benefit to Cost Ratios (BCRs) for net GVA impact with and without outliers**

| | | With outliers | | Without outliers | |
|---|---|---|---|---|---|
| | | Achieved to date | Achieved Plus Expected in Future | Achieved to date | Achieved Plus Expected in Future |
| ERDF Spend Only | **Without multipliers** | **2.54** | **5.01** | **1.29** | **3.76** |
| | With multipliers | 3.05 | 6.01 | 1.55 | 4.51 |
| Total public spend (ERDF plus SHDC) | **Without multipliers** | **2.52** | **4.96** | **1.28** | **3.72** |
| | With multipliers | 3.02 | 5.96 | 1.54 | 4.47 |

*Source: SQW*

6.11 Table 6-4 shows the GVA benefit-to-cost ratios accounting for optimism bias in future benefits reported. While necessarily the ratios are lower than before (see Table 6-3), **the net GVA impact remains at least three times higher than the project cost, even with downward adjustment for optimism bias.**

**Table 6-4: Benefit to Cost Ratios (BCRs) for net GVA impact with Optimism Bias (OB)**

| | | With outliers | Without outliers |
|---|---|---|---|
| | | Achieved Plus Expected in Future with OB | Achieved Plus Expected in Future with OB |
| ERDF Spend Only | Without multipliers | 4.51 | 3.26 |
| | With multipliers | 5.42 | 3.91 |
| Total public spend (ERDF plus SHDC) | Without multipliers | 4.48 | 3.24 |
| | With multipliers | 5.37 | 3.88 |

*Source: SQW*

6.12 Similarly, Table 6-5 presents the sensitivity testing on estimate of the cost per job created. Applying optimism bias increases the ERDF cost per job created by between £964 (including multiplier effects) and £1,156 (excluding multiplier effects). **The cost per job created is still below the benchmark** figure of £17,400 from the National Evaluation of English ERDF Programme 2014-20 (see above).

**Table 6-5: Cost per Job Created (net employment impact) with Optimism Bias (OB)**

| | | Achieved Plus Expected in Future with OB |
|---|---|---|
| **ERDF Spend Only** | Without multipliers | £15,045 |
| | With multipliers | £12,538 |
| **Total public spend (ERDF plus SHDC)** | Without multipliers | £15,170 |
| | With multipliers | £12,642 |

*Source: SQW*

# 7. Conclusions and Lessons Learnt

7.1 This section synthesises the findings of the Summative Assessment and lessons which have emerged from delivery of G4G, in addition to lessons and recommendations for the design and implementation of any similar interventions in future.

## Conclusions

### Project relevance and consistency

7.2 **There was a strong rationale for the project at the outset:** Economic and productivity growth in Greater Lincolnshire had been a longstanding challenge, with the gap with the UK average widening. Investing in growth was a strategic priority for the area (and nationally). However, evidence gathered for this report suggests the most significant barrier preventing SMEs in Greater Lincolnshire investing in growth was the lack of internal finance available to do so. Beneficiaries and stakeholders also cited challenges in accessing external finance, including a lack of awareness, or willingness (often due to risk-aversion) to access finance, which aligns closely with the original rationale for the project.

7.3 **G4G was appropriately designed to meet its objectives:** The project design and targets were informed by evidence from an evaluation of the previous EM-LEGE project, and as such, targets were considered realistic and appropriate at the outset. Targets have since been stretched further to reflect project extensions and additional budget. However, there was growing recognition as the project progressed that job creation was not the only route to growth. Given the external economic context (e.g. price rises, labour shortages, the need for firms to automate to improve cost efficiency), the underpinning assumptions beyond the original job creation targets changed, and SHDC responded appropriately to support different routes to growth (e.g. productivity and efficiency), where still aligned with the overall objectives of G4G. The targets could not, however, be adjusted in response due to ERDF contractual requirements and remained overly focused on job creation.

7.4 **The project remains relevant in light of changing context:** The availability of finance has varied since the project launched, most notably due to the increased access to debt finance and grants during the Covid-19 pandemic. However, improving access to finance continues to be a priority both nationally and sub-nationally. There has been some (minimal) overlap with other grant schemes delivered locally (particularly during Covid-19), but, G4G has maintained a distinctive focus in terms of grant size available, the emphasis on investing for growth, and being largely sector agnostic. There was consensus amongst stakeholders that G4G has continued to remain relevant and consistent in light of major contextual changes since it was designed. A number of significant economic shocks have occurred during the project's lifetime which have only served to increase G4G's relevance, particularly given its focus on supporting investment that improve business resilience, efficiency and productivity.

## Progress against contractual targets

7.5 **G4G is on track to meet, or exceed, most contractual output and expenditure targets by project closure in June 2023.** At the end of January 2023, G4G had claimed £4.55m of ERDF funding which represents 94% of the project's overall ERDF allocation, and spent £30k of from SHDC. By project closure, G4G is forecast to have only c.£35k of capital grant funding unallocated and reach 98% of the lifetime expenditure target. The slight shortfall is due to challenges in securing claims from a very small number of SMEs that have more recently been awarded grants. G4G has also leveraged £10.55m private sector match, against a target £11.02m (91%), and is expecting to achieve 98% of the overall project target by project closure (for the same reasons as explained above).

7.6 By January 2023, G4G had provided grants to 400 SMEs in Greater Lincolnshire and, in doing so, created 276 gross jobs according to monitoring data. The project has therefore already met lifetime targets for number of enterprises supported and receiving a grant (both 106% of lifetime target), and job creation targets (105% of target), and is likely to exceed these targets further by project closure. The project has done well to reach job creation targets, particularly given (i) very tight labour market conditions in Greater Lincolnshire, (ii) unprecedented challenges during Covid-19 and ongoing economic uncertainty, which has made some businesses cautious about recruiting more staff, and (iii) G4G's shift towards investments that improve efficiency/productivity as a route to growth, which may not necessarily lead to job creation, at least in the short term.

## Delivery and management performance

7.7 **The project has reached its intended audience.** All beneficiaries were SMEs, with an emphasis on small and microbusinesses. G4G has been particularly successful in supporting the manufacturing sector: almost half of G4G beneficiaries were accounted for by this sector, which is one of the GLLEP areas priority growth sectors. However, it is important to note that G4G has also supported a range of other sectors, including high value sectors such as professional, scientific and technical activities. Encouragingly, even though G4G is managed by SHDC, the team has successfully reached across the whole LEP area - the spatial distribution of grants broadly mirrors the distribution of SMEs across Greater Lincolnshire. The requirement for businesses to match fund the grant has reportedly ensured that beneficiaries are committed to investing for growth and therefore keen to realise financial benefits.

7.8 **Grants have been slightly larger than expected, on average, but the funding has been used as intended:** The average grant value awarded was £9,085 across the 400 beneficiaries supported to date, with grant values varying from £1,000 to £24,999. This is slightly higher than anticipated (£6,309), but reflects growing demand for larger scale, more significant investments. Consultees argued that the scale of investment (particularly where the grants had been over £20k) had meant that more meaningful investments could take place, which

had contributed towards high levels of growth amongst the SMEs supported (see below). The beneficiary survey found the most common uses of G4G funding were to increase capacity (97% of respondents), make processes more efficient (90%) or invest in new machinery/equipment to diversify, i.e. to offer new products or services (62%). There has also been a shift in how the funding was used over time, reflecting the wider economic context, from investments to improve capacity and sales initially to a greater focus on innovation, efficiency and productivity.

7.9 **Recognition and awareness of G4G was quickly raised during the project's initial years, and then maintained through referrals and stakeholder engagement**: The longevity of the project over a six-year period and consistency in its purpose/aims has helped to with this. Referrals and stakeholder engagement (particularly via the Growth Hub, intermediaries and the local authorities) has been key to raising awareness of the project. Word of mouth has also been important. Marketing activities were considered to have been effective and largely optimal, but not the key driver of demand. The brokerage function has played an important role in facilitating access to the project and ensuring that applications are both appropriate for the business and aligned to the project's purpose. This function has worked best where the broker was closer to G4G processes/the Operational Team. It is clear that the success of the project has, in part, been related to the clarity on G4G's fit in the Greater Lincolnshire business support landscape (and minimal overlap with other projects that provide financial support to SMEs) and the strong relationship established with local partners/stakeholders who have provided appropriate referrals. This presents a risk going forward for any continuation of the project, given the significant change in the business support landscape that is expected as ERDF funding comes to an end. There may be a requirement for increased, and improved marketing in-house, and the development of new relationships as new publicly funded projects emerge in order to raise awareness of any future grant project and ensure that the referral and aftercare network is not lost.

7.10 **The project has been well managed, delivered and governed:** By introducing continuous improvements throughout the project and being responsive and flexible to changing market conditions, the management and operational team have tried to mitigate risks as the project progressed. The customer journey has generally been effective. Beneficiaries cited very high levels of satisfaction with the scale and level of support provided by SHDC across all stages of engagement. Feedback on delivery and management from consultees/external stakeholders was also very positive, with several highlighting the ease of application process, and mix of representation and levels of engagement within the Strategic Board and Grant Panel as being key strengths of the project.

### Outcomes and impacts

7.11 **Strong evidence of progress towards the project's intended outcomes and impacts:** For the majority of beneficiaries, the investment supported by the G4G grant has already enabled them to achieve intermediate outcomes including new/improved internal processes,

improved capacity, new or improved products/services and improved skills/knowledge. Many beneficiaries noted the grant had led to efficiency improvements and time savings in processes. Beneficiaries are already seeing benefits flowing from those intermediate outcomes, such as efficiency and capacity improvements leading to cost savings, increased productivity and increased profitability.

7.12 **The G4G grant has played an important role in enabling businesses to achieve outcomes and impacts, and accelerate growth:** According to the survey results, G4G has predominantly generated outcomes that are partially additional, whereby impacts may have occurred in the absence of G4G, but at a slower rate. This suggests that G4G has helped to accelerate economic growth, and therefore delivered against its overarching aim. There is also some evidence of full additionality, whereby outcomes/impacts would not have been achieved at all. Deadweight is low, i.e. where all outcomes would have been achieved anyway without a grant. Also, whilst businesses acknowledged that other factors had also affected their business performance, the majority of businesses surveyed indicated that the grant had been either important alongside the other factors (66%) or critical/more important than other factors (25%).

7.13 **The project has generated substantial quantifiable impacts to date, and these are expected to grow further:** G4G is estimated to have generated £11.6m net GVA and 202 net FTE jobs to date. This is expected to increase to a lifetime net impact of £22.8 million GVA and 327 FTE jobs, when also taking account of impacts expected over the next three years. When multiplier effects are also taken into account, the lifetime impacts rise to £27.3 million net additional GVA and 393 net additional FTE jobs in the Greater Lincolnshire economy.

7.14 **There is also evidence of wider strategic benefits arising from G4G:** These include new and improved relationships between local partners, improved understanding of business needs, and strengthened capacity and competencies within the operational team.

### Cost effectiveness and value for money

7.15 **G4G is expected to generate a positive return on investment:** for every £1 of public sector expenditure, the net GVA impact across the businesses supported is £2.50 to date, rising to £5.00 when also taking account of future anticipated benefits over the next three years. The BCR increases further to just over £3:1 to date when multiplier effects are taken into account, or £6:1 if future benefits are included. Even when more conservative assumptions are used in the sensitivity testing, the project is expected to deliver a positive return on investment. Furthermore, G4G is expected to produce a positive lifetime return on investment when private sector costs (SME match) are included: the BCR is £1.5:1 including future anticipated impacts over the next three years (excluding multipliers).

7.16 **G4G also performs well in terms of cost per job:** For ERDF spend only, the cost per job created is £22.6k for jobs created to date (excluding multiplier effects) or £13.9k if future anticipated impacts are included. This compares favourably to benchmarks, including

emerging evidence from the National Evaluation of English ERDF Programme 2014-20. However, some caution must be taken in interpreting how G4G compares to what are a diverse set of projects which have been evaluated using a range of methods.

### Overall performance against aims and objectives

7.17 **Overall, G4G has delivered against its original aim to support SMEs in Greater Lincolnshire to invest for growth.** It has provided funding that would otherwise not have been secured or not as quickly. This has been used to invest in capital equipment that has led to increased capacity, improved efficiency and productivity and new product development, which in turn has unlocked and accelerated growth. In doing so, G4G has tackled the original market failures relating to the lack of supply of finance, and reduced the risk/incentivised SMEs to invest themselves, as illustrated by the private sector leverage secured. The project has also contributed to reducing information failures, as evidenced by SMEs improving their awareness of external finance through their G4G experience.

## Lessons learnt

7.18 In this final section, we provide a series of lessons from the experiences of designing and implementing G4G for policy-makers in future, reflecting on the evidence gathered for the Summative Assessment. However, it is important to highlight that several consultees commented that the delivery and management of the project had been effective and that many aspects should be maintained in the design of any future intervention. Some stakeholder e-survey respondents also indicated that nothing needed to be changed going forward. For example, comments included: *"stick with the tried and tested methods already in place"* and *"if it ain't broke, don't fix it"*.

7.19 Furthermore, in the business survey, when asked on scale of 0-10 how likely they are to recommend G4G to another business[31], 89% of respondents said 9 or 10, indicating very high levels of satisfaction. Over half of the respondents to the beneficiary survey also indicated that no improvements to the project were needed, with comments shared such as *'really good scheme and they were very easy to deal with and made the process clear'* and *'no improvements, it was easy and smooth with good communication'.*

**Lesson 1: A continued need for capital grant funding**

7.20 Stakeholders consulted suggested that, given the challenges associated with the transition from the EU, the Ukraine war, economic uncertainty and inflationary pressures, grant support of this kind was needed more than ever to overcome barriers preventing SMEs from investing

[31] Where 0 is that the firm would not recommend G4G at all, and 10 is where they would recommend it unreservedly (n=86)

in capital to support growth and increased productivity in their business. This was corroborated by beneficiaries – when asked in the survey what remaining barriers to growth businesses faced going forward, c.44% of respondents referred to challenges relating to the economic climate (including the cost-of-living crisis, inflationary pressures, energy costs and rising/uncertain cost of materials, and associated lack of confidence in the market). Several businesses (c.13% respondents) also noted challenges associated with the finances/cashflow of the business and access to external finance. Other challenges cited by a smaller number of beneficiaries included supply chain issues, the impacts of Brexit/Government policies, access to appropriate land or premises, and lack of time.

**7.21** This suggests that, whilst G4G has made progress in tackling the original rationale for the project, challenges remain and there is a continued need for this type of intervention. Match funded grants of this size are perceived by consultees to be still suitable for the target market in an area like Greater Lincolnshire, due to the nature of the business base (i.e. predominantly microbusinesses who are more likely to require relatively small amounts of grant funding where they are unable to fully self-finance capital investments, and/or unable to access private sector finance) and because there is no other grant scheme delivered within the GLLEP area with directly comparable grant sizes or eligibility criteria.

**Lesson 2: Ensuring project design - including objectives, intended outcomes and target metrics - recognises multiple routes to business growth and improvement and is sufficiently flexible to responsive to changing contexts**

**7.22** As noted above, there has been an appropriate shift within the project towards productivity, efficiency and innovation as key routes to growth, in light of the changing external conditions. However, the ERDF-driven emphasis on jobs created, whilst important, underplayed the project's wider role in improving the productivity and sustainability of businesses. In future, projects designed to encourage business growth should include performance metrics that can accommodate and reflect multiple routes to impact. More explicit recognition should be given to outcomes related to productivity, efficiency and environmental impacts. It is also important that decision-making processes and criteria – and potentially other aspects of design, such as intervention rates - are sufficiently flexible to respond to changing contexts/business needs. However, there needs to be transparency on whether/how adjustments will be made.

**Lesson 3: A requirement for match funding in grant interventions is effective in ensuring that businesses are committed to the plans for growth and share in the risk associated with the investment.**

**7.23** With business-led innovation placed at the forefront of national growth strategies, strategic importance has been given to policy measures aimed at leveraging private sector investment,

with a particular focus on economically underperforming areas across the UK. Whilst a small number of beneficiaries indicated that the grant intervention rate could have been higher, the requirement for match funding was seen by most consultees as important in ensuring that businesses are invested in/committed to the plans for growth and share any risk associated with the investment. By having this requirement, G4G has levered significant amounts of private sector investment to date. The majority of this has come from SMEs' internal funds, demonstrating how grant funding can sufficient de-risk, trigger and accelerate much larger private sector investment in growth.

**Lesson 4: Maximising use of partner organisations and private sector intermediaries and attending local events/conferences to raise awareness.**

**7.24** The findings of the Summative Assessment clearly demonstrate the importance of stakeholders (such as the Growth Hub, the local authority, and the University of Lincoln) and intermediaries (such as accountants, solicitors and business advisors) in generating a pipeline of SMEs for G4G. Whilst marketing activities play a role, partnership working, and referrals has been far more important in stimulating demand. That said, a small proportion of beneficiaries and consultees suggested that the project could have advertised more widely (notably via digital marketing and social media) and gone further to engage wider private sector business networks and attend local events/conferences in order to promote itself more widely. As noted in the conclusions above, there is a risk going forward that networks that have supported the successful delivery of G4G may be lost, as ERDF funding comes to a close. Therefore there will be a need to focus on the continuation of existing and development of new relationships in any future grant project, and an increased focus on project marketing, to ensure there is still a strong referral network going forward and that awareness is raised of the project effectively.

**Lesson 5: Maximising finance additionality where possible**

**7.25** Whilst G4G has played an important role in accelerating SMEs' access to finance, the findings from the Summative Assessment raise a question as to whether full additionality could have been maximised further (i.e. providing grants to SMEs that would not have secured the finance at all without G4G). This would help to maximise *net* impact and VfM. For example, this could involve asking SMEs whether other finance has been sought during the application process or developing a more formalised approach to considering finance additionality in the decision-making process. However, we recognise the ease of application process is seen as a strength of the project and any additional questioning should not compromise the accessibility of the scheme or be disproportionate given the size of the grant.

**Lesson 6: The importance of wrap-around support and signposting, especially to ensure the investments are well-targeted/appropriate, to facilitate access, and to ensure outcomes are maximised.**

**7.26** The broker function has worked particularly well in ensuring that G4G is appropriate for the business needs and the intended use of the grant is aligned with G4G's purpose. It has also been important in facilitating access to the scheme more generally (reflecting the information failures/challenges that SMEs face in accessing finance, as documented above), ensuring that proposed output targets were realistic, and in signposting SMEs to other support where appropriate. However, there has been a limit to how much the broker can provide wider wrap around support to the SME, given the remit and resources of G4G. A number of consultees suggested that more substantive wrap-around support or guidance in the diagnostic/application stage would be helpful, to fully understand business issues and ensure the proposed investments are effectively integrated into business plans. As noted above, anecdotal evidence suggests additionality was higher for SMEs who were making the G4G funded investment as part of a strategic plan, therefore it is helpful to ensure that the grants are targeted towards businesses that are making strategic investments (and to support businesses to identify ways in which a grant can support their business plan). Also, more formalised aftercare support may be beneficial, to support businesses to maximise the impacts of the investment and deliver their growth strategies. This could include advice, guidance or mentoring over a period of time, either as part of a grants scheme or connecting grants to existing support elsewhere.

**Lesson 7: Involving a mix of representatives from different organisations in project governance, and ensuring meetings provide opportunities for all to engage.**

**7.27** Strong project management and governance has been important in the success of G4G. Key lessons for future schemes include the involvement of senior representatives from public and private organisations (including local businesses/representatives and delivery partners), regular engagement, and well-structured meetings with good attention to detail. Leveraging the networks of those involved in governance boards is also important, to raise awareness of the project, support demand generation and ensure it is effectively integrated (in practice, not just theory) with complementary support to maximise success.

# Annex A: Consultees

A.1 Consultations were carried out between November and December 2022 through a combination of face-to-face and MS Teams semi-structured interviews (approximately one hour with each consultee). Table A-1 below provides a list of the project stakeholders that were consulted.

**Table A-1: Consultees**

| Name | Role | Organisation | G4G Governance role |
|---|---|---|---|
| **Operational team** | | | |
| Councillor Nick Worth | Deputy Leader of SHDC, Portfolio Holder for Growth & Commercialisation | South Holland District Council | Chair of the Strategic Board |
| Deborah Futter | Project Officer | South Holland District Council | |
| Jayne Shale | Economic Development Officer | South Holland District Council | |
| Justin Leckie | Project Manager | Kudos Project Management | |
| Ken Maggs | Partner | Moore Thompson Accountants | Strategic Board member |
| Matthew Hogan | Executive Manager for Growth | South Holland District Council, S&ELCP | Strategic Board member |
| Nigel Burch | Economic Development & Inward Investment Manager | South Holland District Council | |
| **External stakeholders** | | | |
| Geoff Daley | Growth Hub Manager | Business Lincolnshire Growth Hub, Lincolnshire County Council | Grants Panel and Operations Team |
| Gordon Stewart | Growth Hub Adviser | Business Lincolnshire Growth Hub, Lincolnshire County Council | |
| Russell Copley | Director/Broker | Greenborough Management Ltd | |

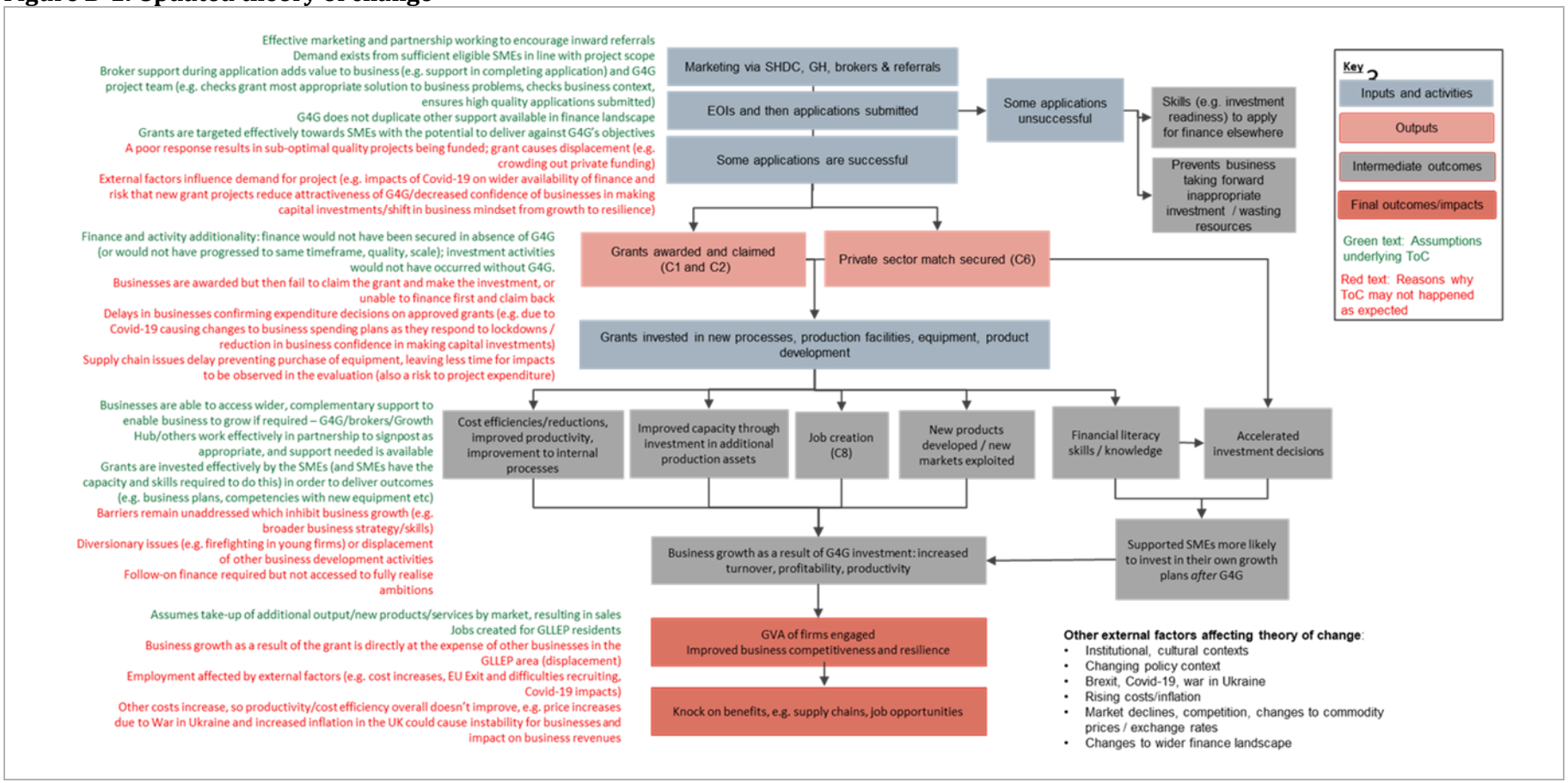
| Name | Role | Organisation | G4G Governance role |
|---|---|---|---|
| Rebecca Fallon | Accounts manager | Social Change UK Ltd | Marketing Contractor |

*Source: SQW*

# Annex B: Theory of Change

**B.1** An updated theory of change is provided below, which outlines the assumptions and factors which may have helped/ hindered G4G's performance.

**Figure B-1: Updated theory of change**




*Source: SQW*

# Annex C: Impact and VfM Methodology

**C.1** Our assessment of economic impact involved an estimation of gross and net change in GVA and employment achieved by beneficiaries as a result of G4G. This was informed primarily by the self-reported evidence from 86 responses to a beneficiary telephone survey carried out as part of the Summative Assessment research, with some supplementary evidence on 17 beneficiaries from business impact forms collected by South Holland District Council. As a result, the sample consisted of 103 businesses out of the beneficiary population of 400 businesses (as 31st January 2023).

**C.2** It is important to note that the impact estimates are based on self-reported perceptions of firms on how the support has enabled them to change business practices and how this has influenced their business performance, and as such, are subject to several limitations which are outlined further below. This is a proportionate approach, given the size of the project and is in line with the Summative Assessment guidance on methodology.

**C.3** The survey analysis is supplemented by case studies which provide further qualitative insight into the mechanisms through which G4G has enabled businesses to generate impacts and the range of outcomes and impacts supported by the project (in addition to the core economic impact assessments, assessed through the method outlined below). Evidence has also been collected from a small number of non-beneficiaries (i.e. firms that either were offered a grant but withdrew from the process/didn't claim the grant, or firms that were rejected for a grant) as a comparison group, and from consultees involved in the delivery and management of the project, and wider stakeholders, to corroborate beneficiary evidence and provide a clear, theory-based methodology.

## Our approach

**C.4** The approach which has been used to assess the **net additional impacts** and **value for money** of G4G is outlined below:

- An initial check was undertaken to ensure the survey sample is broadly representative of the population of beneficiaries, e.g. in terms of size and sector of firm, and size of grant (see Annex D), which concluded that the sample was sufficiently representative, therefore no weighting was applied when scaling up the impacts.
- **Gross employment and turnover uplift to date:** Respondent level data on the cumulative impact attributable to the grant was used to calculate gross turnover and job uplift since receiving support.
- **Additionality factors:** Adjustments were then made for deadweight, displacement, leakage and multipliers, which was modelled at a respondent-level based on questions asked in the survey.

- Leakage: figures were discounted where respondents were now based outside of the Greater Lincolnshire geography.
- Deadweight: figures were discounted where respondents would have observed outcomes anyway to the same scale, speed and quality; partial additionality coefficients were also applied where necessary (e.g. if 50% of outcomes would have been observed, turnover impacts have been discounted by 50%).
- Displacement: this was based on extent of local competition according to each respondent, and a corresponding co-efficient applied.

- **Gross GVA uplift to date:** The resulting net turnover uplift was then converted to GVA, based on ONS/Annual Business Survey benchmarks, and tailored according to business size.

- **Net additional impacts to date:** The respondent-level net additional GVA figures were aggregated and scaled up to account for the full population of businesses supported by the project to calculate the overall net additional impacts of the project to date.

- **Future gross and net additional impacts:** Businesses were asked to quantify any changes to turnover and employment expected over the next three years. These were similarly adjusted for additionality factors in order to calculate the net additional impacts of the project expected in future. Future impacts were discounted using the Treasury rate of 3.5%.

- **Job impacts:** We separately calculated the net additional jobs to date and also grossed these up to inform project-level assessment of cost per net job.

- **Value for money assessment:** An assessment of value for money is provided, which has been calculated on the basis of the estimated current and potential lifetime net additional impacts (summing the impacts to date and potential future impacts) of the project and the total project expenditure (i.e. grants plus management/delivery costs) to calculate the Benefit Cost Ratio, i.e. the net additional impact generated per £1 invested, and the cost per net additional job created.

- **Sensitivity testing:** Sensitivity testing has been to test the potential effects of some of the factors that may can limit the robustness of assessing impacts through drawing on self-reported evidence. We have used sensitivity testing two test the ways in which the BCR might vary: firstly, we have used sensitivity testing to assess the effect on the BCR with and without outliers, and secondly, we have applied optimism bias (i.e. the tendency for survey respondents to be over-optimistic about benefits). We applied a 20% reduction to the estimates of future GVA and employment benefits in line with Green Book guidance.

## Limitations of the impact assessment

**C.5** The evaluators considered the potential methodology options for the impact assessment, in line with the Summative Assessment guidance. The analysis concluded that given the scale of the project and the associated resources available for the evaluation, it was not feasible to undertake counterfactual impact evaluation (CIE) methods such as Difference in Difference. A self-reported impact assessment was judged to be a proportionate and appropriate approach, given the size of the project.

**C.6** Our assessment of economic impact was primarily based on self-reported data from a sample of beneficiaries consisting of 103 businesses out of the beneficiary population of 400 businesses. This represents a response rate of 26% (+/-8% margin of error, at a 95% confidence level). At the 95% confidence level, this suggests that any data generated from the survey could be 8% higher or lower for the population as whole than was found in the survey sample. Given that several assumptions are made within the gross to net calculations, this uncertainty within the impact estimates is further increased.

**C.7** Beneficiaries were asked a series of questions which are used to model additionality (e.g. to what extent they think they could have achieved the impacts in the absence of the G4G grant), which are inherently challenging to respond to. There is also a risk that beneficiaries may inaccurately recall details or be overly optimistic about estimates of future growth.

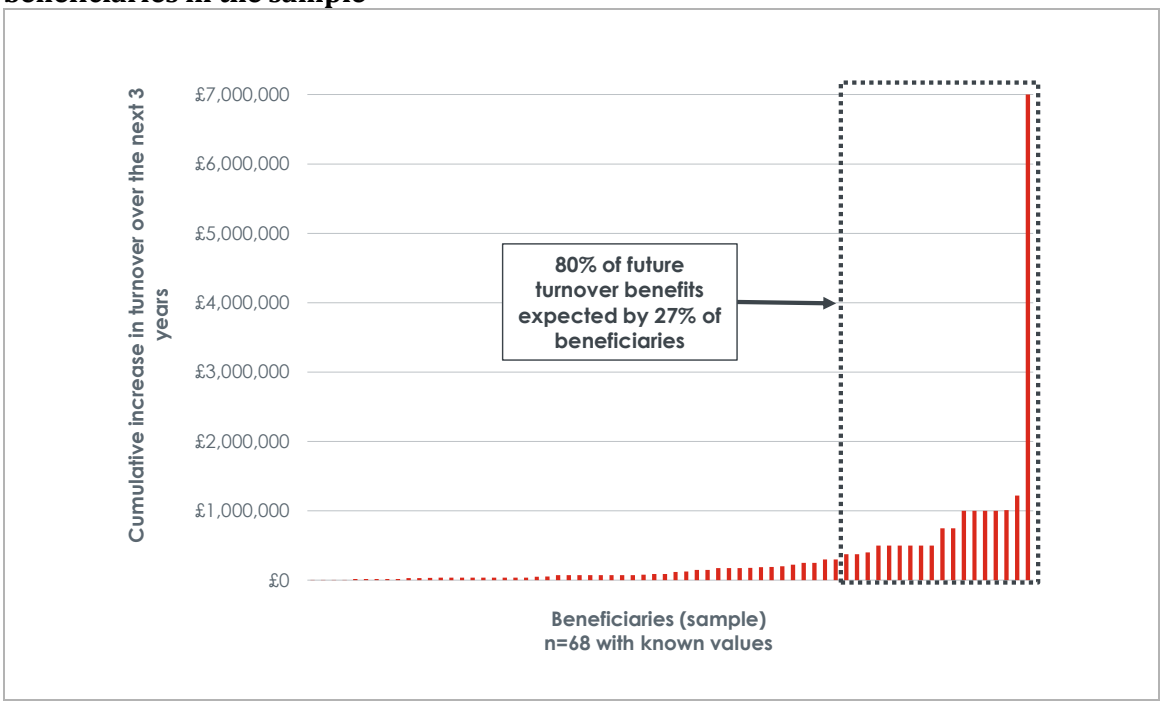
**C.8** To an extent, we can use sensitivity testing to analyse the potential effects of some of these unknown factors, which can help us to better understand the potential range of impacts and effect these unknown factors may have on the overall VfM of the project. We have used sensitivity testing to assess the effects on the BCR (based on public sector costs only) if a small number of outliers (that expressed particularly large turnover impacts) are removed from the impact figures, and if optimism bias is applied. In all scenarios, total impacts (including impacts to date and those expected over the next three years) indicated that G4G will deliver strong value for money.

**C.9** Whilst there are limitations to quantitatively assessing impacts on the basis of self-reported beneficiary data, this approach enables us to capture timely qualitative and quantitative evidence of outcomes, impacts and additionality. Through using the project's logic model and theory of change as a framework, this evidence enables us to test the extent to which the project has delivered its intended outcomes and impacts and assess the factors that have helped or hindered this. This is further supported by analysis of wider sources of evidence, including consultations with delivery, management and wider stakeholders, an e-survey of wider stakeholders and interviews with a selection of 'non-beneficiaries' which can be used to corroborate the findings.

## Further details about the distribution of impacts

**C.10** The distributions of gross benefits experienced to date (31st January 2023) are presented in Section 5 – please see Figure 5-7 and Figure 5-8. Figure C-1 below presents the distribution of anticipated gross turnover increases, as reported by beneficiary survey respondents. Expected gross turnover impacts ranged from £5k to £7m, with a median of £105k. Similarly to turnover effects reported to date (see Figure 5-7), the majority (80%) of benefits were reported by less than a third of respondents – this was, however, largely driven by one outlier.

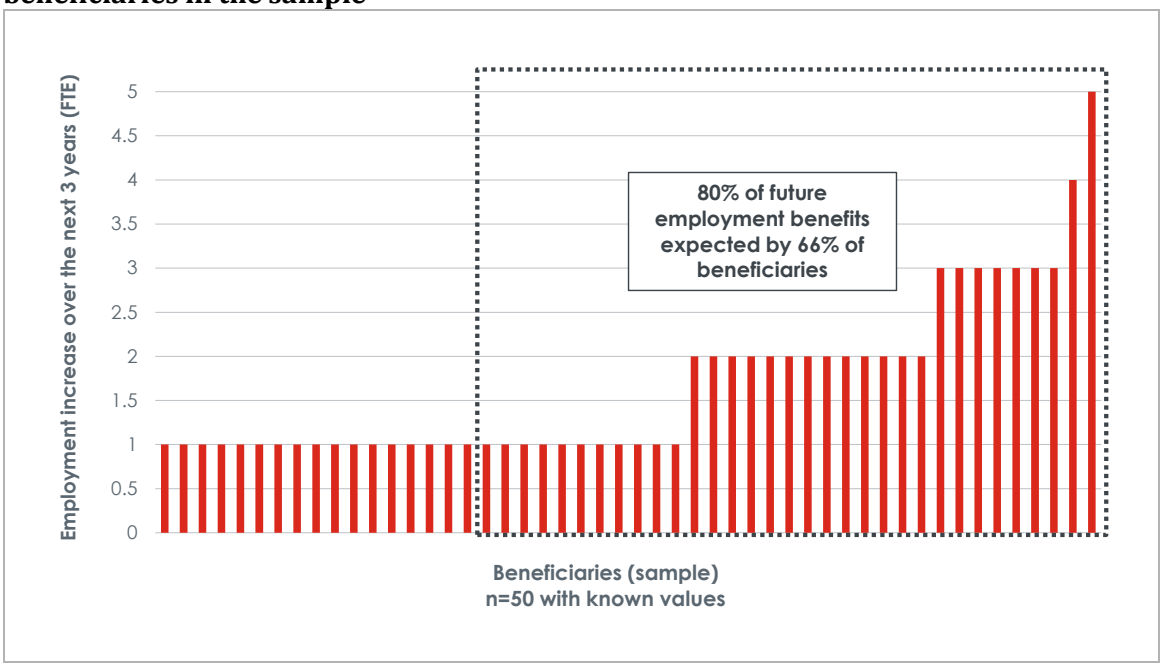
**Figure C-1: Distribution of turnover benefits expected over the next three years by beneficiaries in the sample**




*Source: SQW*
*Note: The total sample size was 103.*

**C.11** Figure C-2 shows the distribution of gross employment increases expected over the next three years – these ranged from 1 to 5 FTEs, with a median of 1 FTE. In line with impacts reported to date (see Figure 5-8), 80% of benefits were reported by around two-thirds of respondents, pointing to a much more equal distribution of employment benefits than in the case of turnover.

**Figure C-2: Distribution of employment benefits expected over the next three years by beneficiaries in the sample**




*Source: SQW*
*Note: The total sample size was 103.*

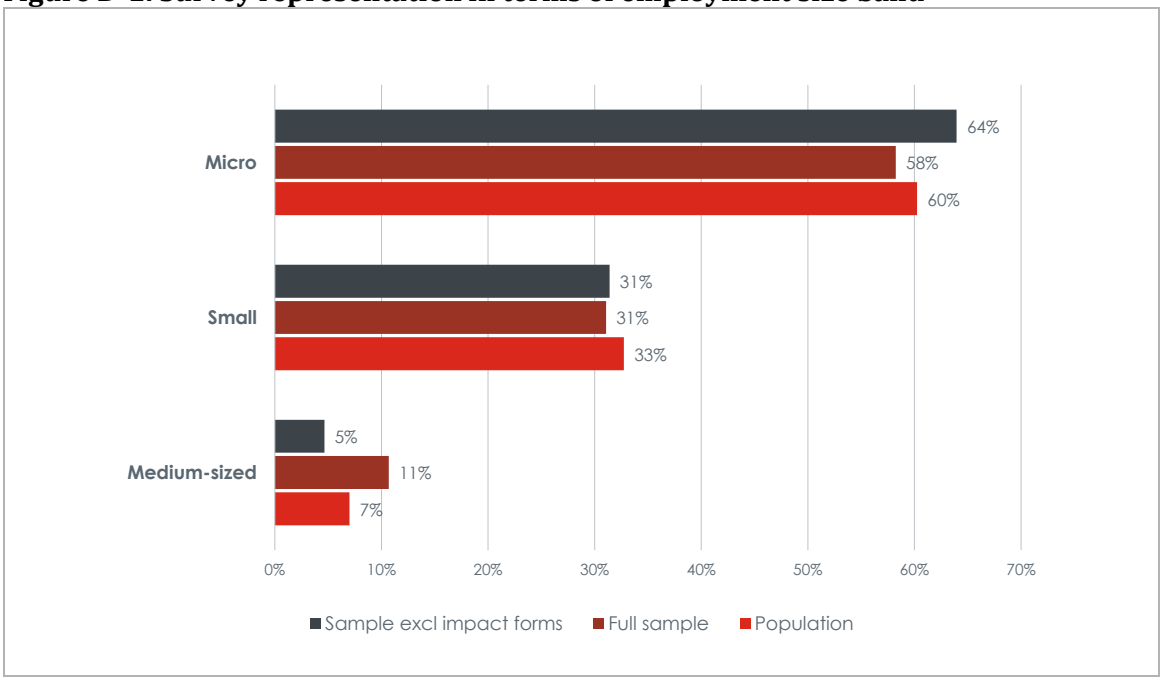
# Annex D: Survey Representation

**D.1** The beneficiary survey was conducted via telephone by Qa Research. Out of 386 beneficiaries (at the time of conducting the research), 86 businesses completed the survey, which was above the agreed target of 80. In the estimation of G4G's GVA and employment impacts, this was supplemented by data on 17 beneficiaries informed by business impact forms collected by South Holland District Council[32] – leading to a full sample of 103 businesses.

**D.2** As at 31st January 2023, the beneficiary population consisted of 400 businesses. The charts below compare the composition of the beneficiary population to that of the sample, including and excluding businesses interviewed by South Holland District Council outside of the telephone survey. Information on the businesses' employment, sector and location was based on the project monitoring data.

**D.3** Figure D-1, Figure D-2 and Figure D-3 compare the full population to the sample composition in terms of employment size band, sector (manufacturing versus other) and location, respectively. The data points to a slight overrepresentation in the full sample with respect to medium-sized businesses and the manufacturing sector. However, overall the distributions were close to the population. We have therefore concluded that the sample was sufficiently representative of all beneficiaries and no weighting was required in the estimation of the project's impacts.

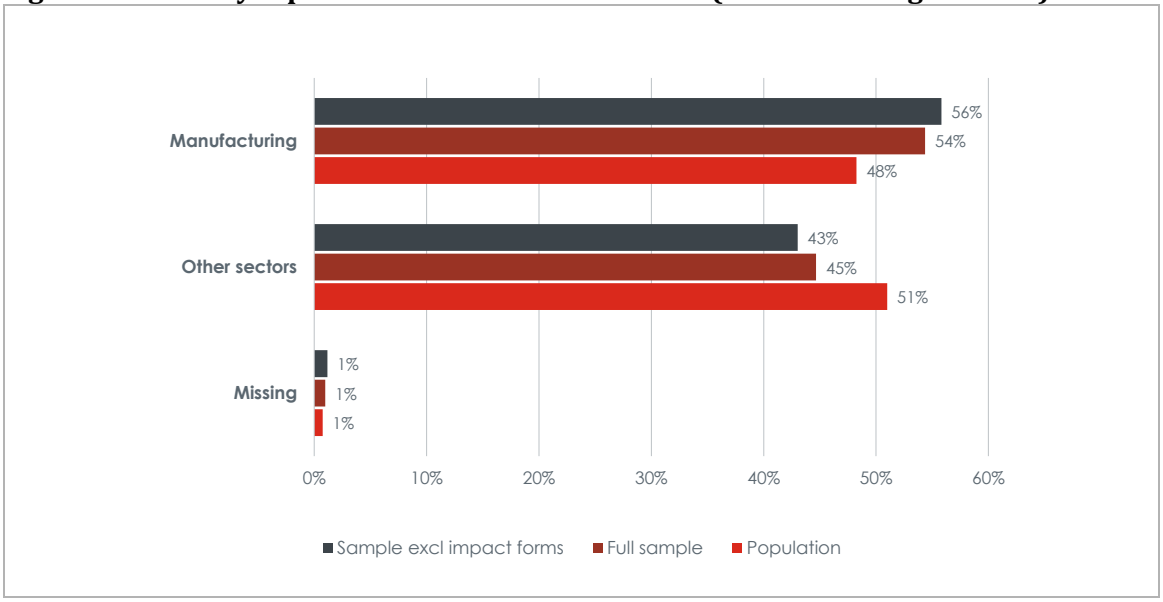
**Figure D-1: Survey representation in terms of employment size band**




[32] Note: this includes beneficiary self-reported data collected by South Holland District Council through interviews with 17 beneficiaries in January – February 2023. Beneficiaries were asked the same questions on impacts and additionality as used in the SQW and Qa Research telephone beneficiary survey.

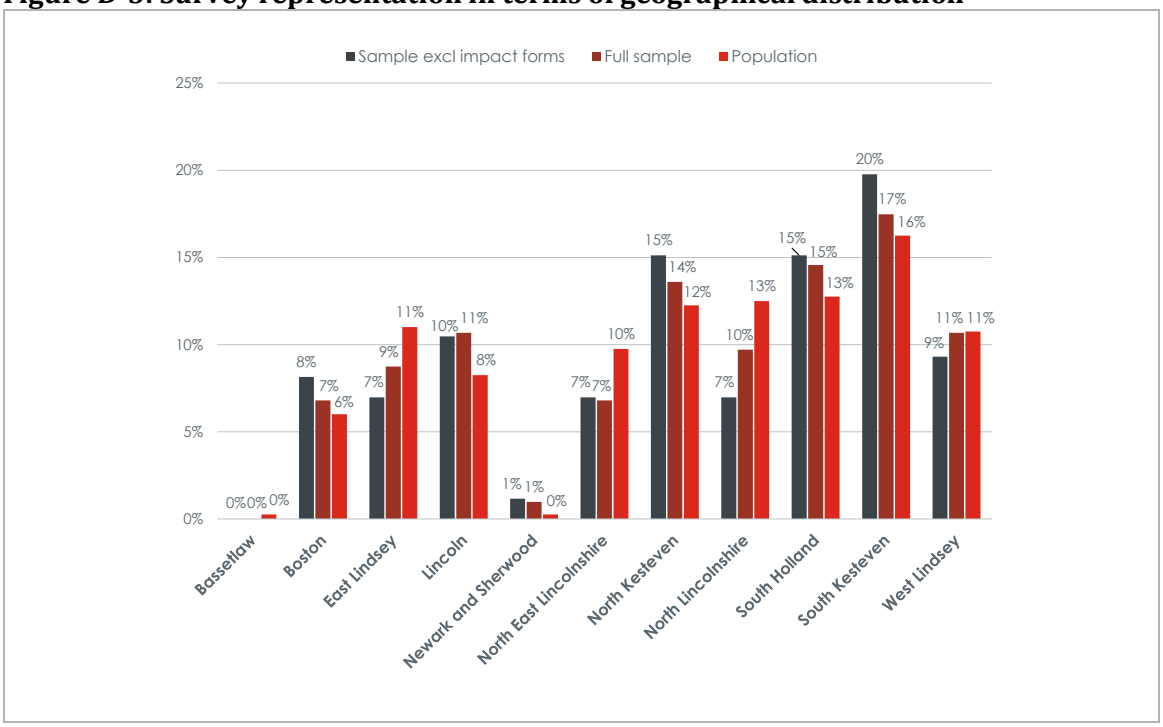
*Source: ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC.*
*Note: 'Full sample' refers to a sample of 103 businesses, comprising 86 beneficiary survey respondents and data on 17 beneficiaries informed by business impact forms collected by SHDC. 'Sample excl impact forms' refers to the former only.*

## Figure D-2: Survey representation in terms of sector (manufacturing vs other)




*Source: ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC.*
*Note 1: 'Full sample' refers to a sample of 103 businesses, comprising 86 beneficiary survey respondents and data on 17 beneficiaries informed by business impact forms collected by SHDC. 'Sample excl impact forms' refers to the former only.*
*Note 2: Sector classification was based on SIC codes and, where unavailable, descriptions of activity provided in the monitoring data.*

## Figure D-3: Survey representation in terms of geographical distribution




*Source: ESIF Form 1-013, Summative Assessment Data Monitoring form, provided by SHDC.*
*Note 1: 'Full sample' refers to a sample of 103 businesses, comprising 86 beneficiary survey respondents and data on 17 beneficiaries informed by business impact forms collected by SHDC. 'Sample excl impact forms' refers to the former only.*
*Note 2: Two businesses in the population and one in the sample had postcodes outside the GLLEP area (Bassetlaw, and Newark and Sherwood).*

SQW

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## About us

### SQW Group

SQW and Oxford Innovation are part of SQW Group.
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SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning. In 2019, BBP Regeneration became part of SQW, bringing to the business a RICS-accredited land and property team.
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Oxford Innovation is a leading operator of business and innovation centres that provide office and laboratory space to companies throughout the UK. The company also provides innovation services to entrepreneurs, including business planning advice, coaching and mentoring. Oxford Innovation also manages investment networks that link investors with entrepreneurs seeking funding from £20,000 to £2m.
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