LOCAL MANUFACTURING ADVISORY PROGRAMME (LMAP)

ERDF SUMMATIVE ASSESSMENT– FINAL REPORT

MOOR ECONOMICS

IN ASSOCIATION WITH

HAYLEY SAMPSON RESEARCH

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EXECUTIVE SUMMARY

This report provides an independent summative assessment of the Local Manufacturing Advisory Programme (subsequently referred to as LMAP) which is being funded through European Structural Investment Funds across six Local Enterprise Partnership areas in the South West. The areas covered by the delivery of the project were:

- Cornwall & Isles of Scilly
- Heart of the South West (covering Devon and Somerset)
- Gloucestershire
- West of England (covering the West of England combined authority area)
- Swindon and Wiltshire
- Dorset

The project is being delivered by the South West Manufacturing Advisory Service Ltd (SWMAS). The summative assessment took place between November 2018 and June 2019 and included both primary and secondary research methods. The summative assessment was undertaken by Shane Vallance of Moor Economics, in association with Hayley Sampson of Hayley Sampson Research.

This summative assessment took place alongside a similar exercise covering the High Value Manufacturing Investment Programme (HVMIP) in Cornwall and the Isles of Scilly (CIOS). Within CIOS, some businesses received support from both HVMIP and LMAP.

The summative assessment has involved a number of research techniques. An online survey was developed and circulated to all businesses that had received LMAP support. In total, 88 beneficiary businesses who had received support from LMAP responded to the survey. In addition, a further 9 businesses who received support from both HVMIP and LMAP in CIOS also responded to the survey – 97 responses in total from businesses which had received support from the LMAP project. Businesses were asked whether they were willing to take part in a further short telephone interview, and a further 11 businesses who had received LMAP[1] support were interviewed to explore their experience of engaging with the LMAP in more depth.

In addition, we undertook an extensive stakeholder consultation exercise across the LMAP and HVMIP projects. One-to-one interviews were conducted with 23 key stakeholders for the projects. Much of the feedback provided through these stakeholder consultations is relevant to both projects delivered by SWMAS.

Overall, the feedback received from both supported businesses and wider stakeholders has been overwhelmingly positive. The consensus is that LMAP has been a well-managed project and is an integral part of the business support landscape across the region. Importantly, it has delivered against its overall objectives of providing quality support to manufacturing businesses in the area, providing advice and investment to stimulate the growth aspirations of a diverse set of manufacturing businesses. The diversity of businesses it has supported is marked, all with different product/service offers and at different stages of the business lifecycle.

[1] Including 2 that received support from both HVMIP and LMAP

Businesses that were consulted as part of the evaluation were keen to express their satisfaction at the support provided through the programme, indicating that it had surpassed expectations. The LMAP manufacturing specialists were seen to be accessible, knowledgeable and well-connected.

Project Context:

- The LMAP had a close strategic fit with the objectives and priorities of the ERDF Operational Programme and each of the LEP ESIF's and Strategic Economic Plans. It clearly aims to deliver against several of the objectives contained within Priority 3 of the programme.
- The need to provide advice and support to help stimulate manufacturers to invest and improve production processes remains in place. Manufacturing, particularly high-tech manufacturing, now has a focus in the UK's Industrial Strategy – recognising that it has a potentially important role to play in driving greater levels of productivity. LMAP's role in improving the operational and production efficiency of businesses directly feeds through to improved productivity – cited as a benefit through the evidence received in this evaluation.
- There have not been any significant changes to the economic context which questions the original support for the project. Indeed, it could be argued that continued uncertainty over the timing and impact of BREXIT may strengthen the argument for support for the manufacturing sector. Manufacturers tend to be exposed to international markets, either as importers of materials/components or as exporters. Uncertainty over the UK's trading relationship with other international markets will flow through to individual businesses. Support to improve the competitiveness of those businesses can only help.

Project Progress:

- The project has performed well against its output and expenditure targets – as defined in the PCR. In many cases, it has exceeded targets with one financial quarter of delivery still remaining. In particular, the achievement of circa 270 grant-funded projects illustrates the breadth of support the project has delivered. There is confidence that it will meet its end-of-project targets for this output.
- It has significantly over-achieved expectations in terms of new product innovation and private investment leverage. Both of these areas should be viewed as significant achievement by the project. The leveraging of circa £3.60 for every £1 of LMAP support in the grant programme is a good outcome.
- It is our view that the project faces a particularly stretching target to achieve the job output target by project end. We understand that it currently working on evidencing achievement against these outputs, reflecting that this activity often lags project delivery. Evidence from the online survey suggests that positive employment impacts may be lagged beyond the project monitoring period.
- We would also query the 'relevance' of this indicator to the overall objectives of the project. Much of the LMAP support provided focuses on improving the efficiency of manufacturing processes. In fact, it often involved a deepening of capital. Whilst we feel the evaluation has found evidence of the *indirect* job impact of the support provided – through facilitating business growth – we feel it

was unrealistic to expect significant *direct* job creation to be supported. However, we recognise that the short-term support and the long-term impacts are not mutually exclusive. Our comment relates more to the expectation that support will have led to job creation in the short-term.

- There was a good spread of delivery coverage across most areas. This is a good outcome considering the relatively limited resource available to the project i.e. one dedicated manufacturing specialist per LEP area. In our view, the achievement of the project against its objectives, and largely against its output targets, means that SWMAS resourced the project appropriately. The flexibility of resource between LEP areas has been important and has been managed well by SWMAS.
- The findings from our online survey suggests that there is a good level of female representation at a senior level with supported businesses, perhaps contrary to the perception that manufacturing is a male dominated sector. We spoke to several businesses which were owned and run by highly motivated women.
- Our analysis has also shown that the project has supported a number of businesses within disadvantaged areas, indicating that wider social positive outcomes may have been delivered by the project.

Project delivery and management:

- The overall view from the stakeholders and partners we spoke to was that SWMAS was seen as an experienced and 'trusted partner' within the business support landscape. They were seen to deliver a quality service.
- The SWMAS management team (by partners) and the LMAP manufacturing specialists (by businesses) were held in high regard. The project management information held and used was of a high quality. Importantly, the management information was used by SWMAS to monitor progress and, if required, to flex resources to ensure targets were met. We consider the project to represent good practice in this respect.
- The LMAP was delivered in a relatively 'light-touch' manner, with one dedicated manufacturing specialist in each LEP region supported by the SWMAS programme management team, and this resource was shared with the HVMIP. As stated above, the project appears to have been appropriately resourced to meet its own objectives, as well as being delivered in a relatively cost-effective manner.
- Compliance and eligibility of delivery against ERDF requirements was well managed and robust. Manufacturing specialists were given clear guidance by the programme management team and used their experience and judgement well. Appropriate 'checks and balances' were put in place by the programme management team.
- One area which we have highlighted for SWMAS' consideration is to increase the 'visibility' of delivery across the area. As the project nears completion, it may be an opportunity to 'celebrate the success' and ensure that local partners are fully informed of the extent and quality (possibly using the findings of this evaluation) of the service that has been provided.
- Another issue which it may consider as it moves into the next phase of delivery is to revisit and refresh some of the relationships with Growth Hubs across the region, recognising that the flow of

referrals has certainly differed in each LEP area (although recognising that this may be reflective of the different Growth Hub in place in each area and the resources they have available to them). Nevertheless, we think it would be worthwhile revisiting/refreshing those relationships – particularly with regards to ensuring the flow of referrals continues.

- The overall consensus from the evidence we have collated through this evaluation has been that the support provided through the LMAP has exceeded the expectations of supported businesses. The feedback we have received has been overwhelmingly positive, although recognising this was based on a sample of beneficiaries. However, the number of responses we received to the online survey does provide some confidence in our overall conclusion.
- We feel there are important lessons to be learnt from how SWMAS have managed and delivered the grant process. The discretion and responsibility given to the manufacturing specialists has resulted in a relatively 'lean' process which has been well received by businesses. Many of those businesses we spoke to compared it favourably to other public grant schemes they have encountered. We feel that this approach – backed-up by robust 'checks and balances' in the programme management team – could be considered elsewhere if appropriate. There is not always the need for decision-making by committee.
- Marketing activity for the LMAP has deliberately been kept focused by SWMAS for a variety of reasons, not least the crowded business support landscape that exists in several LEP areas, most notably in CIOS. This has often resulted in an equally crowded marketing and communication space. As a consequence, the marketing budget and activity has been focused on the project's target market. In many respects, the LMAP 'brand' has been promoted within the overall SWMAS brand. Businesses and stakeholders have associated the support provided as SWMAS. In our view, this has been a sensible and practical approach, utilising the already established and respected SWMAS brand.
- The project monitoring data shows that the LMAP has been successful in supporting a wide range of business types, both in terms of scale as well as market/sector. We have spoken to several early-stage businesses where the LMAP support has played an important role.

Project outcomes and impact:

- The majority of businesses that responded to the survey felt that the LMAP support had been 'very important' to their subsequent development. This view was corroborated by feedback received through our telephone consultations, with support being provided at an important stage of development for small businesses.
- The evidence suggests that the support has led to commercial impact, with 58% of those responding to the survey stating that it had positively influenced turnover and 32% reducing operational costs. This demonstrates that support had both a top-line and bottom-line impact for many supported businesses.
- Only 1-in-7 businesses who responded to the survey felt that no commercial impact had been felt to date.
- Our objective view is that the project has fully met the objectives as defined in the original ERDF project logic model. In that sense, it has fully achieved what it set out to do – and for what the ERDF funding was provided.

- The survey suggests that the deadweight that can be associated with the support is relatively low – many businesses would not have progressed with planned or improvement or done so more slowly and/or at a lower quality. It also suggests that market displacement is low – many businesses serving target markets beyond their respective LEP areas. The businesses that were supported were also very diverse and often offering quite specific product offerings, again suggesting the potential for local displacement is low.
- The estimates that we have provided in terms of Gross Value Added indicate the ERDF support has generated a very positive return against that public investment. We have captured the turnover and cost impact of the project support and, assuming that the benefits of the support and advice are in place for a few years, the estimated measured impacts are significant. In our view it fully justifies that original investment.

Value for money:

- The LMAP has been delivered in a cost-effective manner, delivering most of its ERDF outputs below the available benchmark data, based itself on historical evaluation evidence.
- In particular it appears that it has supported new product development – either new-to-the-firm or new-to-the-market in a relatively cost-effective manner. This is an important finding in the context of the overall project objective of aiming to stimulate innovation in the supported businesses.
- It has also supported new job creation in a relatively cost-effective manner, perhaps surprising given that much of the support provided focused on improving operational efficiency which could sometimes have resulted in a reduced need for labour input
- The focus that SWMAS maintained on delivery against contracted output targets appears to have resulted in the project delivering good value for the ERDF investment

SUMMARY:

- The LMAP has been delivered in a cost-effective manner, delivering most of its ERDF outputs below the available benchmark data, based itself on historical evaluation evidence.
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Conclusions and lessons learned:

The LMAP set out to address a clear market failure and, at a basic level, the associated activities were found to represent an effective project design. The feedback we have received from businesses supported by LMAP is that it has been delivered professionally and has added value to their operations. The LMAP

manufacturing specialists were seen as experienced and knowledgeable in his field, accessible and have maintained good ongoing relationships.

The online survey undertaken for this evaluation received almost universally positive responses, and the businesses were content to attribute subsequent positive impact in their business to the support received. Our consultations with a small (11) number of businesses supported through the programme highlighted how LMAP support has acted as an important element to their growth. We spoke to several progressive and innovative businesses which had been assisted, all of which were now operating more efficiently than pre-support.

Overall, SWMAS was seen by stakeholders as a trusted partner, and the experience and continuity it has brought to the project delivery has been well regarded.

The project has been delivered in a cost-effective manner. SWMAS has designed and delivered a project which has been appropriately resourced, but certainly should not be regarded as 'top-heavy'. The grant process is seen as a notable example of how a well-defined process can be managed in a relatively 'light-touch' way, whilst not compromising the compliance requirements of the accountable body.

Lessons for Policy Makers

- In our view, SWMAS has delivered a business-friendly grant process which has been commensurate to the needs of business (and the scale of financial assistance sought) whilst not compromising on compliance requirements. The discretion and trust afforded to the manufacturing specialists – guided by clear guidance from the programme management team – has utilised their experience. This has resulted in a relatively 'light touch' and, importantly, quick process which has allowed businesses to progress their plans without significant delay. This compares favourably against other grant programmes operated elsewhere, where approvals tend to be determined by committee. We feel the SWMAS model – in-the-field experienced backed up by robust 'checks and balances' in the core team – should/could be considered elsewhere.
- As with all ERDF funded activities operating in England the projects managed by SWMAS operate on a cost and overhead recovery basis (nil profit). However, this creates a number of real business challenges and limitations for commercial (and non-commercial) organisations seeking to deliver projects. Whilst SWMAS has been able to deliver the projects successfully, the margins (between it being sustainable or a loss-making activity) have been extremely tight. The experience of SWMAS suggests that the 15% overhead recovery factor does not reflect the true costs of delivering ERDF projects.

Lessons for Those Designing and Implementing Similar Interventions

- The benefits on project delivery (in terms of quality and efficiency) of continuity and experience should not be underestimated. SWMAS is experienced in delivering ERDF projects and had in place a highly experienced team which was able to 'hit the ground' running. Despite the protracted start to the project, the experience of the team members meant that it was able to build momentum relatively quickly – mostly through existing relationships with businesses. In funding programmes there is often the urge to invest in new activities which require new systems/processes/teams to be put in place, impacting on how quickly momentum can build. We feel these projects conversely demonstrate the benefit of investing in 'what works' and allowing continuity in delivery.
- The importance of robust management information has been demonstrated in the evaluation of these SWMAS projects. The way that the management information has been used by the project

team to help direct and flex activities is, in our opinion, a good example of how information can be used as a tool, rather than just being seen for reporting purposes.

Lessons for the Grant Recipient

- When delivering projects in a multi-partner context (often determined by geography) it is important for project progress to be as visible as possible. Many partners are principally concerned by delivery in their area, and it may be advantageous for SWMAS to consider how the geographical spread of supported businesses can be regularly and clearly demonstrated. Moving into the next phase of delivery it may be appropriate for SWMAS to consider how it demonstrates project progress.
- Following on, it may be an opportune moment for SWMAS to 'refresh' some of the relationships with project partners in some areas. This would provide benefits in terms of visibility but also to keep the available support at the forefront of partners minds, potentially facilitating further referrals.

SECTION ONE: PROJECT CONTEXT

1.1 Introduction

This report provides an independent summative assessment of the Local Manufacturing Advisory Programme (subsequently referred to as LMAP) which is being which is being funded through European Structural Investment Funds across six Local Enterprise Partnership areas in the South West. The areas covered by the delivery of the project were:

- Cornwall & Isles of Scilly
- Heart of the South West (covering Devon and Somerset)
- Gloucestershire
- West of England (covering the West of England combined authority area)
- Swindon and Wiltshire
- Dorset

The summative assessment took place between November 2018 and June 2019 and included both primary and secondary research methods.

The evaluation methods and this report were designed in accordance with Ministry for Housing, Communities and Local Government (MHCLG) guidance on conducting summative assessments, alongside client requirements for specific insights in order to support on-going local delivery. This summative assessment took place alongside a similar exercise covering the High Value Investment Programme (HVMIP) which was specifically delivered in Cornwall & Isles of Scilly (CIOS).

Much of the feedback received covering both projects – particularly with regards to the management and quality of delivery - is consistent. Some of this broad feedback is reflected in both the LMAP and HVMIP summative assessments. Where specific issues regarding LMAP have been raised these are highlighted within this report. In several sections, there is consistency between both summative assessments undertaken.

1.1.1 Methodological Note

The LMAP summative assessment is underpinned by a theory-based approach, building on the project logic chain and questions identified by the client. It does not include use of a control group which is arguably most technically robust, or 'gold standard', approach to establishing the counterfactual because it would have required planning in advance of the evaluation being commissioned. Such an approach would not have been practical within the timeline of the study and would have raised several methodological challenges within the context. It is useful to note that the summative assessment guidance was issued by MHCLG in December 2017 (although recently updated), partly through the delivery of this project. However, the assessment has endeavoured to focus on what might have happened in the absence of the intervention in a qualitative sense through the research consultations.

The summative assessment has involved a number of research techniques. An online survey was developed and circulated to all businesses that had received support from LMAP. In total, 88 beneficiary businesses who

only received support from LMAP responded to the survey (a response rate of 14.6%)[2]. In addition, a further 9 responses were received from CIOS businesses that had received support from both HVMIP and LMAP (a response rate of 40.9%). In total, we received 97 responses from businesses that received support from the programme, against a cohort of 625 which had received support at the time of the survey (an aggregated response rate of 15.5%).

Businesses were asked whether they were willing to take part in a further short telephone interview, and a further 11 businesses were interviewed to explore their experience of engaging with LMAP in more depth. The outcome of some of these interviews has been the development of case studies which are included in this report. These case studies illustrate examples of where the LMAP has made a difference to the businesses supported.

In addition, we undertook a stakeholder consultation exercise. One-to-one telephone interviews were conducted with 23 stakeholders across the LMAP and HVMIP projects. Finally, a small delivery team workshop was undertaken to help contextualise delivery and understand performance. This included all the SWMAS manufacturing specialists who delivered the project on-the-ground (covering both LMAP and HVMIP). There were some further individual conversations with SWMAS staff in relation to specific questions that arose during the summative assessment.

The summative assessment has also involved a review of project documentation, alongside analysis of financial and output monitoring data provided by the project. This analysis focuses on data up to the end of Q2 2019 (end of June 2019).

1.2 Aim of the project

1.2.1 Overall objectives

The general objective of the LMAP is to improve the competitiveness of SME manufacturers within the six LEP areas through advice and grants. It had a value of circa £4.3mn of which £2.6mn was provided through ERDF support, with the remainder provided through matched private investment. It is important to note that this level of matched private investment is considerable – representing circa 48% of total project cost. It focused on supporting innovation, entrepreneurship and product development, working with a range of businesses in terms of size and market focus.

The project blended free advice from a SWMAS employed manufacturing specialist with both revenue and capital grants. The revenue grants can be used to procure external support from knowledgeable experts, whilst the capital grants allow businesses to invest in capital equipment (matched by investment from the businesses themselves) to help their business develop.

It aimed to build on experience from the previously ERDF funded “Product Development Centre” which was operated by SWMAS. It was designed to target a specific gap in the business support offer, aiming to avoid duplicating existing services. In broad terms, the model of support focused on Innovate UK’s high value

[2] If the businesses had responded to all of the questions the confidence interval associated with this sample size would be +/- 10% at 95% confidence interval. However, the confidence intervals are wider for those questions relating to impact because fewer businesses responded to those questions

manufacturing strategy. The Innovate UK strategy broadly complemented the objectives for each of the individual LEP areas.

LMAP aimed to provide support specifically focused around four themes:

- Business strategy – developing new models and implementing clear growth plans
- Operational efficiency – identifying and overcoming obstacles that limit business performance
- Innovation – introducing new products, materials and processes to drive growth
- Supply chains – supporting businesses to access new markets and to develop their supplier base

The project's logic model details its high-level objectives:

- Support and enable SMEs to recognise the value of taking business support by offering them a diagnostic with an experienced local manufacturing specialist to understand their growth potential, the barriers standing in the way of achievement of this growth and to agree a package of support (project) to address their barriers to growth
- Provide simple, clear access to business support by enabling SMEs to identify a suitable coach, consultants or suppliers
- Create greater alignment with local economic priorities and SMART specialization strategies
- Deliver economic impact in funded areas as a result of the business support provided

The detailed logic model is shown overleaf in Figure 1.

Figure 1: LMAP Logic Model

LMAP LOGIC MODEL

CONTEXT
Encouraging successful manufacturing SMEs to succeed and grow through business support has long been accepted part of UK industrial landscape. The LMAP programme was initially designed as a way of using LEP ERDF funds to extend MAS[1] and increase its local focus. SWMAS remain committed to the Business Growth Service (BGS), which was abolished in 2015, redesigning it to provide a MAS-like

MARKET FAILURE
SME manufacturers have an unmet need for external assistance. This manifests itself in a number of ways but principally means SME manufacturers are unable to recognise or identify the areas in which external advice would be beneficial, or that they are unable to recognise or identify sources of advice. *(9 business areas in which the unmet support is most acute. BIS Analysis Paper No.2 (Dec 2013) is used to support this conclusion.*

PROJECT OBJECTIVES
1) Support and enable SMEs to recognise value of taking business support by offering a diagnostic with an experienced local manufacturing specialist to understand their growth potential, barriers standing in way of achievement of this growth, and agree a package of support (project) to address barriers to growth.

2) Provide simple, clear access to business support by enabling SMEs to identify a suitable coach, consultants or suppliers.

3) Create greater alignment with local economic priorities and SMART specialisation strategies

4) Deliver economic impact in funded areas as result of the business suport provided

RATIONALE
1. Designed to deliver best possible outcomes for SME manufacturers and best address project objectives and market failure. Designed within constraints of ESIF Regs and DCLG. Originally designed as an extension to BGS but after BGS closure, was modified and now based on 'standard template' of Govt-funded business support schemes in England. In particular, it's based on best-practice and successful examples of SWMAS' Product Development Centre (Knowledge in Manufacture) and MAS progs. It will provide support similar to MAS but with greater local focus. Also revenue and captial grants, alongside advice and workshops, to support SW SME manufacturers.

2. No evidence that market failures identified will resolve themselves if no action taken. Market failures likely to continue and intensify, and support more needed at this time than when the project was approved (business uncertainty following Brexit vote).

Inputs

What	Value
Private sector (SME) investment	£1,042,619
Public sector (ERDF) investment	£1,131,152
Recruitment or transfer of manufacturing specialists to the programme	Approx. 5 FTE
Recruitment of transfer of a project manager to the programme	Approx. 0.5 FTE
Recruitment of transfer of compliance or support specialists to the programme	Approx. 1 FTE
Additional time resources from SWMAS staff	As appropriate.
SWMAS IT systems and specialist software	As appropriate.
SWMAS knowledge and expertise	As appropriate.

ACTIVITIES
- Provision of specialist advice to manufacturing SMEs by SWMAS manufacturing specialists.
- Provision of revenue grants to manufacturing SMEs to support business improvement projects
- Provision of capital grants to manufacturing SMEs to support purchase of capital equipment.
- Provision of events to market the programme.
- Provision of workshops to provide support to manufacturing SMEs.

OUTPUTS

What	Value	OUTCOMES Actual
(C1) Enterprises receiving support	12 hrs of business support.	464
(P13) IDB support. Outcome: identified need for an LMAP project. Likely to occur in 50% of cases. 50% of clients will proceed to	3 hrs of on-site support - business growth, increase profitability and business performance, a diagnostic	694
(C2) Enterprises receiving grants - core of LMAP project. Identified through IDB visit.	Grant funding for capital equipment. Consultancy to support business in performance and growth.	352
(C4) Enterprises receiving non-financial support	Workshops and seminars (targeted). 12 hours+ free hands-on in-company consultancy to complete LMAP project.	112
(C6) Private investment matching public support to enterprises (grants)	Stimulation of investment by business, backed up with grants.	352 (Private: £1,693,910)
(C8) Employment increase in supported enterprises. Commencing a project based on projected employment increases within supported enterprises.	Increased jobs.	352
(C28) Enterprises supported to introduce new to the market products / services/ processes. Expect 20% of all projects to lead to this output	Stimulation of innovation to support/ sustain/ maintain growth or market presence and increase jobs	94
(C29) Enterprises supported to introduce new to the firm products. Expect 10% of all firms to achieve this output incl. non-grant backed projects.	Stimulation of innovation to support/ sustain/ maintain growth or market presence and increase jobs	48

OUTCOMES

Actual
Increased turnover, increased GVA, increased marketing capability and market share, increased productivity, increased capability, increased knowledge
Increased awareness and interaction with other support organisations in the local business community
Increase in R&D spend
Jobs Safeguarded as a result of business improvements, possibly the retention of existing contracts within the enterprise or the winning of new business.

INTENDED IMPACTS

What
Increased awareness and knowledge of the benefits of specialist external manufacturing advice amongst businesses assisted
Increased employment amongst assisted firms where the business has specified employment increase in the Grant Application and Project Closure documentation.
Increased public investments as a result of awareness of the project and Manufacturing Specialist insight into potential improvements and resulting impact.
Increased business interaction with other support organisations as a result of awareness and sign-posting by Manufacturing Specialists.
Increased knowledge on a range of subjects as a result of workshops facilitated by the project.
Increased innovation in products and processes as a result of private investment facilitated by the project.
Increased GVA (not a contractual output of the project and no formal method of data collection is available).

[1] *Manufacturing Advisory Service (MAS), later subsumed into the Business Growth Service (BGS) alongside Growth Accelerator (GA).*

1.3 Addressing Market Failure and Project Design

1.3.1 Market Failure

The ERDF application and project logic model sets out the argument of how the intervention aimed to address market failures. There were three broad strands to the argument:

1. SME manufacturers have unmet need for external assistance, and that they are unable to recognise/Identify when external support Is beneficial, or recognise/Identify sources of advice. It cites a BIS Analysis Paper[3] which identified a series of SME barriers to growth, all of which were linked to improved use of external expertise.

2. Specific lack of knowledge/expertise amongst SME manufacturers inhibits their ability to successfully launch successful products within budget and timeline. SWMAS' own national quarterly Manufacturing Barometer[4] was used as an evidence source - with many manufacturers stating that they struggle to meet original targets or expectations in terms of developing and launching new products.

3. Investment in new technology by SME manufacturers was falling because of a lack of information and expertise to:

    - Identify relevant technologies
    - Implement and embed these technologies
    - Recognise benefits these technologies bring

Certainly, among SME manufacturers it is broadly recognised that there is a general lack of investment in research and development and the returns risk associated with any investment is uncertain to those businesses. This often results in under-investment, both at a firm-level and within the wider sector as a whole. The aim of the ERDF projects delivered by SWMAS is to effectively improve the business' understanding of the potential returns to improvements that can be made, and to reduce the risk of investment through the financial support provided through the grant programme. These risks are somewhat heightened in SMEs, where available resources or investment tend to be more limited.

As part of this evaluation, business beneficiaries were asked in an online survey what would have happened without the support delivered through LMAP. The responses indicated that, for many, they would not have progressed their planned improvements, not developed or launched new products and/or simply not realised where or how improvements could be made. This is shown in Chart 1.

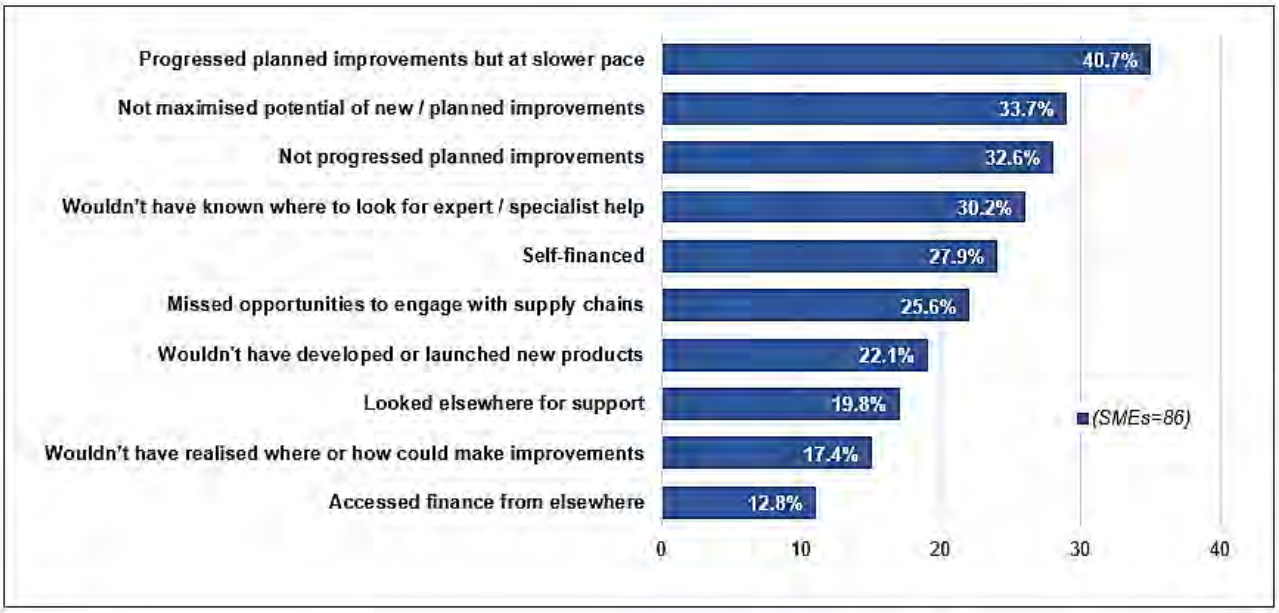
Whilst based only on a sample of businesses supported through LMAP, this feedback appears to partly corroborate the market failure arguments laid out in the original ERDF application. It suggests that there is a lack of awareness in manufacturing SMEs regarding just what support would be useful to help achieve its plans, and where to access this support.

This view was reinforced in the interviews we held with business beneficiaries. Whilst several had an already held idea/concept of the planned improvement they wished to make, for others the engagement

[3] 'SMEs: enablers of success and economic rationale for government intervention' – BIS Analysis Paper Number 2 – December 2013
[4] Quarterly survey of 320 senior decision makers in UK SME manufacturing businesses

with the manufacturing specialist was valuable because it identified a number of proposed improvements (or often referred to by the businesses as 'easy wins') which they simply had not previously considered. SMEs, and particularly early-stage businesses, simply do not have the time to consider their business at a strategic level, they are often 'fighting fire' in terms of building the business and meeting customer demands. The benefit of external advice is often that it provides an external view of the business, identifying improvements which may not be obvious to the business.

Chart 1: Without the support from SWMAS (LMAP), what do you think would have happened?



(Source: LMAP programme monitoring data)

1.4 Project Timetable

As shown in Table 1, and reflected in the Grant Funding Agreement, the LMAP project originally started in contractual terms on the 1st April 2016, with a practical completion date of the 31st March 2019 – a delivery period of 36 months.

Table 1: LMAP Project Timeline

	Milestone	2016 Funding Application	Grant Funding Agreement - timeline	Outturn	Project Change Request - timeline
a)	Start date	1st Jan 2016	1st April 2016	1st November 2016	
b)	Agreed Financial Completion Date	31st March 2018	31st March 2019		30th September 2019
c)	Agreed Activity End Date	30th June 2019	31st March 2019		30th September 2019
d)	Agreed Project Practical Completion Date	30th June 2019	31st March 2019		30th September 2019
e)	Date of submission of first grant claim		30th June 2016	31st December 2016	

f)	Date of submission of final grant claim		30th April 2019		30th September 2019
g)	Match funding longstop date		31st March 2019		

In broad terms, project delivery was expected to build slowly through 2016 – with a focus on raising awareness and stimulating demand through that early period and putting in place the project delivery structure – and peaking during 2017-2018. The expectation was that the project would be managed down through the remainder of 2019.

However, the project did not commence as originally intended, or reflected in the timeline in the Grant Funding Agreement (GFA). It is useful to note that the GFA was not signed until June 2016, after the agreed start date. There were further complications which caused the delay of the effective start date of the project. One of the conditions required by MHCLG – and reflecting the evolving business support landscape at the time – was that the GFA would only become effective if SWMAS (as a provider of an ERDF funded business support programme) signed a Service Level Agreement (SLA) with the Growth Hubs in each of the respective LEP areas. In some areas within the programme area this process took longer than expected. The SLA was not signed by some Growth Hubs until the end of September 2016. Until that date the GFA was, in effect, not legally binding.

As a consequence, the early part of LMAP meant that SWMAS proceeded 'at risk'. Whilst it undertook some early work in terms of raising awareness and stimulating interest in the project, because it was not able (or unwilling due to commercial risk) to issue grant support to businesses then it was difficult to sustain that interest. Indeed, this early stage of the project resulted in some potential reputational risks with regards to relationships with clients. SWMAS were wary not to make commitments to businesses which may not have been fulfilled.

The result of these issues meant that, in effect, the project experienced a delayed start of approximately six months. It had to build interest and awareness of the project again from November 2016.

As a consequence of this delayed start, SWMAS submitted a Project Change Request in November 2017 to request that the project end date (practical completion) be pushed back to 30th September 2019 to ensure a delivery period of circa 36 months, as originally intended. The PCR was approved by MHCLG in November 2017. This is reflected in Table 1.

1.5 Project Design

The project was funded by the ERDF on an overall intervention rate of 52.6%, providing £2,476,201 of support against a total project cost of £4,705,261 across the six LEP areas. The private match funding was expected to be provided through the SME beneficiaries themselves, as matched investment. This was expected to leverage £2,229,060 over the project period. This reflects the financial breakdown as approved in the November 2017 PCR. The breakdown for each respective LEP area is shown in Table 2.

Table 2: Match funding breakdown by LEP

LEP Area	Total project value	ERDF funding	Private matched investment
West of England	£935,393	£467,697	£467,697
Gloucestershire	£708,835	£354,418	£354,418
Swindon & Wiltshire	£739,951	£369,976	£369,976
Heart of the South West	£1,400,284	£776,183	£624,102
Dorset	£762,365	£381,183	£381,183
Cornwall & Isles of Scilly	£158,432	£126,746	£31,686
TOTAL[5]	£4,705,261	£2,476,201	£2,229,060

ERDF funding was a combination of revenue and capital support. Revenue funding was available for two purposes:

- To support the ongoing costs of managing and delivering the project (SWMAS costs)
- To offer revenue grant support for eligible SME businesses to apply for as part of the project offer, allowing them to access consultancy support

1.6 Delivery alongside HVMIP

Alongside LMAP, SWMAS conterminously delivered the HVMIP in CIOS. This meant that manufacturing SMEs in CIOS were able to access support under both projects. Originally, HVMIP offered revenue-grant support only to SMEs. Therefore, the original intention was that these different forms of support to SME's would be complementary.

However, due to a low take-up of demand for the HVMIP revenue grant offer (as for reasons explained in the HVMIP summative assessment), they did begin to correspond more to expectations due to the changes in the HVMIP offer. However, it is important to note that by that stage the LMAP project had been largely committed within CIOS – demonstrating the strong initial demand for support. The fact that LMAP had largely been committed – closing to new grant applications – meant that duplication of offer between the two projects did not necessarily overlap in terms of timescales.

SWMAS' expenditure on the LMAP is additional to expenditure on HVMIP. Separate budgets have been set out for direct costs for both projects. Both project costs contribute directly to the employment of a project manager, support officers and advisors. SWMAS staff are required to complete timesheets should they work on both projects. Given the respective 'weight' of delivery between the two projects in CIOS, the core staff time is allocated accordingly. The SWMAS project manager allocates 75% of his time to LMAP, with 25% allocated to HVMIP. The same allocation is in place for the performance & compliance officer. For other SWMAS core staff, the time allocated to supporting the delivery of the two ERDF funded projects is less than 100% - reflecting their other SWMAS commitments. For example, the SWMAS Finance Director allocates 40% of her time (25% for LMAP and 15% for HVMIP) to overseeing the two ERDF projects.

[5] Figures may not exactly match due to rounding.

1.7 Continued Relevancy and Consistency

1.7.1 Policy Context

At the application stage there was a strong degree of fit between the aims of this project and:

- The England Operational Programme:

  The LMAP fitted within investment priorities 3c and 3d of Priority Axis 3 with the ERDF Operational Programme.

Under priority 3c the project aimed to:

1. To utilise an ERDF enhanced BGS grant intervention to deliver intensive and in-depth interventions to accelerate SME manufacturer growth.
2. Increase SME beneficiary knowledge of the UK funding landscape and improve the quality of their finance proposition, thereby increasing their likelihood of securing external funding.
3. Increase the employment levels of those SMEs supported

Under priority 3d the project aimed to:

1. Enhanced SME support to help businesses identify and overcome barriers and bring identifiable and quantifiable growth.
2. Help companies overcome a key barrier and market failure - reluctance to engage consultants and external support - through hands-on local alignment specialist advice and the provision of enhanced grant funding.
3. Work alongside local Growth Hubs, partners and LEPs to stimulate demand and cross-referrals, target local priority sectors, and address key local priorities as identified through increased engagement.

The original call that SWMAS responded to was influenced by the delivery landscape at that time. Originally, SWMAS was one of a number of Business Growth Service (BGS) delivery organisations that submitted responses to ESIF calls for SME manufacturing support in England in response to a request by the Department of Business, Innovation and Skills (BIS). However, in 2015 it was announced by the Chancellor of the Exchequer that the BGS was abolished, including the Manufacturing Advisory Service.

SWMAS also believed that as a national programme the BGS was highly standardised and lacked alignment with local economic priorities. It provided “inch deep, mile wide” support. As a consequence, SWMAS designed an enhancement that aimed to provide an alternative approach based on “mile deep, inch wide” support.

Due to the changed landscape, it resubmitted a slightly modified ERDF full application. LMAP still represented the same broad model but was able to provide:

1. More experts – a total of 5 manufacturing specialists across the region

3. A longer duration – the programme no longer needing to end on 31st March 2017 (the original BGS contract end date) and could instead run for 3 years until 31st March 2019[6].
4. More local based and focused delivery – delivered by SWMAS based and knowledgeable about the South West region.

- Local Enterprise Partnership strategic priorities:

There was a close alignment with the objectives of the project against the strategic priorities in each of the LEP areas. This was detailed in the ERDF application. For example, in the West of England strategic economic plan it identified 4 "issues" for its important advanced aerospace & engineering sector:

1. Under investment in R&D, innovation and production facilities
2. A need for continued investment in composites and the National Composites Centre
3. Enable on-going support of local enterprises to maximise opportunities of growth through a local Growth Hub
4. Inward investment for recovery of critical materials

Several of the other LEP areas identified key sectors such as aerospace, marine, nuclear and defence, for which specialist manufacturing support was seen as an important part of the overall support package.

1.7.2 Economic Context

The key messages (in broad terms) in terms of the economic context:

- Economic data for the different areas within the South West continues to present a mixed picture. On the positive side there has been strong output (GVA) growth, and continuing success with the increasing rate of business start-ups. However, average earnings in many areas continue to remain low compared to the UK national average and there is a continuing downward trend in relative productivity in most areas, particularly those which suffer from peripherality (in fact, absolute productivity is only growing at very muted levels);
- Whilst both overall GVA and GVA per head has grown marginally more strongly in most areas when compared to the UK average as a whole over the past 15 years, the marginal differences in growth rate (given the difference in absolute levels for both measures) means that the differentials have grown wider over this period;
- Again, the data suggests that the relative gains experienced in the early part of the 2000's have not been maintained. The recession and post-recessionary period has been relatively difficult for CIOS. Much of the growth in the early part of the decade was driven by house-market related activity;
- However, economic performance has differed across the region. The West of England (particularly Bristol) continues to experience significant economic growth, whilst other areas such as Exeter and Bournemouth have also performed strongly;

[6] Subsequently altered in the Project Change Request

- The number of manufacturing businesses and the numbers employed has been on a long-term decline for a number of decades, although the latter partly reflects increasing automation;
- The survival rates of manufacturing businesses tend to fall away as they get older. Within the UK, only 44% of manufacturing businesses survive more than 5 years from the year of inception[7], with a particular drop in survival rates occurring between Year 2 and Year 3[8].

Much of the overriding economic and policy context is provided by the UK's decision to leave the European Union following the referendum in June 2016 (BREXIT). The impact on local and regional economies is highly uncertain at this time. However, most economic forecasters expect that the impact on the UK economy will be negative, certainly over the short-term. It is plausible that peripheral areas in the South West may be hit relatively hard. Conversely, it may not be affected as badly as other areas because of their lower exposure to trading relationships i.e. fewer businesses tend to export/import. The potential impact on the whole region is uncertain and will differ across areas.

The UK Government is trying to position and prepare the economy by improving its competitive position – as highlighted in the UK Industrial Strategy[9]. The Industrial Strategy has a heavy emphasis on manufacturing being a key sector to drive the future economy. The focus should be on high growth potential businesses.

Our view is that the broad economic and policy environment continues to support the need for a LMAP service. Muted productivity growth and the uncertainty presented by BREXIT still means that manufacturing businesses will require support. Indeed, this uncertainty was cited in several of the interviews held with stakeholders and businesses. From a policy context, the emphasis in UK national policy on growth potential businesses has strengthened over recent years. The Industrial Strategy does set out an expectation that advancing innovation within manufacturing businesses - across differing markets - will play a key role. The expected loss of EU structural funds post-2022 – and those programmes that are currently ERDF funded – provides another contextual layer.

From both a national and a local perspective, a service such as that provided through LMAP is likely to remain important and relevant. In our opinion there is benefit from a project which focuses specifically on the needs of manufacturing businesses, given their specific requirements and the ability to match these requirements with specialist expertise. Again, one of the key benefits cited in the interviews with beneficiary businesses has been the specific manufacturing expertise provided - contrasting this against some of the other generic business support available.

[7] For businesses that started in trading in 2012, only 44% were still actively trading in 2017

[8] 'Business Demography UK' - ONS

[9] 'Industrial Strategy – Building a Britain fit for the future' – UK Government (2017)

SUMMARY:

- The LMAP had a close strategic fit with the objectives and priorities of the ERDF Operational Programme and each of the LEP ESIF's and Strategic Economic Plans. It clearly aims to deliver against several of the objectives contained within Priority 3 of the programme.

- The need to provide advice and support to help stimulate manufacturers to invest and improve production processes remains in place. Manufacturing, particularly high-tech manufacturing, now has a focus in the UK's Industrial Strategy – recognising that it has a potentially important role to play in driving greater levels of productivity. LMAP's role in improving the operational and production efficiency of businesses directly feeds through to improved productivity – cited as a benefit through the evidence received in this evaluation.

- There have not been any significant changes to the economic context which questions the original support for the project. Indeed, it could be argued that continued uncertainty over the timing and impact of BREXIT may strengthen the argument for support for the manufacturing sector. Manufacturers tend to be exposed to international markets, either as importers of materials/components or as exporters. Uncertainty over the UK's trading relationship with other international markets will flow through to individual businesses. Support to improve the competitiveness of those businesses can only help.

SECTION TWO: PROJECT PROGRESS

2.1 Introduction

This section of the report provides an independent assessment of LMAP's progress to date. It focuses on progress against milestones and horizontal principles as well as progress against contracted targets for outputs and spend.

2.2 Progress against Milestones and Horizontal Principles

Table 3 presents the LMAP's key milestones compared to actual/anticipated completion dates. It should be noted that there was a delay at the outset due to the issues highlighted previously. This effectively meant that activity started in November 2016, rather than in April 2016. The milestones shown below have been updated since the project application to reflect this. This largely repeats the information contained in Table 1, given that the project milestones set out in the original applications largely related to the overall project timetable.

In summary:

Table 3: LMAP Project Milestones

Milestone	Start Date	Completion Date
Project start date	1st April 2016	1st November 2016
Date of first financial claim	30th June 2016	31st December 2016
Financial completion date	31st March 2019	30th September 2019
Activity end date/practical completion	31st March 2019	30th September 2019
Submission of final grant claim	30th April 2019	30th September 2019

2.2.1 Horizontal Principles

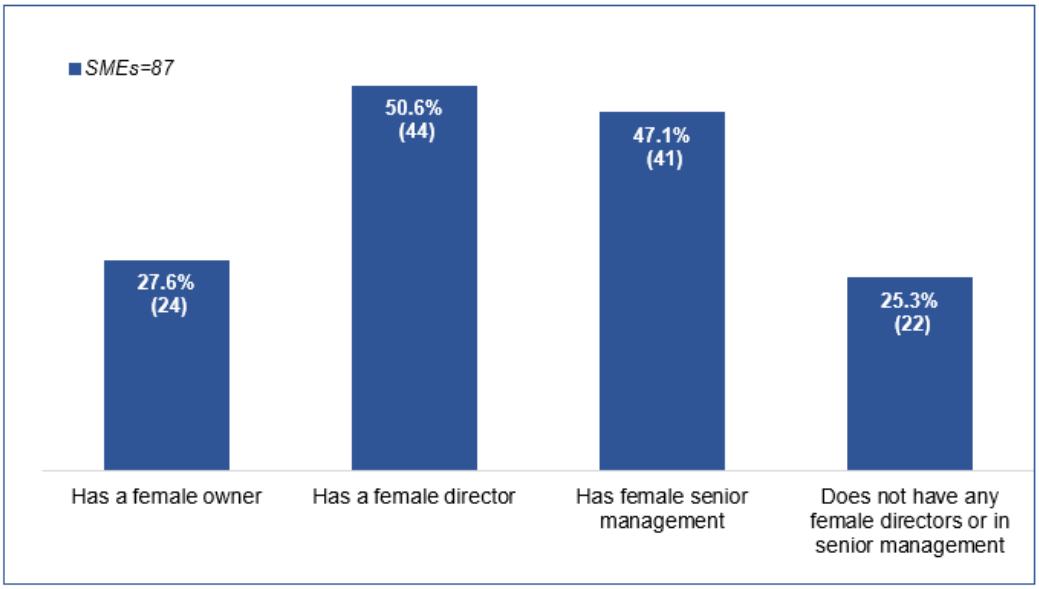
As part of the original LMAP application it was stated that SWMAS was committed to minimising the environmental impact of the project through internal processes as well as external delivery of the support. It also stated that the project would track beneficiary data and the delivery of services to target groups that may be under-represented, working to ensure that business owners from disadvantaged areas, women, disabled and BAME[10] led business needs are addressed.

In terms of equality of gender opportunity, a question was included in the online survey for this evaluation. Beneficiary businesses were asked what female representation they held at a senior level. The results are presented in Chart 2. This indicates that a good proportion of those who responded to the survey had either female representation at Board level or at senior management. 50% of those who responded had a

[10] Black and Minority Ethnic

female director. This should be seen as a good outcome, particularly as manufacturing is often perceived as a male dominated industry (which employment data does tend to back up).

Chart 2: Which of the following best describes the ownership/management structure of your business?



(Source: LMAP business beneficiaries online survey)

It is also important to note that several of the businesses that we spoke to through our consultations were owned and run by women. These had been established by female owners and were being developed with drive and energy. By providing advice and support around issues such as greater automation and efficiency of the production process, the LMAP is helping to benefit several examples of successful female-owned businesses within the region.

Responses to the online survey also indicated that for some businesses (20% of those who responded to the survey) one of the positive impacts of the support provided was that it allowed them to lower their environmental impact.

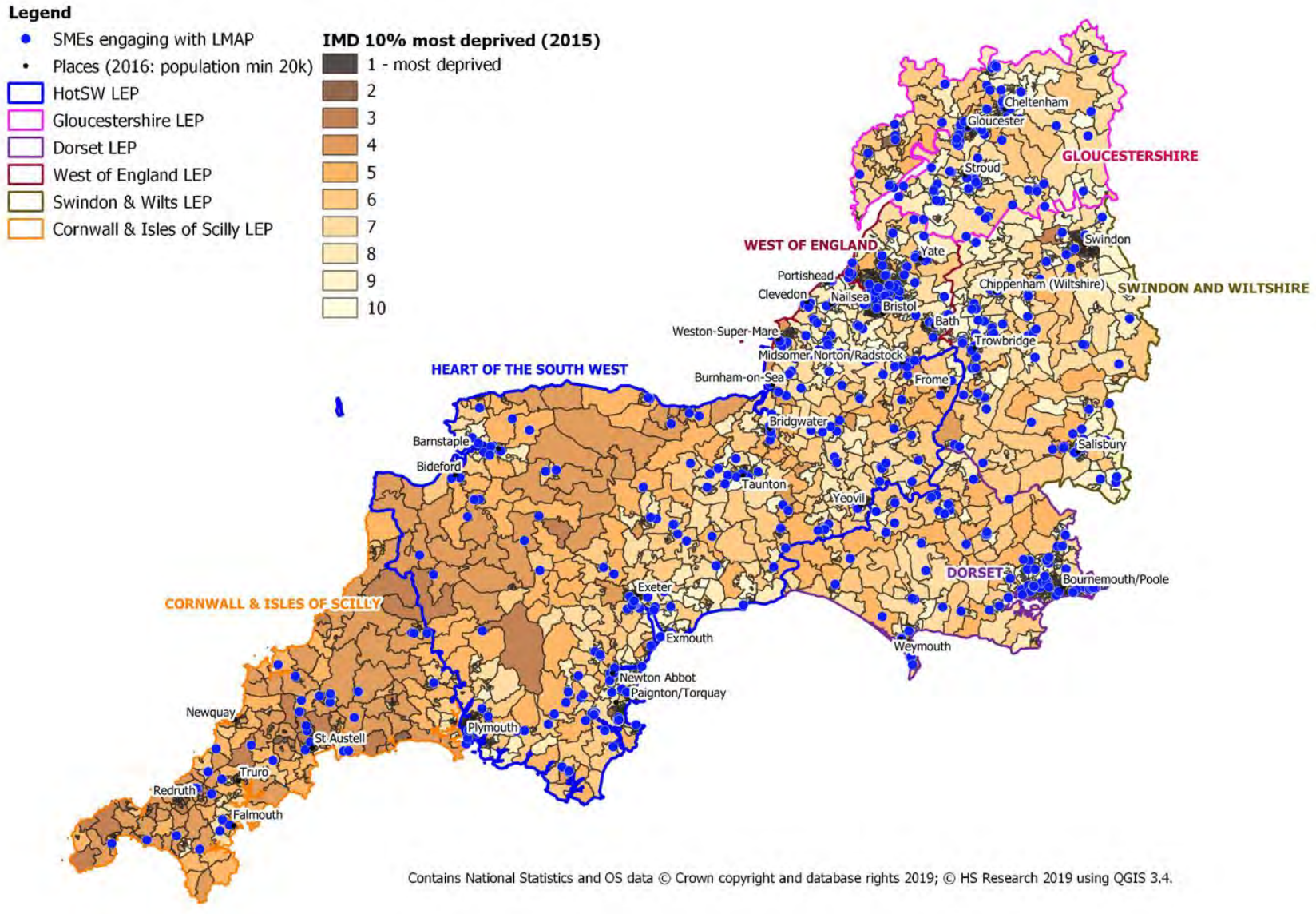
2.2.2 IMD 2015

According to the 2015 Indices of Multiple Deprivation (IMD)[11], the proportion of neighbourhoods in each of the six South West LEP areas that are in the most deprived 10% of areas nationally, ranges from 2.2% in Swindon & Wiltshire LEP to 7.7% in West of England. Bristol has the largest number of neighbourhoods (LSOAs) in the most deprived decile, followed by Plymouth, areas across Cornwall, Torbay, Gloucester, Swindon, Bournemouth, Weymouth, Cheltenham, Taunton, and Exeter.

Map 1, on the following page, shows that these areas were well represented in terms of businesses supported under LMAP, albeit this might be expected given that many of these deprived areas are in the larger towns and cities where manufacturing businesses are more likely to be located.

[11] The English Indices of Deprivation 2015 Statistical Release

Map 1: SMEs engaging with LMAP in relation to 10% most deprived



2.3 Spend and Output Performance

Table 4 presents the overall targets and progress to date against LMAP's outputs and spend as at the end of June 2019 (Q2 2019) which can be summarised as follows:

- Spend – the target of £4,705,261 made up of £2,476,198 ERDF and £2,229,063 match. To date (Q2 2019) £2,099,138 has been spent against the ERDF expenditure profile. The breakdown of expenditure to date is shown in the below table; and,
- Outputs – the target for 432 enterprises receiving support (C1), of which 327 have been achieved. Other notable outputs include 270 enterprises receiving grants (C2), against a target of 320; and 675 enterprises receiving IDB support (P13) against a target of 694.

	LMAP	Q2 2019		Q2 2019		
		forecast	actual	to end this qtr	Target	Remaining
a	Direct SWMAS staff costs	£84,588.34	£89,378.50	£1,161,764	£1,365,631	£203,868
b	Indirect costs	£12,688.25	£13,406.78	£174,265	£204,844	£30,580
c	Other direct costs	£5,983.87	£7,081.44	£98,876	£98,720	-£156
d	Total grant-project spend	£326,332.00	£25,728.00	£3,067,815	£3,035,940	-£31,875
e	Total grants	£82,542.39	£11,671.00	£664,235	£806,880	£142,645
	a + b + c + e	£185,802.85	£121,537.72	£2,099,138	£2,476,075	£376,937

As it currently stands (end of June 2019) the project has spent 84.7% of its original ERDF expenditure profile (as shown in Table 4). It has delivered 76% of its C1 output target. On current projections it will deliver 100% of project expenditure and 100% of its C1 output targets.

Table 4: LMAP spend and output performance

Indicator		Performance at time of Evaluation (June 19)		Projected Performance at Project Closure		Overall Assessment (to date)
	Adjusted PCR targets	No.	% of target	No.	% of target	
Capital Expenditure (£) (Capital grants)	£695,527	£572,415.63	82.2%	£695,527	100%	
Total Revenue Expenditure (£) (Revenue Grants)	£1,780,547 (£111,352)	£1,526,724 (£91,820.25)	85.7% 82.4%	£1,780,547	100%	
C1: Enterprises assisted	432	327	75.7%	432	100%	
P13: Enterprises receiving IDB support	694	675	97.2%	694	100%	
C2: Enterprises receiving financial assistance	320	270	84.3%	320	100%	

C4: Enterprises receiving non-financial support	112	81	72.3%	112	100%	
C6: Private investment matching public support to enterprises (grants)	£1,451,361	£2,403,579	165.6%	£2,403,579	165.6%	
C8: new jobs in high-value manufacturing	320	232	72.5%	320	100%	
C28: new to market products	85	63	74.1%	85	100%	
C29: new to firm products	43	101	234.8%	101	234.8%	

We have classified any delivery below 80% of project end target as amber at this stage. However, we also understand the project is now focusing on gathering evidence during the last quarter of delivery and this is expected to increase markedly. Based on discussions with the project there is a degree of confidence that these outputs will be achieved – hence being reflected in the projections in Table 4. However, it is important to understand there is some uncertainty regarding full delivery at this stage.

2.3.1 IDB Support

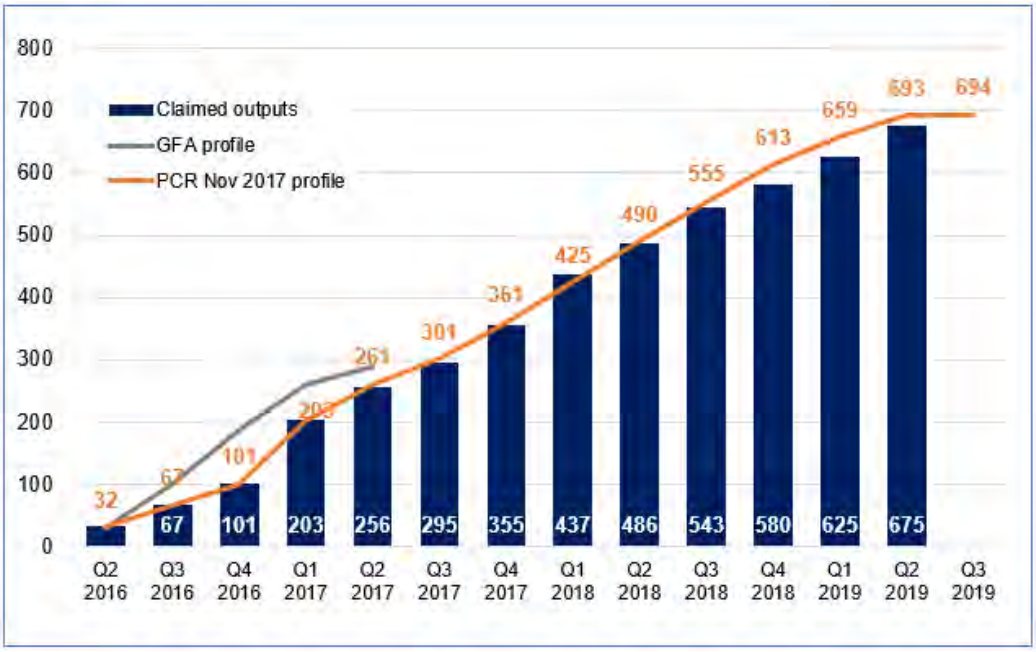
As at Q2 2019, a total of 738 face-to-face IDBs had been delivered under the LMAP programme, out of which 675 SME IDBs (P13s) were claimed. Of these, 8.7% received 2-3 IDBs (see Table 5). Two businesses received free delivery support (C4) under the programme but did not receive a face-to-face IDB and 11 Cornish businesses received project support under LMAP but did not receive an IDB under LMAP. This puts achievement of P13 IDBs at the time of this report at 18 below the Q2 2019 target, and 19 below the programme target of 694. Over the course of the programme the number of P13s claimed per quarter averages out at 57.

Table 5: LMAP IDB delivery - number of projects per company supported

IDBs received	IDBs	SMEs	%
1 IDB		616	91.3%
2 IDBs		55	8.1%
3 IDBs		4	0.6%
Total SMEs	**738**	**675**	**100%**

As shown in Chart 3, the project is currently behind its profiled output delivery against the P13 ERDF output target, although this was largely as a result of lower delivery during Q1 2019. The chart also shows the original target of profiled delivery as defined in the Grant Funding Agreement, as well as the adjusted profile as agreed through the Project Change Request. This shows that delivery is now marginally lagging the adjusted PCR target.

Chart 3: IDB supports (P13) delivery against profiled targets



(Source: LMAP programme monitoring data)

In terms of the IDB distribution across Categories of Region (see Table 6 below), three-quarters of P13 IDB outputs were delivered in the 'More Developed'[12] area (514 SMEs). This is marginally below the 'target split' defined at the start of the project of less than 1 percentage point. However, there was still a further quarter year of delivery remaining. Delivery for 'Less Developed'[13] and 'Transition'[14] areas was already marginally above their target levels.

Table 6: LMAP target split and P13 outputs claimed by Category of Region

Category of Region	% target split	P13 outputs
Less developed	5%	5.5% (37)
Transition	18%	18.4% (124)
More developed	77%	76.1% (514)

As shown at a more granular level in Table 7 below, only the West of England was marginally below their delivery of IDB support target split – again reiterating there was still a further 3 months of delivery remaining.

[12] This is defined as those areas which has GDP per capita levels above 90% of the EU27 average – for this project encapsulating Gloucestershire, Swindon & Wiltshire, West of England, Heart of South West (Somerset) and Dorset

[13] This is defined as those areas which has GDP per capita levels between 75% and 90% of the EU27 average – for this project encapsulating Heart of South West (Devon)

[14] This is defined as those areas which has GDP per capita levels below 75% of the EU27 average – for this project encapsulating Cornwall & Isles of Scilly

Table 7: LMAP target split and P13 outputs claimed by LEP

LEP	% target split	P13 outputs
Gloucestershire	15%	15.7% (106)
West of England	20%	17.2% (116)
Heart of the South West	29%	30.2% (204)
Swindon & Wiltshire	15%	15.0% (101)
Cornwall & Iles of Scilly	5%	5.5% (37)
Dorset	16%	16.4% (111)

As previously shown in Section 1, LMAP aimed to provide support specifically focused around four themes:

- Business strategy – developing new models and implementing clear growth plans
- Operational efficiency – identifying and overcoming obstacles that limit business performance
- Innovation – introducing new products, materials and processes to drive growth
- Supply chains – supporting businesses to access new markets and to develop their supplier base

As shown in the tables below, over two-thirds of the LMAP IDBs delivered (66.9%) were for help with Capital Expenditure, followed by help with Operational Improvement (15.6%), Strategy (9.4%), Innovation (6.8%) and Supply Chains (1.4%).

Table 8: LMAP support type at IDB by Category of Region

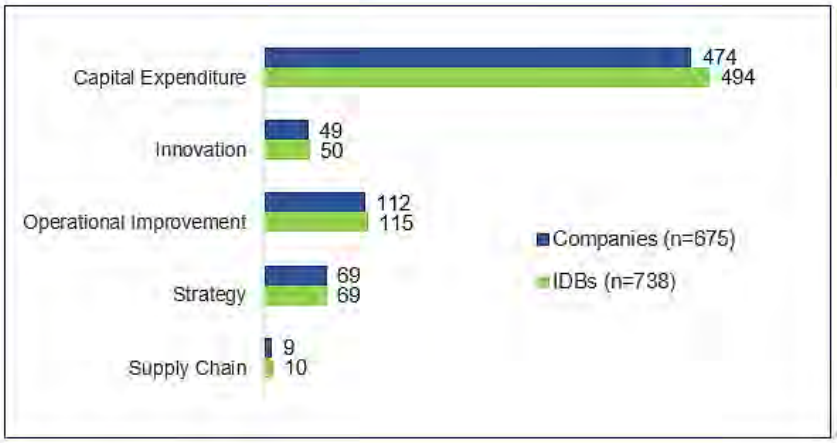
Category of Region	Less Developed	Transition	More Developed	Total
Capital expenditure	19 (50.0%)	74 (56.1%)	401 (70.6%)	**494 (66.9%)**
Innovation	7 (18.4%)	11 (8.3%)	32 (5.6%)	**50 (6.8%)**
Operational Improvement	8 (21.1%)	25 (18.9%)	82 (14.4%)	**115 (15.6%)**
Strategy	4 (10.5%)	19 (14.4%)	46 (8.1%)	**69 (9.4%)**
Supply chain	-	3 (2.3%)	7 (1.2%)	**10 (1.4%)**
Totals	**38 (100%)**	**132 (100%)**	**568 (100%)**	**738 (100%)**

Table 9: LMAP support type at IDB by LEP

Category of Region	CIOS	Dorset	GFirst	HotSW	SWLEP	WoE
Capital expenditure	19 (50.0%)	77 (64.2%)	94 (79.0%)	125 (56.6%)	80 (76.9%)	99 (72.8%)
Innovation	7 (18.4%)	5 (4.2%)	5 (4.2%)	21 (9.5%)	2 (1.9%)	10 (7.4%)
Op. Improvement	8 (21.1%)	26 (21.6%)	10 (8.4%)	40 (18.1%)	13 (12.5%)	18 (13.2%)
Strategy	4 (10.3%)	7 (5.8%)	10 (8.4%)	32 (14.5%)	8 (7.7%)	8 (5.9%)
Supply chain	-	5 (4.2%)	-	3 (1.4%)	1 (1.0%)	1 (0.7%)
Totals	**38 (100%)**	**120 (100%)**	**119 (100%)**	**221 (100%)**	**104 (100%)**	**136 (100%)**

As Chart 4 indicates, where companies received more than one IDB, this was mainly in connection with capital expenditure support.

Chart 4: Support type sought at IDB stage (LMAP)



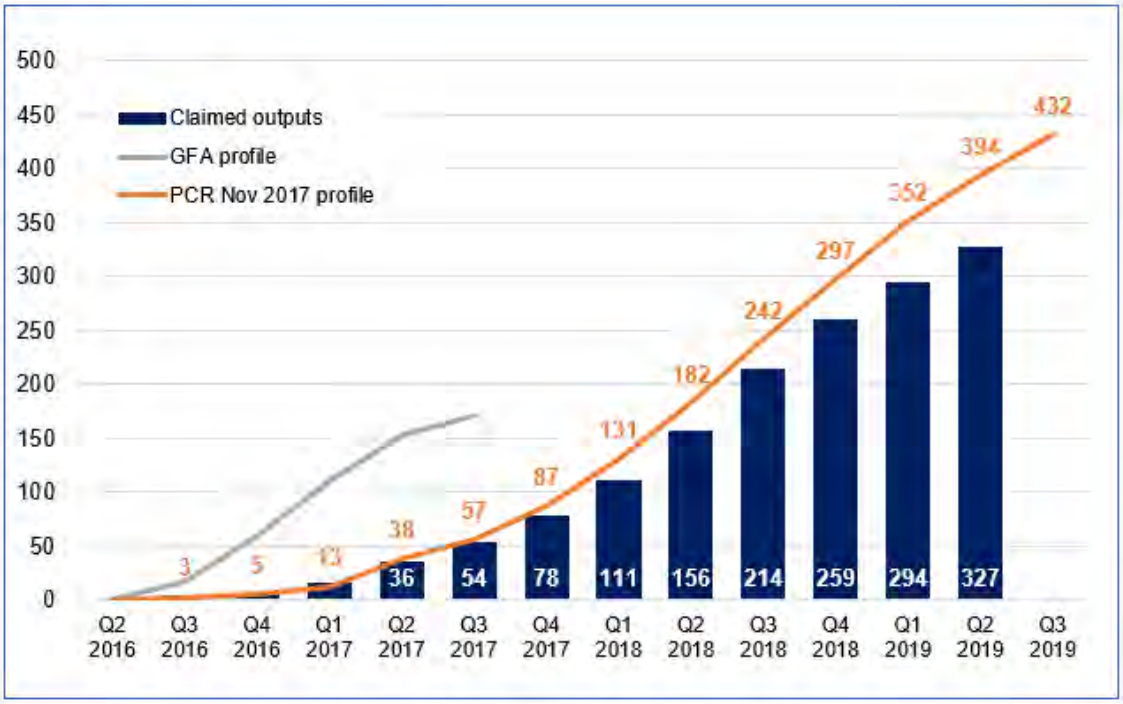
(Source: LMAP programme monitoring data)

2.3.2 Project Support

As at Q2 2019, a total of 364 projects had been opened in support of 341 SMEs, and 327 C1 projects were subsequently claimed under LMAP. This figure includes 11 Cornish companies that received project support under LMAP but did not have IDB support under LMAP. This puts the total for C1 outputs at 67 outputs below the Q2 2019 target and 105 below the programme target at this stage. There is a reasonable amount of ground to make regarding full delivery.

The project support period from actual open date to project completion date averaged 3 months 7 days.

Chart 5: Project supports (C1) delivery against profiled targets



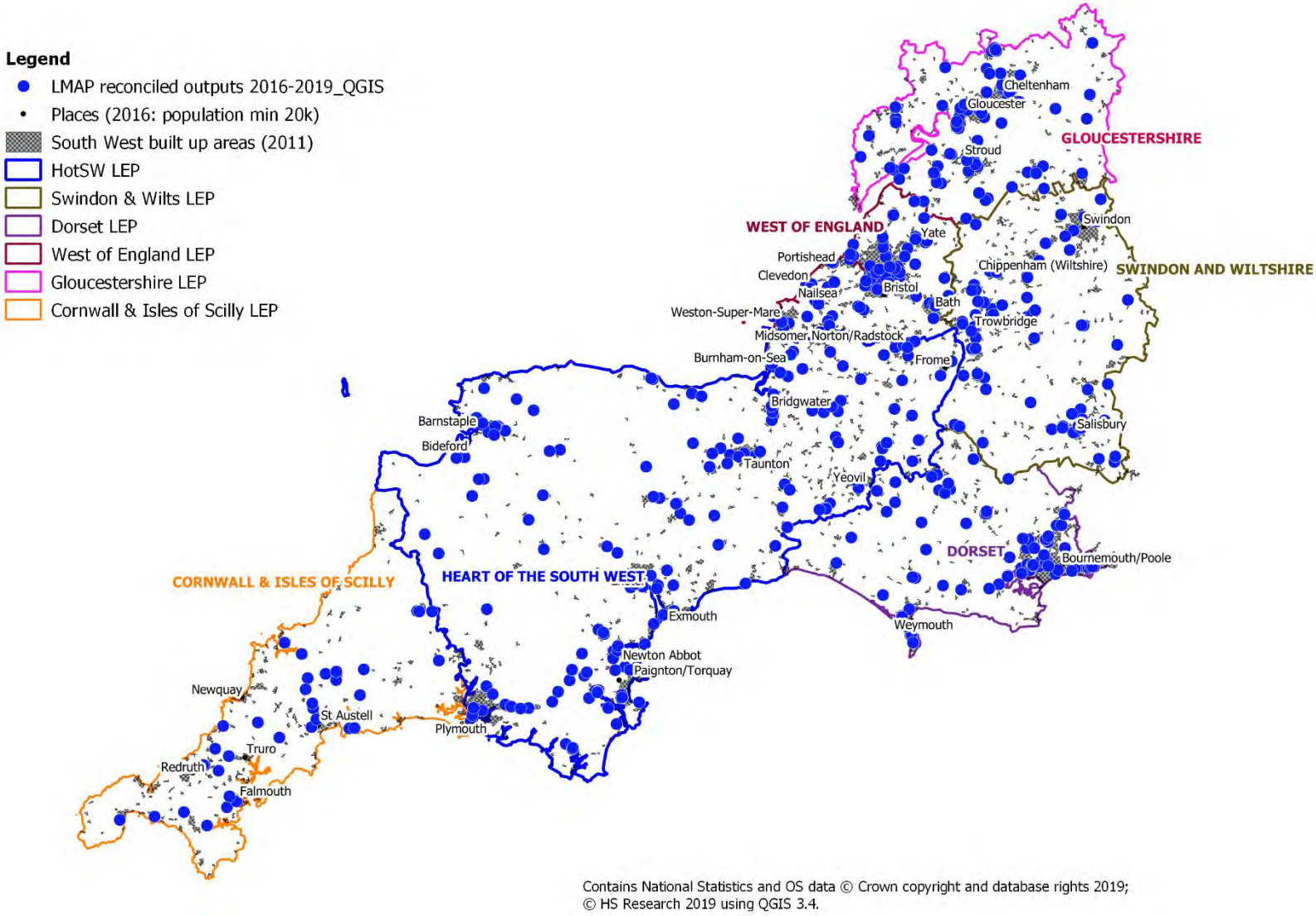
(Source: LMAP programme monitoring data)

As can be seen in Table 8, 22 companies received support for more than one project. This highlights that SWMAS has supported more projects than it has been able to claim (an eligible business only being able to be claimed once as a C1 output).

Table 10: LMAP project delivery - number of projects per company

Project support received	Projects	SMEs	%
1 project		319	91.6%
2 projects		21	7.6%
3 projects		1	0.8%
Totals	**364**	**341**	**100%**

The geographical distribution of project delivery is shown in the below map – again, also illustrating where support has been delivered through the LMAP. It is worth noting that LMAP is essentially a demand-led project. It can only respond to demand from the manufacturing businesses themselves. However, this map does indicate that the project has been successful in supporting the manufacturing community across the region. Separate maps are set out in Annex C.


Legend
LMAP reconciled outputs 2016-2019_QGIS
Places (2016: population min 20k)
South West built up areas (2011)
HotSW LEP
Swindon & Wilts LEP
Dorset LEP
West of England LEP
Gloucestershire LEP
Cornwall & Isles of Scilly LEP
GLOUCESTERSHIRE
Cheltenham
Gloucester
Stroud
WEST OF ENGLAND
Yate
Portishead
Clevedon
Nailsea
Bristol
Weston-Super-Mare
Bath
Midsomer Norton/Radstock
Burnham-on-Sea
Frome
Swindon
Chippenham (Wiltshire)
SWINDON AND WILTSHIRE
Trowbridge
Bridgwater
Barnstaple
Bideford
Salisbury
Taunton
Yeovil
DORSET
Bournemouth/Poole
CORNWALL & ISLES OF SCILLY
HEART OF THE SOUTH WEST
Exmouth
Weymouth
Newton Abbot
Paignton/Torquay
Newquay
St Austell
Plymouth
Truro
Redruth
Falmouth
Contains National Statistics and OS data © Crown copyright and database rights 2019;
© HS Research 2019 using QGIS 3.4.

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2.3.3 Grant Support

As at the end of Q2 2019, 275 LMAP grant projects had been opened in support of 270. Four companies received support for 2 - 3 grant projects each. In total, grant funding was approved for 270 projects against an in-quarter target of 293, therefore 50 below the profiled programme target. As with the delivery of IDB support, this has primarily been due to a slowdown in delivery in Q1 2019 – relative to the profiled as approved through the PCR.

Chart 6: Grant projects (C2) delivery against profiled targets

(Source: LMAP programme monitoring data)

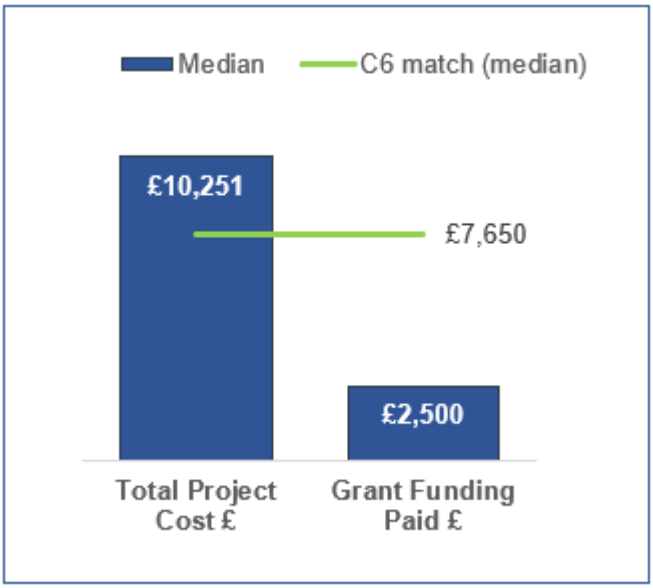
As at Q2 2019, the total value of projects supported came to £3,067,815 and total grant funding paid out was £664,235. As Chart 7 indicates below, the value of SME private sector match funding (C6) was £2,403,579. This is far in excess of both profiled and end-of-project target, showing that aggregate project values have exceeded expectations. At an overall project level, grant funding has been awarded at an intervention rate of 21.8%, with every £1 of LMAP funding helping to leverage £3.60 of private investment match. In our view this is a significantly positive outcome from the activities of the project and directly meets one of the intended impacts (as demonstrated in the project logic model) of leveraging/stimulating private investment.

Chart 7: Private investment matching public support to enterprises (C6) delivery against profiled targets

(Source: LMAP programme monitoring data)

The median total project cost per project was £10,251 with median grant funding paid out of £2,500. The median value of match contributed by SMEs was £7,650 per project (Chart 8).

Chart 8: LMAP median project values



(Source: LMAP programme monitoring data)

The average time taken for invoices to be paid after the actual start of the project was 3.8 months, encapsulating a wide of between 14 days to 19 months (although this should certainly be viewed as an outlier and there was an explanatory reason behind this). The average time for payment – noting that this is from project start date and not the submission of the claim from the business – is commendable and demonstrates the process implemented by SWMAS. In our interviews with businesses, the majority expressed satisfaction that grants were paid in a relatively timely manner, although recognising that they had to answer several queries regarding eligible costs, proof of expenditure etc.

2.3.4 Non-financial support

As well as the grant programme, LMAP also provided the opportunity for businesses to access specialist support from the manufacturing specialists. This was for 12 hours or more of support, which could include the initial 3-hour IDB. A total of 81 SMEs received non-financial support across the LMAP project area. As Chart 9 shows this is currently below the in-quarter target and 31 below the end-of-project target of 112. Again, there is some ground to make to meet this target by project close.

Chart 9: Non-financial support (C4) delivery against profiled targets

(Source: LMAP programme monitoring data)

The below tables show the geographical breakdown.

Table 11: LMAP non-financial support (C4) by Category of Region

Category of Region	SMEs	% SMEs
Less Developed	5	6.2%
Transition	60	19.8%
More Developed	16	74.0%
Total SMEs	**81**	**100.0%**

Table 12: LMAP non-financial support (C4) by LEP

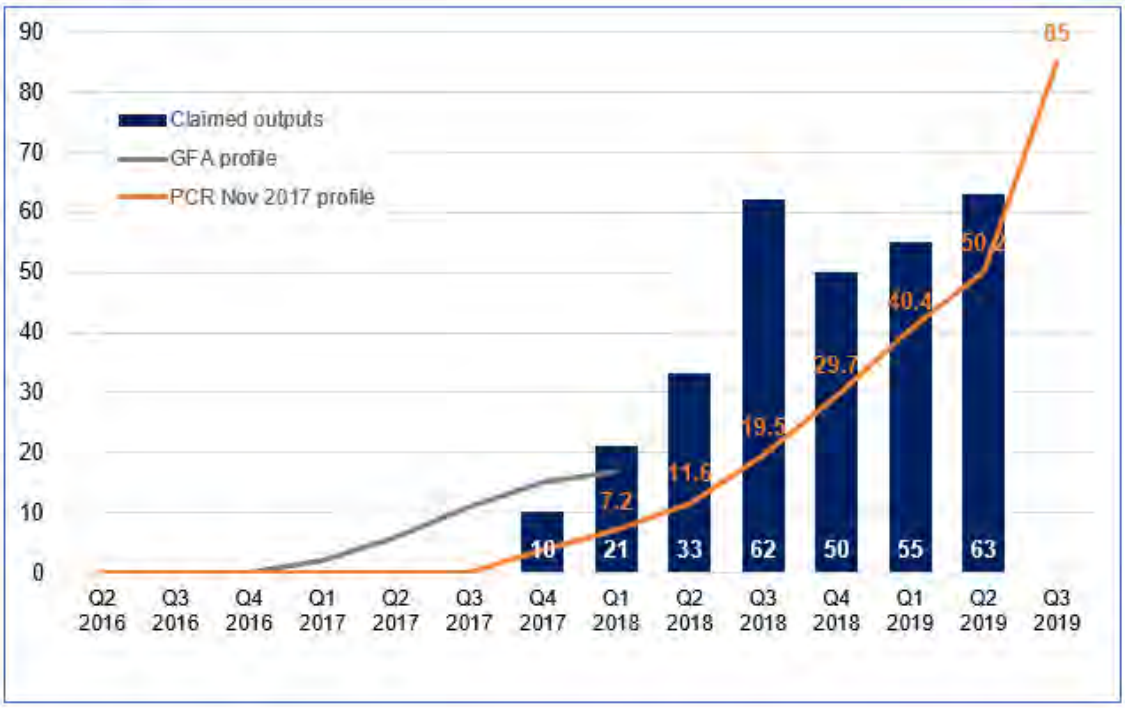
LEP	SMEs	% SMEs
CIOS	5	6.2%
Dorset	14	17.3%
Gloucestershire	10	12.3%
HotSW	23	28.4%
SWLEP	11	13.6%
West of England	18	22.2%
Total SMEs	**81**	**100.0%**

2.3.5 New products

As previously indicated, a further focus of LMAP was to assist manufacturing businesses to develop new products and services.

The total number of C28 outputs (support to introduce new to the market products) claimed by Q2 2019 was 63, significantly above the in-quarter cumulative target of 50.2, but 22 below the end-of-project target of 85. As Chart 10 shows, the expectation – as expressed in the PCR profile – is for a significant amount of evidence to be captured in the final quarter of the project period. It is our understanding that the team are working hard to obtain the evidence from supported businesses. It is important to note that both of the ERDF outputs (new-to-firm and new-to-market) are effectively proxies for 'externally focused' product innovation only. The project also supported 'internally focused' innovation e.g. introducing new processes and techniques. The feedback we received through the evaluation (the online survey and follow-up telephone interviews) suggests that this was an important element.

Chart 10: New-to-market products (C28) delivery against profiled targets



(Source: LMAP programme monitoring data)

The number of C29 (support to introduce new-to-the firm products) outputs claimed by Q2 2019 was 101, significantly above the in-quarter cumulative target of 26.5 and the end of project target of 43. The over-achievement of both product-focused outputs should be seen as a good outcome for the project. These outputs are often difficult to achieve and evidence from a business perspective, and therefore represents a key achievement for the project.

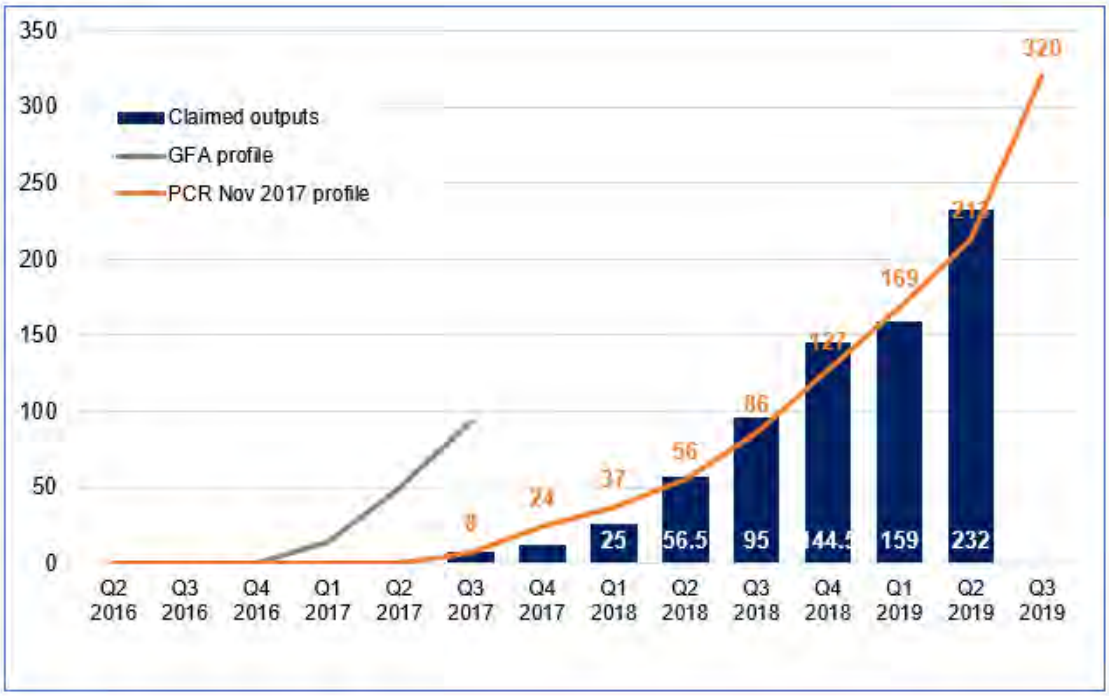
2.3.6 Job creation

Chart 11 shows job creation against delivery profile. As would be expected, job creation has been 'back-ended' towards the end of the project period and is always a stretching target for business support projects to achieve. In our view the profiled delivery for the remainder of the project should be regarded as very stretching and will require a significant effort from the project to evidence.

It could be argued that this is particularly the case for LMAP where the focus on improving processes and efficiency may not necessarily directly result in new jobs being created. Indeed, improving the efficiency of manufacturing processes – often moving from labour-intensive processes to greater automation – may actually result in a reduction of employment in the short-to-medium term. Therefore, there is a question about whether this is a 'relevant' output target for the project.

Of course, the expectation is that by helping to facilitate growth in the longer-term LMAP could play an important indirect role in helping to support the creation of new employment opportunities in supported businesses. We recognise that the focus on improving factors such as operational efficiency and the longer-term objective of creating employment in the supported businesses is not necessarily mutually exclusive. However, these impacts may operate on different 'timelines'. For the project to claim a C8 job output the supported business needs to evidence that the new job has been created as a result of the support.

Chart 11: New jobs created (C8) delivery against profiled targets



(Source: LMAP programme monitoring data)

SUMMARY:

- The project has performed well against its output and expenditure targets – as defined in the PCR. In many cases, it has exceeded targets with two quarters of delivery still remaining. In particular, the achievement of circa 270 grant-funded projects illustrates the breadth of support the project has delivered. There is confidence that it will meet its end-of-project targets for this output.
- It has significantly over-achieved expectations in terms of new product innovation and private investment leverage. Both of these areas should be viewed as significant achievement by the project. The leveraging of circa £3.60 for every £1 of LMAP support in the grant programme is a good outcome.
- It is our view that the project faces a particularly stretching target to achieve the job output target by project end. We understand that it currently working on evidencing achievement against these outputs, reflecting that this activity often lags project delivery. Evidence from the online survey suggests that positive employment impacts may be lagged beyond the project monitoring period.
- We would also query the 'relevance' of this indicator to the overall objectives of the project. Much of the LMAP support provided focuses on improving the efficiency of manufacturing processes. In fact, it often involved a deepening of capital. Whilst we feel the evaluation has found evidence of the *indirect* job impact of the support provided – through facilitating business growth – we feel it was unrealistic to expect significant *direct* job creation to be supported.
- There was a good spread of delivery coverage across most areas. This is a good outcome considering the relatively limited resource available to the project i.e. one dedicated manufacturing specialist per LEP area.
- The findings from our online survey suggests that there is a good level of female representation at a senior level with supported businesses, perhaps contrary to the perception that manufacturing is a male dominated sector. We spoke to several businesses which were owned and run by highly motivated women.
- Our analysis has also shown that the project has supported a number of businesses within disadvantaged areas, indicating that wider social positive outcomes may have been delivered by the project.

SECTION THREE: PROJECT DELIVERY AND MANAGEMENT

3.1 Introduction

This section of the report provides a qualitative analysis of the implementation of the project. It covers the governance and management arrangements as well as day-to-day project delivery. It also specifically comments on beneficiary engagement and the quality of support received as well as compliance issues.

3.2 Governance and Management Arrangements

The LMAP project is managed and delivered by SWMAS Ltd. It has specifically appointed a contract/project manager (hereafter referred to as the project manager) to oversee the management and delivery of both the HVMIP and LMAP projects. The project manager is supported by a small programme management team who are also responsible for both projects. The programme management team are supported by further resources from within the core corporate SWMAS team – including the Finance Manager.

One point worth highlighting is that the project has been directed and delivered almost 'unilaterally' through SWMAS. There has not been any further steering/management group which has helped provide oversight or input into project delivery, often in place for other ERDF funded projects. However, it is our view that project delivery has not suffered due to its absence and, in fact, represents a practical and pragmatic decision due to a number of factors:

- SWMAS maintained a close relationship with local partners such as the LEPs and Growth Hub, updating them on project progress through one-to-one relationships. For LMAP this was done through a combination of the relevant manufacturing specialist and the project manager. However, our stakeholder consultations did suggest that there were varying views from across the region about how well-informed they were about project progress and activities (see later comment).
- A member of the SWMAS team attended delivery partner meetings in each of the LEP areas when they were held. These meetings were established for all ERDF funded business support projects to attend and share information. Therefore, they were intended to act as a forum through which all relevant partners were made aware of project activities.
- There is an element of 'meeting fatigue' in several areas given the wide range of ERDF funded projects in place. Through other summative assessments we have undertaken, some partners have previously questioned the effectiveness in the large number of steering groups in place
- LMAP is a relatively 'targeted' intervention which did not necessarily require input from a wide range of people. By maintaining contact with relevant groups such as local Manufacturing Groups, the project was able to get sufficient insight into the needs of the manufacturing sector
- SWMAS is a commercial organisation which, whilst needing to deliver the project against the targets as defined in the GFA, also needed LMAP to be delivered in a commercially viable manner. For such commercial operators, the input of wider interested parties may have been contrary to the commercial interests of SWMAS itself.

However, it is important to note that there was very little in our stakeholder consultations that indicated that partners were frustrated with the absence of a steering/management group. In fact, SWMAS were trusted to deliver the project and were in the best position to understand the needs of the LMAP's target beneficiaries. This experience had been built over a number of years, and through delivering similar

programmes. We would conform to that view and feel that an additional oversight group would have been an unnecessary complication.

3.3 Delivery Structures and Team

As indicated earlier, LMAP was delivered through a combination of shared and dedicated staffing resource. Core SWMAS functions such as project management and programme support was split between the LMAP and HVMIP projects. In the LMAP, delivery by manufacturing specialist support in each LEP area was captured on timesheets and charged against the project, with the exception of the manufacturing specialist covering Gloucestershire and also Swindon & Wiltshire. The resources dedicated to the delivery of LMAP in each area is shown in the table below. It shows that the equivalent of one 1.75 full-time roles within the core programme support was dedicated to the management of LMAP. This was supplemented by the client-facing (delivery) support provided by the manufacturing specialists within each LEP area.

Alongside this, SWMAS received a management fee to cover other management costs such as accommodation, IT costs etc. This was set at 15% of the total project budget – standard (the maximum allowable) under ERDF rules.

Our view is that this structure has allowed LMAP to be delivered in a relatively efficient and effective manner. Project management support of approximately 1.75 FTE against a circa £4.7mn project should be considered as an effective support model. The fact that many of the project's output targets have already largely been achieved demonstrates that the resource allocation was appropriate for the delivery of the project. The sharing of core resources between the two projects – alongside applying consistent processes where appropriate/possible – has created synergies in terms of project management. As indicated in the following sections, this relatively 'light' project management – as measured by dedicated resource – has not adversely affected the quality of the management of the project. In fact, having clear and consistent points of contact – for partners and supported businesses – has been cited as a key strength of the project.

Table 13: LMAP role profile

Role	LMAP (% FTE)
Contracts/Project Manager	75%
Finance Manager	25%
Programme support 1	75%
Programme support 2	-
Marketing	50%
Manufacturing specialist – Dorset/Swindon and Wiltshire	Timesheet
Manufacturing specialist -Cornwall	Timesheet
Manufacturing specialist -Devon/Somerset	Timesheet
Manufacturing specialist -Devon/Somerset	Timesheet
Manufacturing specialist -Gloucestershire/Swindon and Wiltshire	100%
Manufacturing specialist -West of England	Timesheet

As with all ERDF funded activities operating in England the project managed by SWMAS operate on a cost and overhead recovery basis ('nil profit'). However, this creates a number of business challenges and limitations for the organisation.

3.3.1 Management Team

In our consultations, stakeholders and partners were asked their opinions of how well the LMAP (and HVMIP) projects had been delivered and managed. The overwhelming consensus was that the projects had been very well managed by SWMAS and that its approach to project management and the processes it applied were of a high quality. It was felt beneficial that SWMAS had been delivering support to manufacturing businesses in the region for several years and that the ERDF-funded projects had benefited from that experience.

In several cases, partners felt that SWMAS were regarded as a 'trusted partner' and there was a high level of confidence that the quality of subsequent support would meet requirements. For those other business support programmes we consulted, there was a confidence that any referral would be acted upon quickly and that any subsequent advice and support from SWMAS (either through HVMIP or LMAP in CIOS) would be professional and delivered in a competent manner.

> *"SWMAS has always provided expert advice and are easy to work with – to better the high standards that they already work to would be very difficult" (LMAP business beneficiary)*

In our review of the project management processes that SWMAS have developed to deliver LMAP it is clear that the management team have effectively used programme management information to understand whether delivery is on target (against programme profile) in terms of both expenditure and output performance. In our view the project is relatively 'data rich', benefiting the management of LMAP in respect of the project manager knowing when the project needs to 'flex' or react to ensure it remains on course to meet its objectives. The quality of the management information should be considered a real strength of the project, illustrating SWMAS' capability in developing appropriate processes to manage projects effectively. The projects have benefited from having well-established organisational capabilities in place.

It is our understanding that the manufacturing specialist team meet on a regular and scheduled basis where the programme management information is used as a basis for discussion on performance against contracted targets. Project delivery has been tightly monitored on that basis. Programme management information has also been used in update meetings with MHCLG case officers.

As with any projects, there were some teething problems at the early stage of project delivery. For example, some staff changes in the early stages within Gloucestershire meant that the area wasn't covered by a manufacturing specialist for a short time. SWMAS put in place some temporary resource before a permanent solution could be found. This impacted project delivery for a period of time. This was reflected in some of the stakeholder consultations, a slight hangover from that early period of the project. There was also an issue with regards to referrals (from other support programmes) being made specifically to the manufacturing specialists. When the relevant specialist was unavailable e.g. on annual leave, some of the

referrals were not being immediately picked up. SWMAS quickly recognised this and put in place a generic email to which referrals could be accessed and diarised in the absence of the manufacturing specialist. This demonstrated that SWMAS were able to adjust processes to meet any issues arising at the start of the project period.

Several stakeholders and partners felt that the programme management team were accessible and approachable and responded to queries when raised. Some of the businesses that we spoke to also commented on the professional manner they had been dealt with when dealing with the central programme management team.

The one area which we highlight to the management team regards 'visibility' of delivery. It is our understanding that the project (through the project manager and individual manufacturing specialists) seek to update local partners regarding project delivery in their area. However, in a limited number of interviews that we undertook local partners felt they did not have a clear understanding of the scale of support provided to manufacturing businesses in their area. In very broad terms, the representatives from the Local Enterprise Partnerships were not fully aware of the extent of delivery in their area (although they all broadly felt comfortable that SWMAS were delivering a high-quality service and responding to demand as it arose).

There may be some work required to increase the awareness of delivery across the project areas, or as the project draws to completion to 'celebrate the success' of the project in terms of the breadth of support provided. The geographic delivery maps contained in the evaluation reports may prove useful in that respect.

3.3.2 Compliance

SWMAS have a rigorous and robust process in place in terms of ensuring that support (financial and non-financial) meets ERDF eligibility criteria. The claims process and related compliance checks are fully set out in Annex B.

The programme management team developed an ERDF Programme Delivery Manual (for both LMAP and HVMIP) which was provided to the manufacturing specialists to ensure that they understood what activities were eligible under ERDF rules. The manual is a comprehensive resource, covering a wide range of issues that needed to be considered when delivering the project. This included (although not exclusively) SME eligibility, non-eligible sectors, supplier selection, ERDF publicity and branding, and audit and compliance requirements. The programme management team continued to act as a reference for the manufacturing specialists if they needed further clarification over either eligibility, or the appropriate processes to follow to ensure compliance. The feedback from the programme management team is that the manufacturing specialists are experienced in delivering projects and were well educated and knowledgeable in terms of eligibility, therefore they have needed little guidance in practice.

Key activities for ensuring compliance and eligibility included:

- The programme management team directly sent out the grant offer letter to business beneficiaries after eligibility check had been completed e.g. check that the support is State Aid compliant, the business is classified as an SME, operates in an ERDF eligible sector and that the grant-supported investment is eligible.

- For the procurement of goods or services for business beneficiaries – as a consequence of LMAP grant support – they are required to obtain 3 quotes and provide this evidence to SWMAS.

- For the payment of grants, the business beneficiary needed to provide evidence of:
    - The invoice from the supplier
    - Confirmation of total project cost
    - Copies of bank statement to evidence payment

- Alongside this – for capital grants – the manufacturing specialist will visit the business (often as part of the project closure meeting) and take photographic evidence of the capital item purchased with support from the capital grant. The programme management team hold a capital asset register. The asset must be retained and used by the business for a minimum of 3 years and the business must inform SWMAS immediately, if the whole or any part of the asset is sold or ceases to be used for any reason.

- The programme management team complete the compliance checklist to ensure that all steps have been completed adequately. This is then checked by the SWMAS Finance Manager who holds responsibility for financial sign-off. Therefore, there are effectively two tiers of compliance checks in place within SWMAS. Once the sign-off has been completed the payment of the grant can be authorised and the project can be closed.

SWMAS have also undertaken internal audits of the paperwork and it is our understanding that the projects were subject to a Project Inception Visit (PIV). The purpose of the PIV is to test the preparedness of the grant recipient (SWMAS) to manage the project in a way that is compliant with ERDF requirements. As a result of the PIV, the recommendation from MHCLG was that the project did not need to be subject to any external audit.

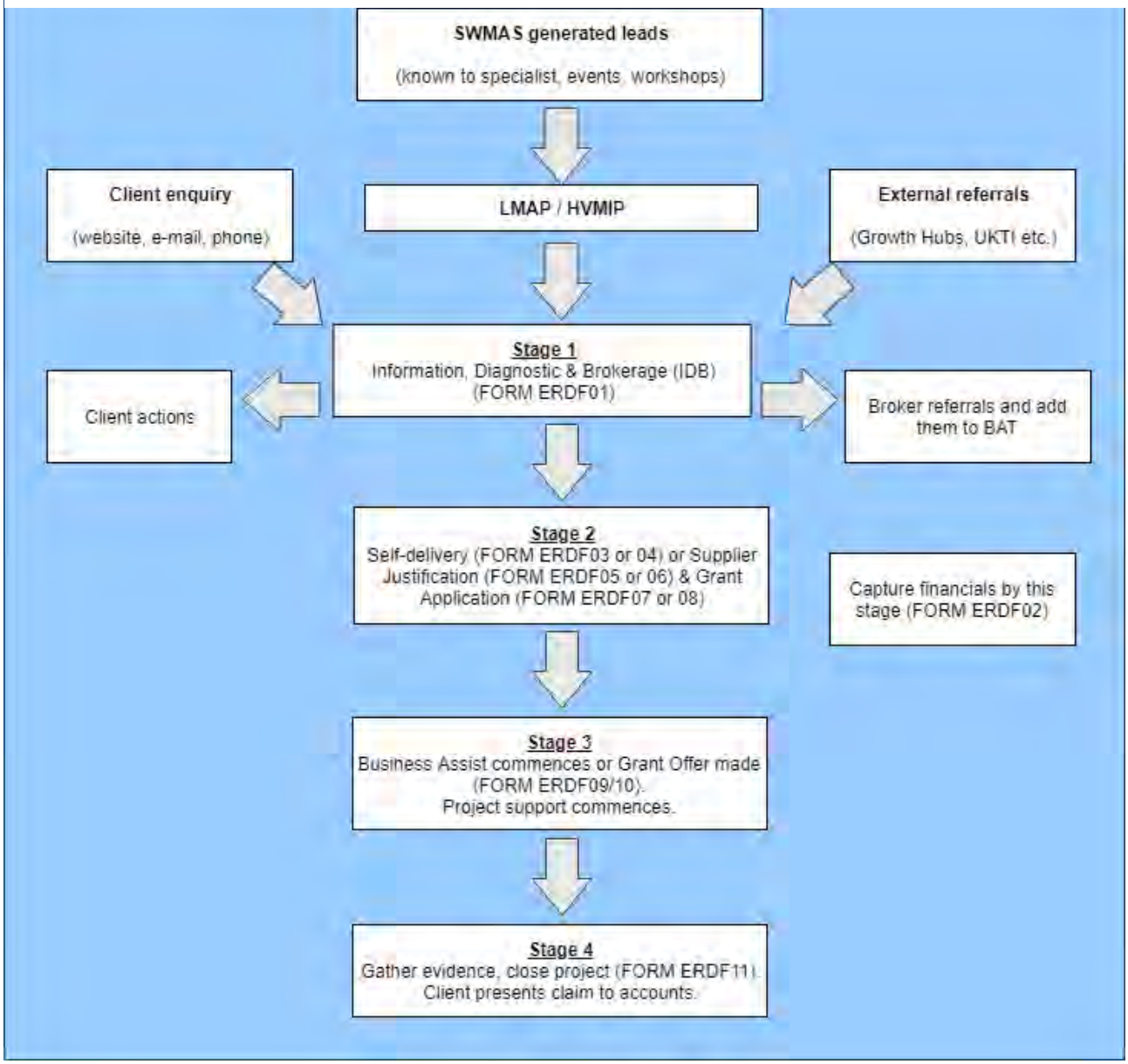
Overall, our view is that the structures that SWMAS have put in place to ensure eligibility and compliance are robust and well-managed.

3.3.3 Customer Journey

SWMAS have developed a clear customer journey which has directed the process through which beneficiary businesses have been supported. This is illustrated in the below diagram. This is a clearly defined staged process, covering the different support types that the LMAP offered. The forms needed to be completed for ERDF compliance/reporting requirements are specific at each stage. This customer journey formed part of the customer manual made available to all manufacturing specialists.

The verbal procedural support provided to the beneficiary business was also complemented by explanatory documentation. An example is the SWMAS Grant Process information sheet which sets out the stages of a grant funded project and includes an example claim form showing which areas of the form require completion.

Figure 2: Beneficiary customer journey



3.3.4 Business Facing Activities - Initial IDB

The feedback that we have received during this summative assessment has highlighted that the LMAP project has delivered a high quality and valued service to those businesses which have received support. As the results of the online survey show (discussed in more detail later in this section) the majority of businesses who have received support felt it was delivered in a highly professional and competent manner, with the manufacturing specialist providing an excellent level of expertise. This view has been confirmed by the comments received from those businesses we have directly spoken to through our business consultation exercise.

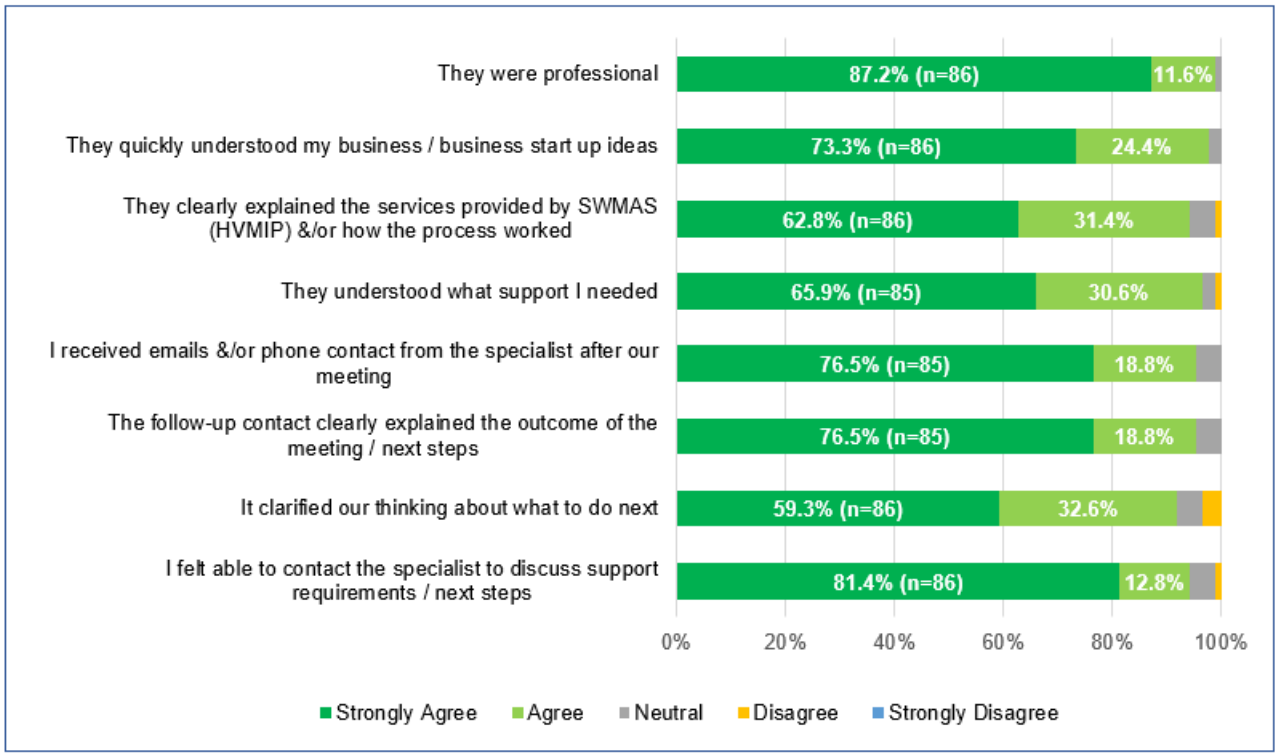
> *"Always found that SWMAS has supplied good advice and access to information. The communication is excellent and the representatives are friendly, helpful and above all experienced"* (LMAP business beneficiary)

"The support was fast, efficient, clear and effective."
(LMAP business beneficiary)

"Always had a supportive and long-term relationship with SWMAS and they came up to the high standards I have come to expect."
(LMAP business beneficiary)

Chart 12 shows the feedback received from those businesses which completed the online survey. On every measurement, 90% of those who responded either 'strongly agreed' or 'agreed' that the LMAP manufacturing specialist delivered a professional service, quickly understanding the business' support needs and clearly explaining what services could be provided and next steps. Virtually all (with one exception) felt that the next steps of the process were clearly explained and that, importantly, the manufacturing specialist was accessible to discuss further issues.

Chart 12: Thinking about your initial face-to-face business review ('IDB') meeting with the SWMAS manufacturing specialist – how strongly do you agree/disagree with the following statements



(Source: LMAP business beneficiaries online survey)

Eco Charger (http://ecochargerquads.com) was incorporated in 2013 and produces Electric all-terrain vehicles (E-ATVs), acting as an environmentally-friendly alternative to traditional diesel/petrol products. The business has experienced significant growth in its production over the past two years, increasing production from 8-10 per year to 6-10 per month. The business sought support from SWMAS because it recognised that whilst the lead-acid-gel batteries they were using were class leading, they were heavy and did not necessarily allow for the future driving range that met customers increasing expectations.

Capital grant support was obtained to undertake testing and validation on lithium batteries, integrating into their product. Lithium ion batteries are lighter, can significantly increase the range (circa 2-3 times the range of previous battery range) and allow for greater towing weights. All of these are of growing importance to the EcoCharger customers. Therefore, the use of lithium ion batteries is potentially transformational in terms of business development. The business is intending to launch the new products at the end of 2019, and it is already attracting considerable interest.

EcoCharger are also working on specific projects, one of which is for the military where range is a fundamental consideration . The business is working with a battery supplier that is environmentally focused, potentially recycling the batteries for a second, third and possible even fourth life uses. Therefore, there is a sustainability focus from a supplier perspective – important to EcoCharger.

EcoCharger has found the support provided by SWMAS (through the LMAP programme) as very helpful and integral to its development, allowing testing and validation to move forward, quickly. They expect to seek further advice in the future as the business develops, in particular, focusing on the efficiency of the production process.

In overall terms, the initial IDB appeared to fully meet expectations. Of those businesses that responded to the survey, 67% (58) said they found the initial face-to-face business review (IDB) meeting with SWMAS 'extremely useful'. The remainder (29% - 25) found it 'very useful', 2 business found it 'moderately or slightly useful', whilst only 1 business felt it was not useful at all.

3.3.5 Business Facing Activities – Overall support

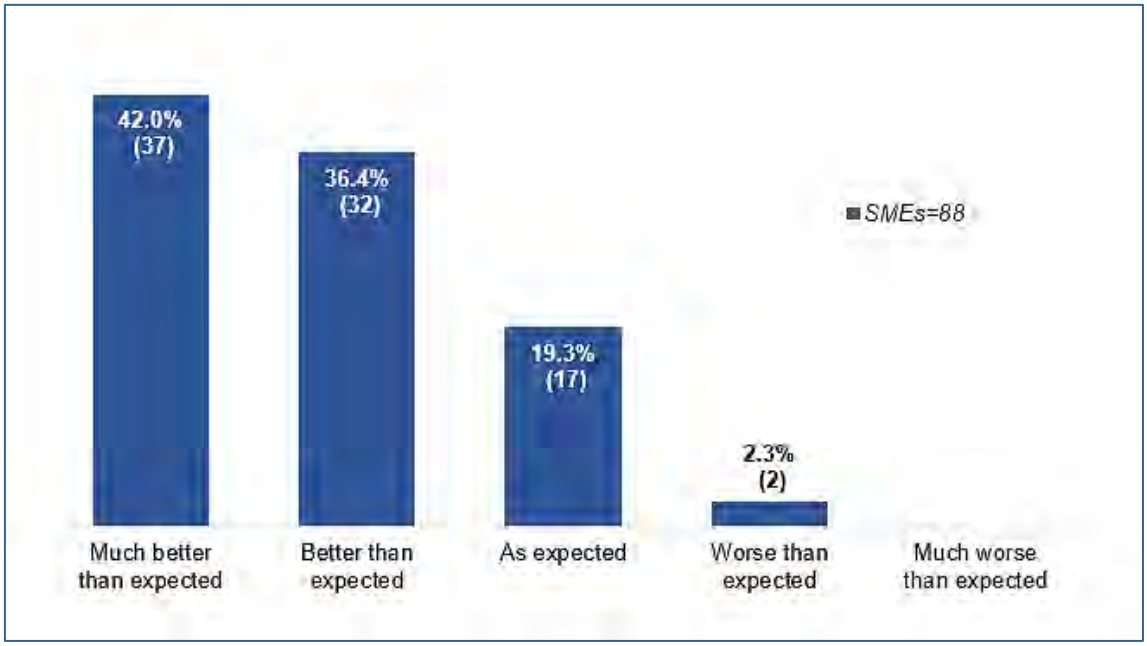
It is clear, through the feedback that we have received for this evaluation, that the support provided by the LMAP has been well received by business beneficiaries. On almost every question asked in the online

survey, the responses were on balance positive regarding the support received. This view was corroborated by those businesses we spoke to[15].

> *"We had proactive support, opportunities are often missed in a small business."*
> (LMAP business beneficiary)

Chart 13 sets out the overall view of support received through the LMAP. The majority of businesses rated the support provided as either 'much better than expected' or 'better than expected'. Only two businesses felt it did not meet expectations.

Chart 13: Overall, how would you rate the support you received from SWMAS



(Source: LMAP business beneficiaries online survey)

[15] It is always useful to be aware of any potential 'positive bias' in the responses received. There is a possibility that those who either responded to the online survey or the opportunity to speak with us via a telephone interview were more inclined to hold positive views about the support they received. This possibility is useful to recognise when interpreting the results of the evaluation, particularly taking account of the response rate of circa 20% to the online survey

Tom Raffield Lighting (www.tomraffield.com) create contemporary lighting, furniture and bespoke projects that blend traditional techniques with modern technologies. As a business they had engaged with SWMAS for a number of years and had identified the need for design consultancy for the integration of new machinery into the production process. They were successful in securing revenue grant funding to support this development.

Tom Raffield

The business felt that the relatively light touch of the application process compared favourably to other sources of support they had previously accessed. As a consequence, the new machinery has been integrated into the manufacturing process and is helping to delivery significant efficiencies to the business.

Alongside this grant support, the SWMAS manufacturing specialist also helped with research into innovative ways of using robotics in the production process. In addition, the business is currently in the process of moving premises to Falmouth. This will involve moving from a number of small workshops, into a single unit which will enable a greater workflow. Again, the SWMAS specialist has been providing advice on how this can be successfully achieved, and how the Tom Raffield production team can adapt to the new ways of working in the new premises.

3.3.6 Business Facing Activities – grant support

Integral to the grant application and approval process developed by SWMAS for the LMAP (and HVMIP) was the central role that the manufacturing specialists played in:

i. first, working with the business to identify projects that could potentially be eligible for support from LMAP
ii. second, again working alongside the business - helping to develop the project application, ensuring that it fully described the potential impact it may have (demonstration of need) and would be fully compliant
iii. third, recommending the approval of the grant application to the programme management team.

The manufacturing specialists would not progress with stages i) and ii) if they did not feel that the project was appropriate for support. In that sense, the manufacturing specialists held a great deal of responsibility and discretion to the whole grant application process. This level of 'on-the-ground' discretion sets it apart from many other grant schemes operated through other ERDF funded support programmes.

Often the approval of grant applications is done through specific sub-groups/boards which have been established to challenge/appraise and approve applications. The drawback of this structure is that the process can be relatively lengthy. In comparison, the grant application and approval process developed by SWMAS was relatively 'lean'. The compliance duties undertaken by the programme management team serving as 'checks and balances' to the discretionary powers given to the manufacturing specialists.

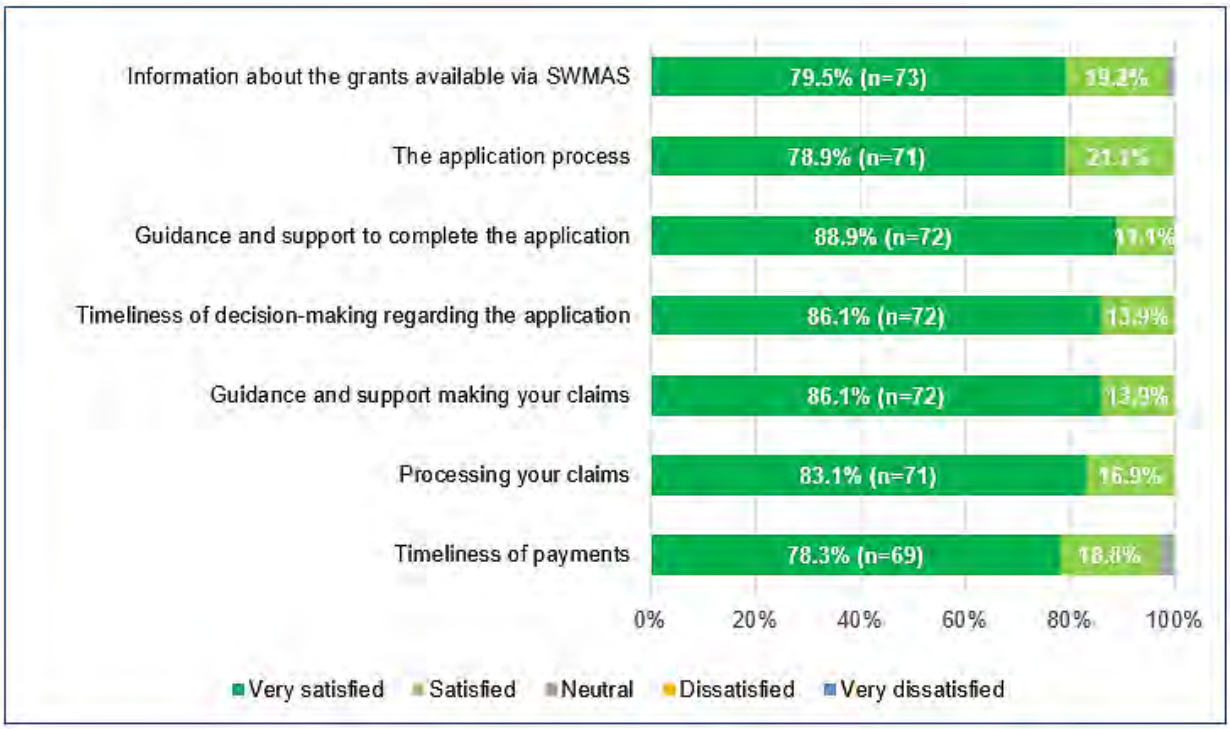
"Clear concise expert advice provided, immediate decision on grant options and very straightforward application process that didn't take my time out of the business. Quick payment of the grant funding to enable less impact on my cash flow" (LMAP business beneficiary)

Therefore, it was important for the evaluation to understand whether this process worked well from a business beneficiary perspective, whilst also fully meeting compliance requirements (as previously discussed in Section 3.3.2). We sought views from those businesses that received grant support (either capital or revenue) with regards to whole the grant scheme was specifically administered. Again, the feedback received from those who responded to the survey and those businesses we spoke to was overwhelmingly positive.

"Cannot fault the grant funding or support given in any way. It more than met my expectations"
(LMAP business beneficiary)

Chart 14 highlights that all businesses who responded to the survey expressed high levels of satisfaction regarding all aspects of the process, from application stage through to payment. All businesses were either 'very satisfied' or 'satisfied' with the application process, guidance and support to complete the application, the timeliness of the decision-making, support making claims, and the processing of claims. Only 1 business responded as 'neutral' in terms of information about the grants available via SWMAS, and 2 were neutral regarding timeliness of payments. In our experience of undertaking evaluations elsewhere, these are normally aspects of publicly-administered grant schemes which are the most unpopular with business recipients – often finding the process slow and unwieldy.

Chart 14: Using the scale below, how satisfied were you with the grant funding process?



(Source: LMAP business beneficiaries online survey)

Therefore, the evidence from the online survey is that businesses certainly do not hold the same view regarding the LMAP grant process. We feel this is a key finding of this evaluation. Combined with our commentary on the compliance processes put in place, we feel this may be a key lesson for the administration of similar grant schemes. The responsibility and discretion provided to the manufacturing specialists has resulted in a relatively (with reference to other grant schemes) light and quick process which has been viewed positively by businesses. By ensuring that the appropriate compliance checks are reinforced by the core SWMAS programme management team, this has not been at the expense of appropriate audit and compliance checks.

3.4 Marketing and Communications

It is clear that the main focus of building awareness of the support that was available through the project was on the SWMAS 'brand' rather than the LMAP project per se. Whilst all project and marketing materials made it clear that the project support was provided through the ERDF funded activities, the day-to-day contact with the businesses focused on the services provided through SWMAS. It appears there were three principal reasons for this:

1. The SWMAS 'brand' has been established and developed for several years, and through several iterations of the EU Structural fund programmes. It is a recognisable and trusted brand (as further demonstrated through the findings of this evaluation) within the manufacturing community. As a result, SWMAS took the strategic decision to utilise that already established awareness to encourage the take-up of the support available through the LMAP (and HVMIP) project. In several instances, many manufacturing businesses made that connection on an individual basis – with the relevant SWMAS manufacturing specialist who may have operated on-the-ground for several years, although some were newer team members. This individual contact tended to differ in the different areas, dependent on the experience and connections of the respective specialist.

2. Specifically, in CIOS the SWMAS specialist chose to 'hide the wiring' to the businesses in the early stages of engagement – often at the IDB stage – because it not yet clear which project (HVMIP or LMAP) would necessarily be the most appropriate to the specific needs of the business. Until the customer route had been established, then it was again beneficial to engage under the broad SWMAS banner.

3. To varying degrees (broadly in a sliding scale between 'More developed', 'Less developed' and 'Transition') there is a wide-range of business support projects that are available to businesses in the LMAP area – many of which are funded through the ERDF programme. As a consequence, there is often a proliferation of marketing campaigns targeted at the business community through a variety of media. This is often confusing for businesses. Whilst the establishment of the Growth Hubs have sought to simplify the business support journey for businesses – with some good success – this confusion often remains.

Consequently, SWMAS took the strategic decision to not complicate the landscape further. This position was informed by its knowledge of its client base. SWMAS felt that SME manufacturers would not necessarily engage with an extensive marketing campaign, instead tending to more positively respond to a more personal touch. It also meant that the marketing budget for the project was used in a focused manner, rather than necessarily through a 'scattergun' approach. As a result, the support that was available was promoted by the SWMAS specialist through a variety of means:

- A focused marketing approach, targeting manufacturers who may not have previously engaged with SWMAS
- Attending events where SME manufacturers would be present and highlighting the availability of support e.g. Manufacturers Groups
- Using already established contacts with businesses to promote the project (as illustrated in the referrals data shown elsewhere in this report)
- By simply using 'boots on the ground' to approach SME manufacturers who may be interested in receiving support e.g. knocking on doors in industrial estates

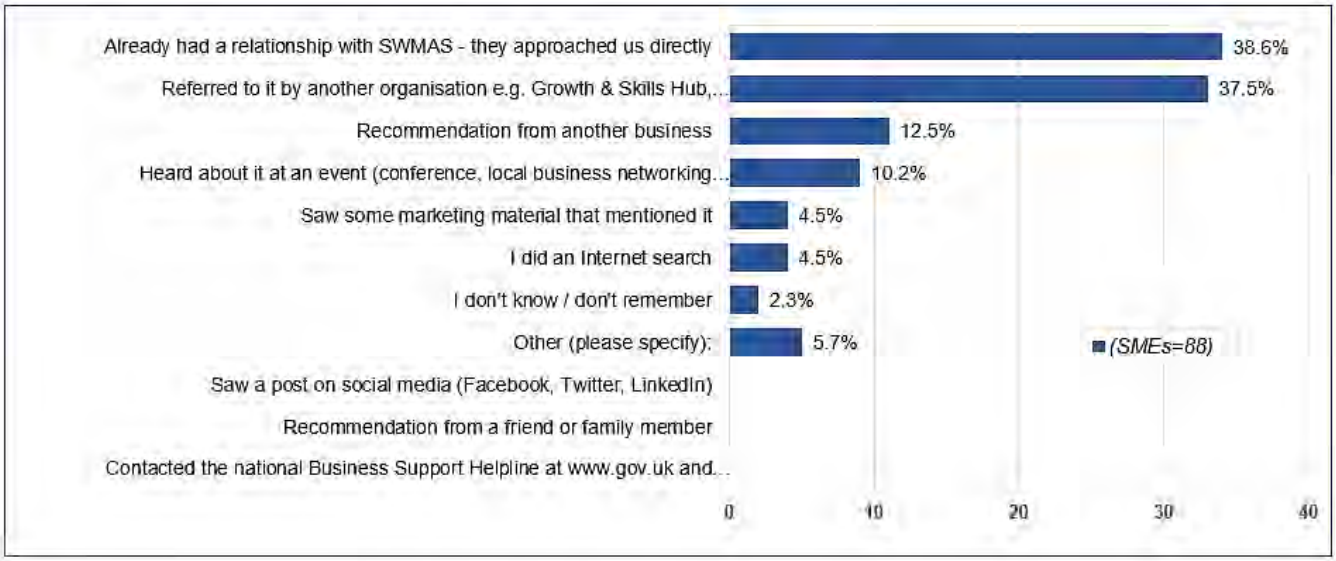
The feedback that we have received through our consultations with stakeholders is that almost all felt that this was the right approach. All recognised that the business support landscape remains confusing to the business community and is often confused more by the proliferation of marketing campaigns. By spreading the word and engaging with SME manufacturers in a much more personal way, the stakeholders and wider felt that the project has been more successful in reaching out to its target audience. Indeed, they also felt that the project had been successful in uncovering those SME businesses which could be regarded as 'hard-to-reach' e.g. had not previously engaged in any business support programmes. It was also felt that this approach represented a cost-effective solution e.g. SWMAS did not waste a lot of money on expensive marketing campaigns, the returns against which are always unclear.

It is also important to note that the business landscape in each of the areas have changed because of the introduction of the Growth Hubs. However, the Growth Hubs operate on different models in each of the LEP areas (in part reflecting the different levels of public support available in each of the LEP areas). Whilst SWMAS has maintained relationships with each of the Growth Hubs, the differing models has influenced how manufacturing businesses are able to navigate available support. For example, where the Growth Hub is largely provided through an online portal the onus is very much on the business to follow the lead. In

other areas, a funded business adviser may provide targeted advice to businesses. We feel this is partly reflected in the referrals data illustrated elsewhere. One of our recommendations is that we feel that it would be useful for SWMAS to reconnect to each of the Growth Hubs moving into the next phase of delivery to ensure that the support available gets sufficiently high visibility and that the Growth Hub themselves are fully aware of what the programme offers.

As shown in Chart 15 below, the majority of businesses who responded to the online survey already had an established relationship with SWMAS and they had been approached directly or been referred by another organisation such as the relevant Growth Hub. Several businesses had been recommended by another business or had heard about it at an event – presumably one attended by the manufacturing specialist. Some (4.5%) of those businesses that responded to the survey had done so in reaction to marketing material but the survey did not delve further as to the type of marketing they had seen. However, the overall response level indicates that marketing material has not been that influential in terms of driving businesses towards the project.

Chart 15: How did you first hear about the support available through SWMAS?



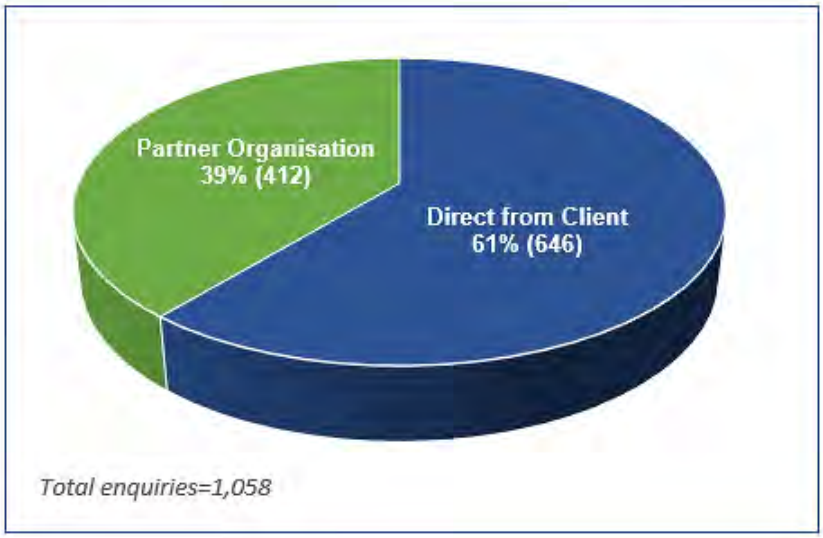
(Source: LMAP business beneficiaries online survey)

The findings from the online survey are also complemented by referrals data held by the project – provided by the business beneficiaries when the initial engagement took place. This confirms the above picture that the main contact route was directly through SWMAS itself. In 61% of cases enquiries into the project were either received direct from the client, either directly as an enquiry or as a result of SWMAS notifying an existing client of the availability of the support. SWMAS notification could have been by way of a newsletter, other block SWMAS communication, or by direct contact by one of the SWMAS manufacturing specialists.

It is useful to note that the referrals data held by the project indicates that only a small proportion of referrals came through the Growth Hubs across the region, and that it differed. For example, whilst 50 referrals were received from the Gloucestershire Growth Hub, only 1 were received from the West of England Growth Hub. Again, this may partly reflect the different models in place in each of the areas. It may also provide some direction/insight into where SWMAS may look to strengthen connections moving into the next phase of delivery.

This also broadly conforms to some of the feedback we received in our stakeholder consultations. In a couple of interviews with Growth Hub representatives they felt they were not necessarily that well informed of the project. This could provide an area where SWMAS will look to strengthen moving into a potential next stage of delivery. The Growth Hubs are marketed and positioned to be central to the business support landscape in each of their LEP areas. They remain a central part of the Government's business support delivery policy. We would recommend that SWMAS revisits or refreshes its relationship with each of the Growth Hubs as it moves into the next phase of delivery.

Chart 16: Referrals into LMAP programme by broad source

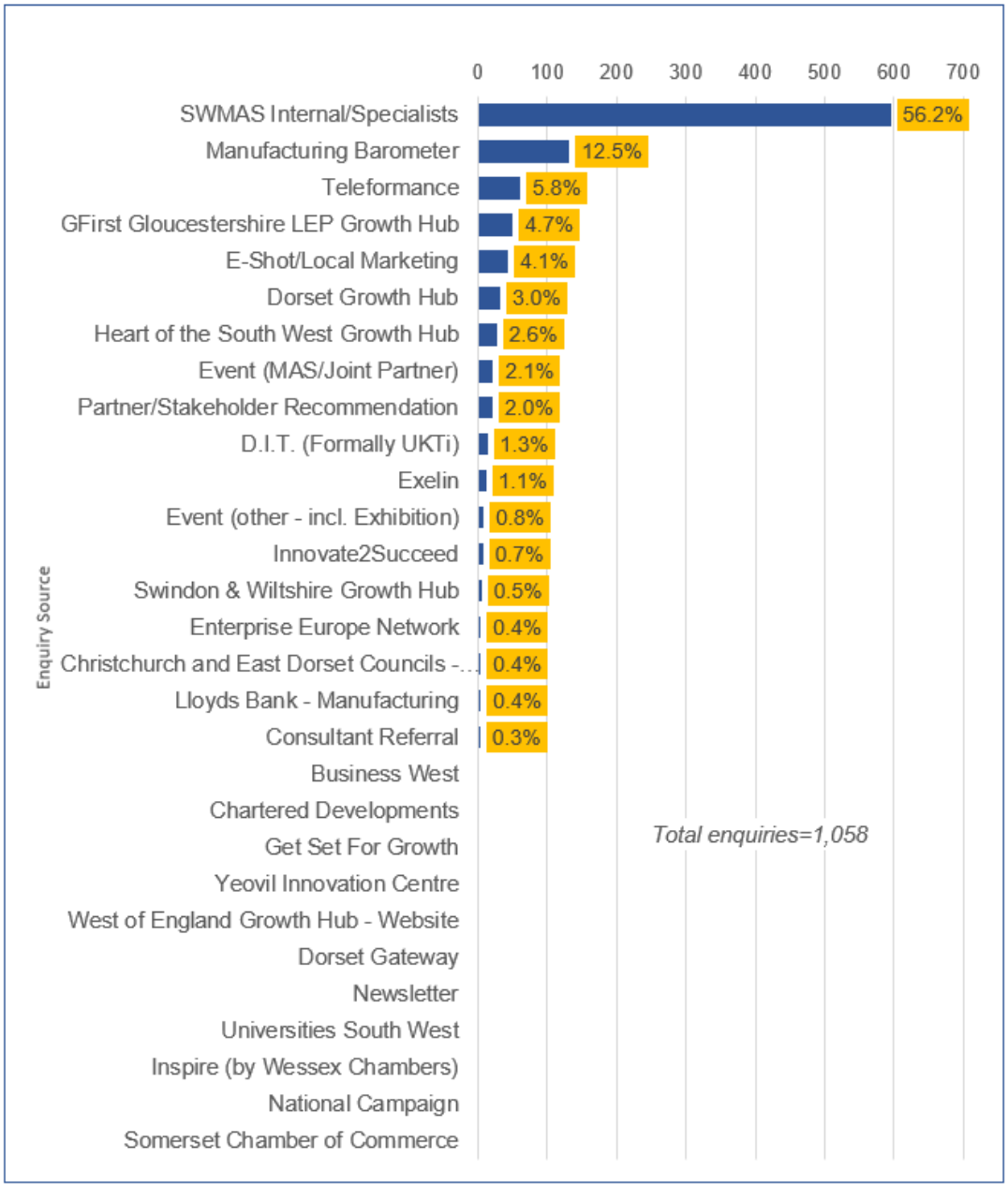


(Source: LMAP programme monitoring data)

The specific sources of enquiries were either through the SWMAS 'hub' of core internal personnel (i.e. marketing, finance, programme support, and the contracts manager) or project team members, or from personal contact and networking by the SWMAS manufacturing specialists. This accounted for over half of all enquiries from CIOS businesses, followed by the SWMAS Manufacturing Barometer (12.5%), and Teleformance (specialist lead generating company). GFirst Gloucestershire, Dorset, and Heart of the South West Growth Hubs between them generated 109 referrals into SWMAS.

It is interesting to note that the second highest source after SWMAS itself was the Manufacturing Barometer (12.5%), highlighting that as well as providing insight into the sector it also acts as a useful promotional tool and conduit to manufacturing businesses. There were a small number of referrals made by other individual business support projects.

Chart 17: Referrals into LMAP programme by specific source



(Source: LMAP programme monitoring data)

Overall, the referrals data shows the important role that the networks and existing relationships that SWMAS have developed within the region's manufacturing community. These existing relationships have been important in raising awareness of the support potentially available through LMAP (and HVMIP in CIOS) and driving subsequent demand for that support. Our view is that this has been an effective method in developing the pipeline of interest in the project and, importantly, the method that was most appropriate for the SME manufacturing community.

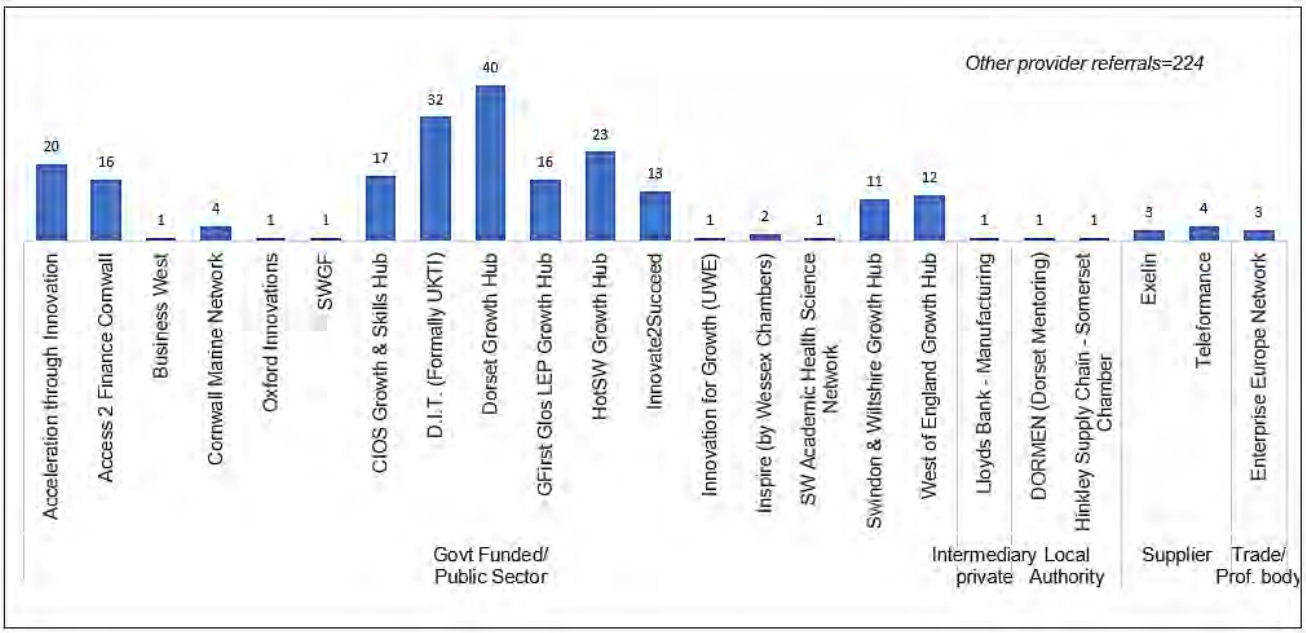
SWMAS, specifically the manufacturing specialists, should also refer supported businesses onto other forms of support if appropriate for their needs. It is important to scale of this activity given that there is an overall objective within the business support community – and particularly between those projects supported by ERDF – to improve the linkages between these activities, helping to ensure that businesses get the

opportunity to access the whole range of support it may require to facilitate its growth. The data collected by the LMAP project provides some insight.

A total of 634 referrals on behalf of 443 supported SMEs were made to other support services with businesses receiving between 1 and 6 referrals – an average of 1.4 referrals.

Nearly two-thirds (64.7% or 410) were logged on the SWMAS system and referred to the appropriate SWMAS internal resource (and subsequently mostly supported through the ERDF programmes). The remaining proportion of referrals were made to other Government/public support providers. It is useful to note that several referrals were made back to the respective Growth Hubs, although noting this was again to a varying degree across the region. This can partly be explained in some instances by the relationships that may exist between the SWMAS manufacturing specialist and other support providers. In those instances, the referral may have been made directly rather than through the Growth Hubs. Chart 18 illustrates the referrals made from LMAP to other providers.

Chart 18: Referrals from LMAP programme to specific providers



(Source: LMAP programme monitoring data)

Nearly two-thirds of the 196 SMEs that enquired about support under the LMAP but did not progress beyond the enquiry stage, were referred to other support providers.

3.5 Beneficiary engagement

At the end of June 2019[16], a total of 675 manufacturing SMEs had received an IDB through LMAP, with 294 (46.9%) going onto to develop a project through LMAP. In addition, 11 CIOS businesses received an IDB through the HVMIP but then received project support through LMAP. The IDB breakdown across the areas for those receiving an IDB under LMAP is shown in the below tables.

[16] All data that has been analysed for this summative assessment covers the period Q2 2016 to Q2 2019 inclusive

Table 14:LMAP IDBs by Category of Region

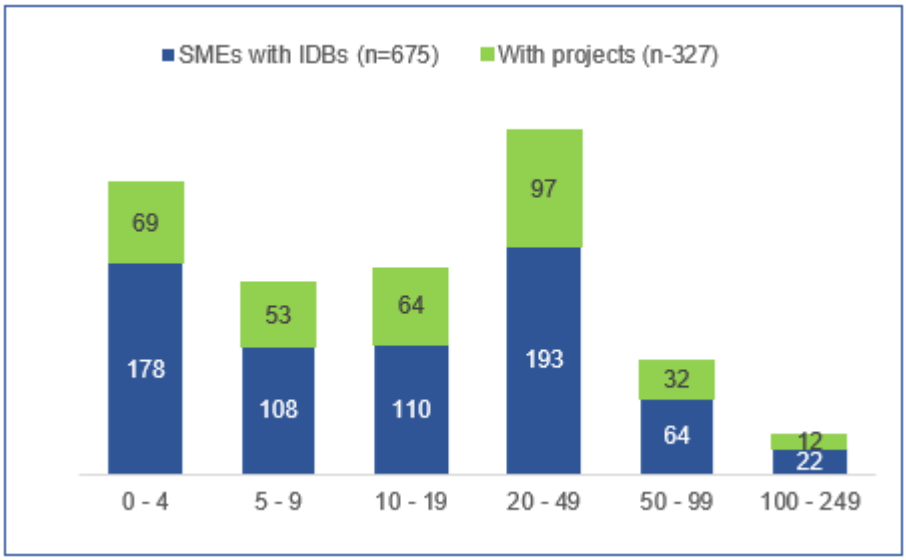
Category of Region	No of SMEs	% of total
Less Developed	37	65.5%
Transition	124	18.4%
More Developed	514	76.1%
Total SMEs	**675**	**100.0%**

Table 15: LMAP IDBs by LEP

Category of Region	No of SMEs	% of total
CIOS	37	5.5%
Dorset	111	16.4%
Gloucestershire	106	15.7%
HotSW	204	30.2%
SWLEP	101	15.0%
West of England	116	17.2%
Total SMEs	**675**	**100.0%**

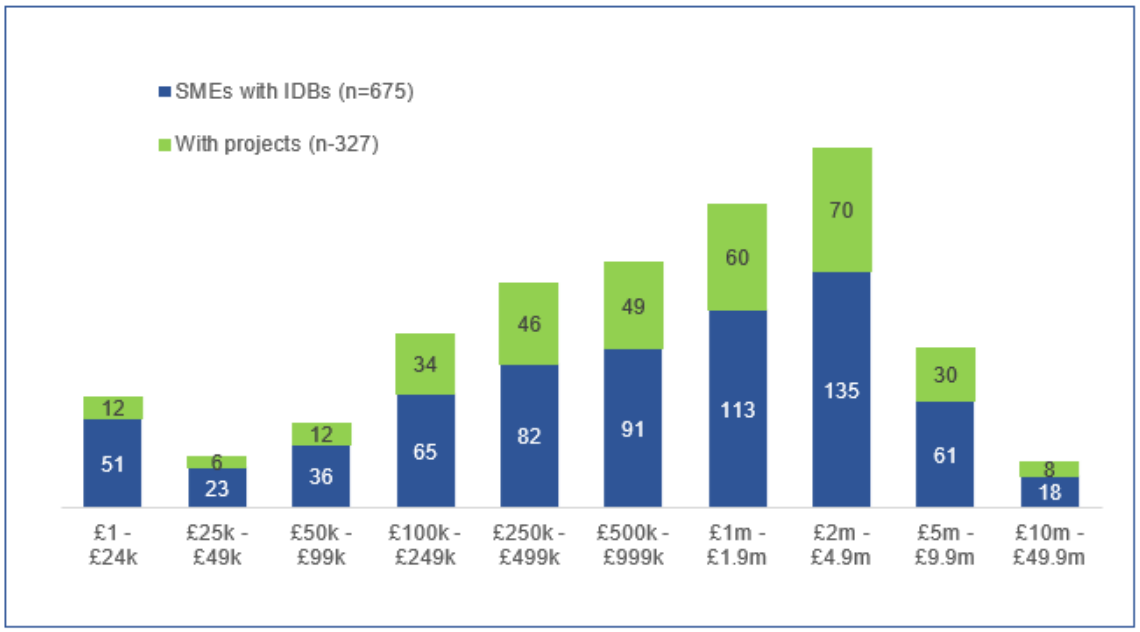
At the point of IDB or engagement, these SMEs had a median of 15 employees and a median turnover of £1.1mn. The lowest number of employees and turnover for an individual business was 1 employee and £1,000, and the largest represented employees and turnover was 170 employees and £35.3mn. Therefore, this illustrates the diverse set of businesses that the project has supported. Micros (0–4 employees) and businesses of 20–49 employees accounted for over half (55%) of all SMEs supported under LMAP. The employee size band and turnover figures for the whole LMAP project is shown in the below charts. The breakdown by each of the different Categories of Region and LEP areas supported under LMAP are shown in separate tables in Annex A.

Chart 19: LMAP Businesses by Employee Size Band



(Source: LMAP programme monitoring data)

Chart 20: LMAP Businesses by Turnover Size Band



(Source: LMAP programme monitoring data)

Given one of the objectives and focus of the LMAP was to promote investment in new technology and manufacturing techniques it is useful to understand the typical levels of R&D expenditure by supported businesses (prior to receiving support through LMAP). This is shown in

Table 16. This shows that approximately 77% of beneficiary businesses had not previously invested in any R&D activity prior to their engagement with the project. Overall, over 84% of beneficiaries had invested less than £25,000 in R&D activities previously. Businesses were also asked how many products they delivered to the market.

Again,

Table 16 shows that approximately three-quarters had not yet developed or commercialised a product offering. A lot of businesses manufacture products to demand, for example building to a CAD drawing, and then ship it on. In other words, they do not manufacture products they've designed or developed themselves. Around 20 businesses were also relatively recent start-up businesses and so may not be in a position to invest in R&D projects currently.

Table 16: R&D spend and number of products at IDB stage

R&D Spend	SMEs	%
	521	77.2%
£1 - £9k	28	4.1%
£10k - £24k	19	2.8%
£25k - £49k	44	6.5%
£50k - £99k	29	4.3%
£100k - £499k	41	6.1%
£500k - £999k	7	1.0%
£1m - £1.9m	3	0.4%
Total	**675**	**100.0%**

Products developed	SMEs	%
	511	75.7%
1 - 24	110	16.3%
25 - 49	25	3.7%
50 - 99	19	2.8%
100 - 199	14	2.1%
200 - 299	7	1.0%
300 - 399	6	0.9%
500 - 599	1	0.1%
1000 or more	1	0.1%
Total	**675**	**100.0%**

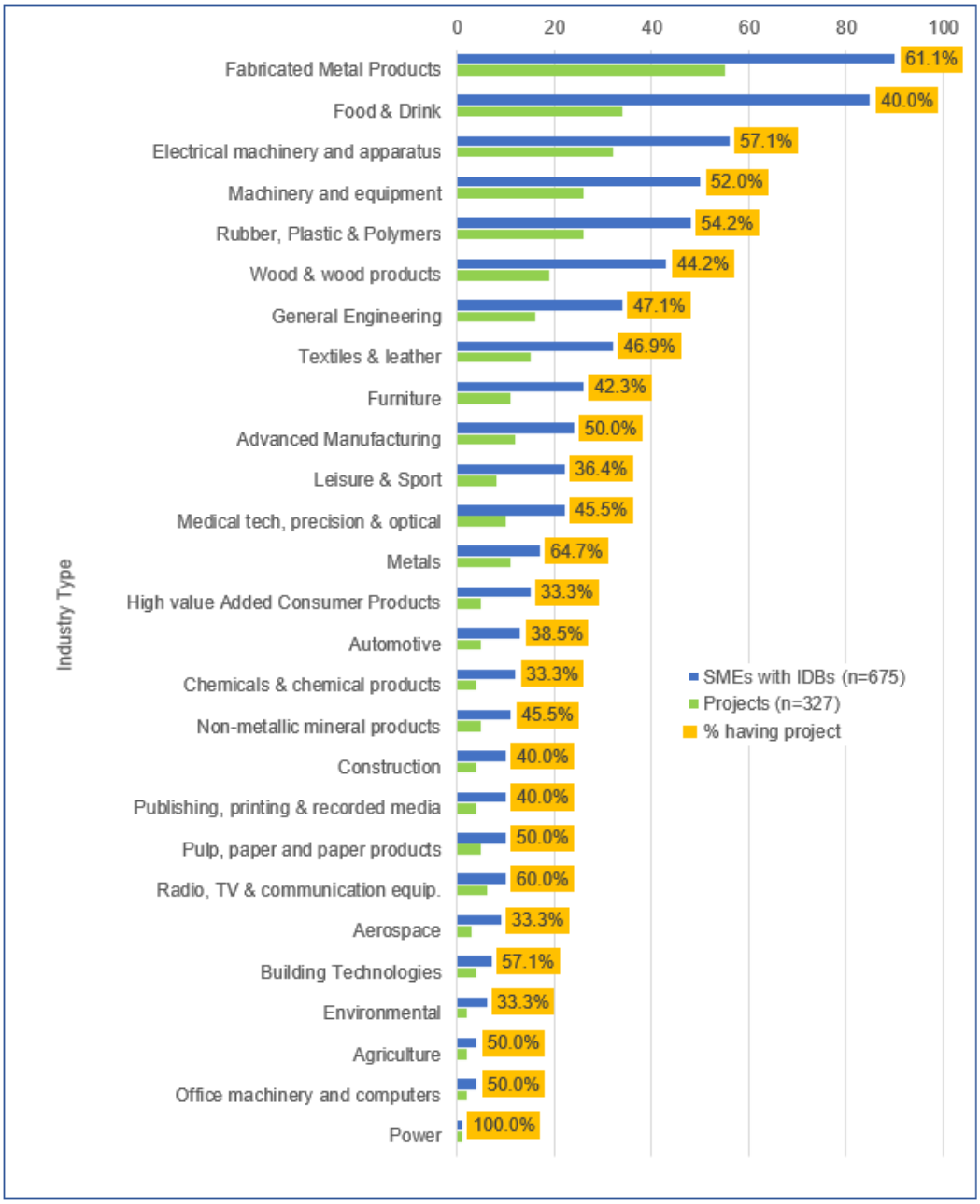
(Source: LMAP programme monitoring data)

This profile data is important in the context of the objectives of the project. It appears that the businesses it engaged with were well targeted in the context of its overall objective of stimulating investment in micro businesses (including start-ups).

In terms of the industrial/sector profile of business receiving IBD support, the 'fabricated metal products' represented the biggest grouping of businesses – approximately 13% of businesses receiving IDB – followed by 12% within food & drink.

In general, out of 675 SMEs who received an IDB, 327 – or just under half - went on to receive project support. Chart 23 shows, for each industry type, the percentage of businesses who received IDB support which subsequently then received project support.

Chart 21: LMAP business beneficiaries by broad sector



(Source: LMAP programme monitoring data)

It is interesting to note that although food & drink represented the second largest industrial grouping of SMEs supported under LMAP, fewer progressed to a project than seen in the other industries. This may reflect eligibility issues.

Whilst businesses in the Medical Pharmaceutical, Defence, and Manufacture of other transport equipment, received IDBs, none have progressed to funded or non-funded project support.

Helen Round (www.helenround.com) is a British textile designer and printer maker. The business's collections of simple and functional linen homeware and kitchenware are all made and hand printed in their Cornish studios. It sells its products directly through its shop on the Mount Edgcumbe estate, through its website and to 180 stockists worldwide.

To date the business uses small batch production. The business felt it would benefit from advice from a manufacturing export to explore whether there were any local providers of straight sew techniques at scale. The SWMAS adviser assisted the business in that search. Although ultimately unsuccessful, the engagement continued to develop. The SWMAS adviser helped identify a number of improvements that the business could make to help streamline the production and stock keeping process. A key element of the support was that the whole production team were involved in developing and implementing the improvements – it wasn't seen as just some external advice where they didn't have a sense of ownership . This was important for the subsequent changes to be adopted.

In addition, the business received a capital grant (through the HVMIP programme) to procure a new overlocker machine – adding to one that was already in place, although with different functionality. The new machine has had a significant impact on the business, helping it to increase their turnover and likely to have safeguarded jobs. The new overlocker machine has allowed the business to expand its offer both in terms of volume and range of products. They have developed a new product which has been well-received by their customer base.

SUMMARY:

- The overall view from the stakeholders and partners we spoke to was that SWMAS was seen as an experienced and 'trusted partner' within the business support landscape. They were seen to deliver a quality service.
- The SWMAS management team (by partners) and the LMAP manufacturing specialist (by businesses) were held in high regard. In our view, the experience and continuity brought by SWMAS has clearly been beneficial to delivery. The programme management information held and used was of a high quality.
- The LMAP was delivered in a relatively light-touch manner, with one dedicated manufacturing specialist in each LEP region supported by the SWMAS programme management team, and this resource was shared with the HVMIP. The full achievement of project objectives and the fact that output targets have been largely achieved indicates that it has been resourced appropriately.
- Compliance and eligibility of delivery against ERDF requirements was well managed and appeared robust. Manufacturing specialists were given clear guidance by the programme management team and used their experience and judgement well.
- One area which we have highlighted for SWMAS' consideration is to increase the 'visibility' of delivery across the area. As the project nears completion, it may be an opportunity to 'celebrate the success' and ensure that local partners are fully informed of the extent and quality (possibly using the findings of this evaluation) of the service that has been provided.
- Another issue which it may consider as it moves into the next phase of delivery is to revisit and refresh some of the relationships with Growth Hubs across the region, recognising that the flow of referrals has differed in each LEP area (although recognising that this may be reflective of the different models in place in each LEP area). Nevertheless, we think it would be worthwhile revisiting.
- The overall consensus from the evidence we have collated through this evaluation has been that the support provided through the LMAP has exceeded the expectations of supported businesses. The feedback we have received has been overwhelmingly positive, although recognising this was based on a sample of beneficiaries.
- We feel there are important lessons to be learnt from how SWMAS have managed and delivered the grant process. The discretion and responsibility given to the manufacturing specialists has resulted in a relatively 'lean' process which has been well received. Many of those businesses we spoke to compared it favourably to other public grant schemes they have encountered. We feel that this approach – backed-up by robust 'checks and balances' in the programme management team – could be considered elsewhere if appropriate. There is not always the need for decision-making by committee.
- Marketing activity for the LMAP has deliberately been kept focused and targeted by SWMAS for a variety of reasons, not least the crowded business support landscape that exists in several LEP areas, most notably in CIOS. This has often resulted in an equally crowded marketing and communication space. In many respects, the LMAP 'brand' has not necessarily been visible. Businesses and stakeholders have associated the support provided as SWMAS. In our view, this has been a sensible and practical approach, utilising the already established and respected SWMAS brand.
- The project monitoring data shows that the LMAP has been successful in supporting a wide range of business types, both in terms of scale as well as market/sector. We have spoken to several early-stage businesses where the LMAP support has played an important role.

SECTION FOUR: PROJECT OUTCOMES AND IMPACT

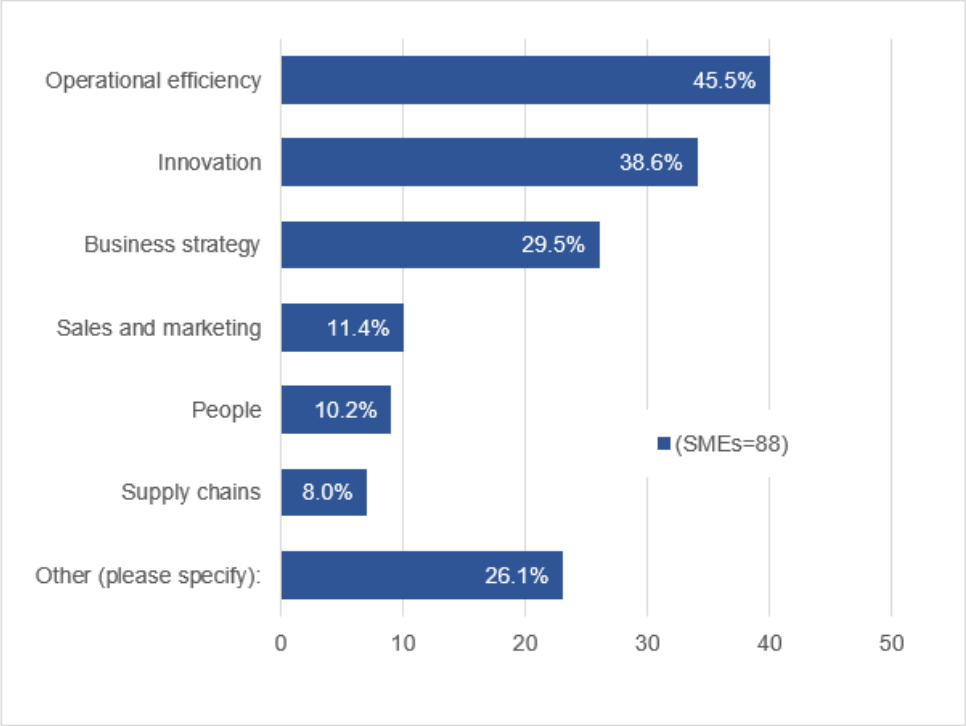
Having provided an overview of progress and outputs in Section Two, this section of the report focuses on wider outcomes and impacts arising from LMAP's service with reference to the beneficiary experience and the project logic chain. This section also considers the project's additionality and Strategic Added Value, concluding with an assessment of whether it has made a difference.

4.1 Stimulating investment and innovation

One of the key objectives of the LMAP was stimulate investment in new product/service development. Indirectly an emphasis of the project was to promote innovation within the region's manufacturing sector. As previously indicated the promotion of innovation is central to the UK's Industrial Strategy.

The online survey asked businesses in which broad areas the SWMAS support helped with. This is shown in Chart 22, these findings complementing the monitoring data highlighted previously with regards to the focus of support. Respondents were able to choose more than one option. Whilst most focused on improving operational efficiency, 38.6% of those who responded said the focus was on 'innovation'.

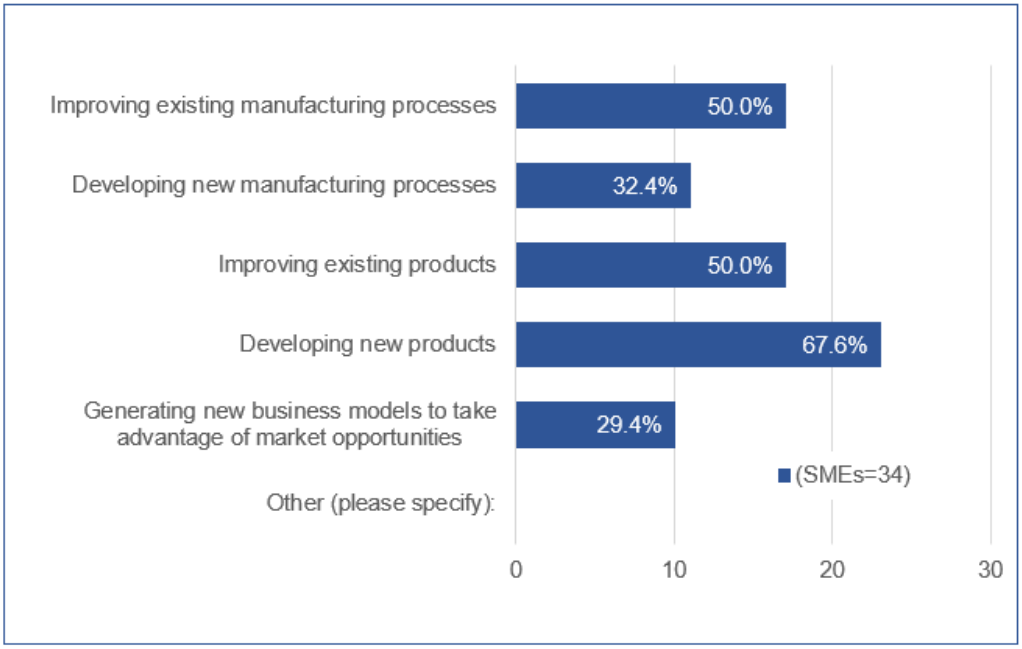
Chart 22:Which business areas did SWMAS help you with?



(Source: LMAP business beneficiaries online survey)

Of those that felt the support was focused on promoting innovation within their business, there was a mix of specific focus including developing new products, improving existing products and improving existing manufacturing processes – as shown in Chart 23 below. Whilst noting that this is based on a relatively small number of businesses, it does provide some indication that the project was relatively successful in supporting businesses to innovate – either in process or product terms.

Chart 23: Which of the following did the innovation support help you with?

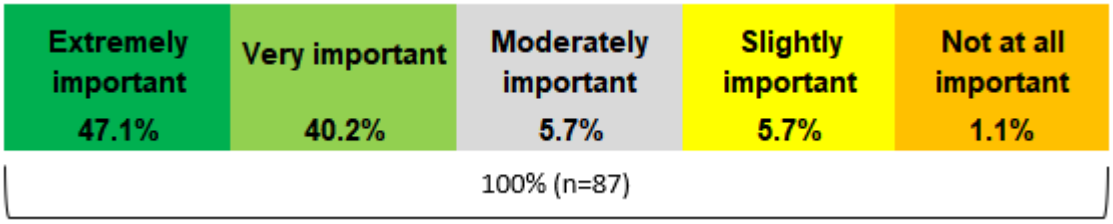


(Source: LMAP business beneficiaries online survey)

4.2 Overall value of support

The overall value that beneficiary businesses have placed on the support received from the LMAP can be illustrated through a key question in the online survey. Beneficiary businesses were asked how important the support has been to the subsequent development of their business. 87% of those who responded (76) stated that it has either been 'extremely important' or 'very important' to the development of their business. Again, this was corroborated by the businesses we spoke to. In particular, the role that the capital grants had for small businesses appeared to have played an important role. Only 1 business felt that it wasn't important.

Chart 24: How important has the support received been to the subsequent development of your business?



(Source: LMAP business beneficiaries online survey)

Businesses were also about the specific role that the support had made to facilitating their growth. Again, the responses were very positive. The broad level of responses was received as shown in the previous question – 91% (80) responding either 'strongly agreed' or 'agreed' that the support had allowed them to expand into new markets and/or launch new products. This is a very positive outcome. 7 responses returned a 'neutral' response with regards to whether the support had allowed them to grow, with one business disagreeing with the statement.

4.3 Business outcomes and impacts – to date

Businesses appear to have experienced a wide range of positive impacts as a result of the support provided. Chart 25 indicates that the support directly led to differing positive outcomes for business. Again, these positive outcomes were illustrated in our business consultations, with several businesses making it clear that the subsequent impacts would not have been achieved at the same scale, quality or timing (this is discussed more later in this section). In a sense, this represents a further key finding of this evaluation. Whilst recognising that the evidence is based on a sample of business beneficiaries, we feel there is reasonable confidence in the conclusion that the LMAP had a positive influence (significant in many cases) on the successful outcomes/impacts for supported businesses.

Businesses were able to pick more than one option in response to the question, indicating that positive outcomes were multi-faceted.

Chart 25: As a result of the support received through SWMAS, has your business experienced or do you expect your business to experience, any of the following benefits?

(Source: LMAP business beneficiaries online survey)

The responses to this question are also important in a policy context. As previously outlined in Section One there is a heavy emphasis in the UK Government Industrial Strategy on improving absolute and relative[17] productivity. This focus on productivity-led growth is also evidence in the Strategic Economic Plans in place across the region, as well as in the emerging Local Industrial Strategies. Several of the positive outcomes delivered by the project – such as improved management systems and processes and reduced costs and overheads – will directly feed through to improved productivity for those supported businesses. Therefore, we feel that the project is playing a successful role in improving the productivity picture in what is an important sector.

[17] Both internationally and inter-regionally within the UK

The Beeswax Wrap Company (www.beeswaxwraps.co.uk) are a young and growing business producing reusable beeswax wraps which acts as a people and planet friendly alternative to cling film and tinfoil. As a consequence of their rapid growth, like any company they needed help and advice to move towards more efficient processes for producing their products.

To produce their products was a relatively labour intensive and slow process, and they needed to keep up with increasing consumer demand. By their own admission they were not fully aware of LEAN production processes and needed to be pointed in the right direction to manage workload.

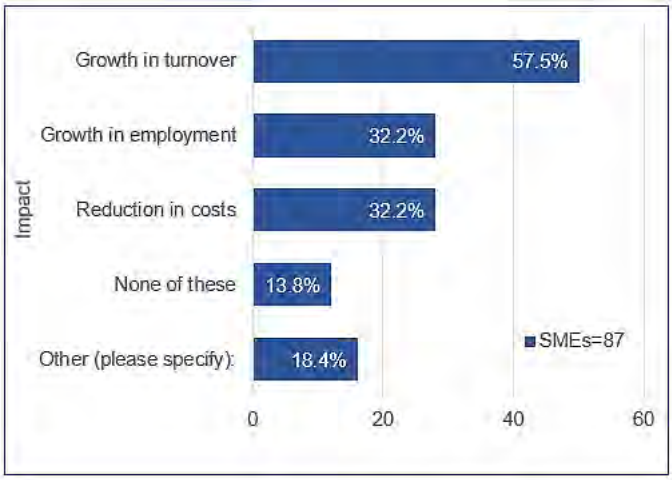
They sought advice from SWMAS who provided helpful advice and support on how to help them more quickly and efficiently respond to demand. As a consequence of their growth, the business had also taken on a number of new roles and the SWMAS specialist also provided one-to-one support for the new staff. They were also referred to a number of workshop-based courses which raised their awareness. The support provided by SWMAS completely met their expectations.

As the business continues to grow, it will continue to move from labour-intensive processes to using machinery to automate where possible. They expect to look to SWMAS to support them in this move through the coming years.

These positive outcomes already appear to be feeding through to positive commercial impact for many supported businesses. As Chart 26 illustrates, positive commercial impacts include growth in turnover, employment and reduction in costs. Again, survey respondents were able to choose more than one option if the positive impact had been multi-faceted. It is encouraging that several businesses (28 out of the 87 businesses who responded) felt that the support had a positive employment impact. It is useful to reiterate that job creation would not necessarily be expected as a *direct* result of the support provided through the project.

As shown in Chart 262 earlier, the primary area of support provided was on improving operational efficiency. You would not necessarily expect employment to increase as a result of improving the operational efficiency, indeed it is feasible that the outcome would be a reduction in labour input. However, the positive impact of the project support on employment is expected to be *indirectly* associated – driven by the subsequent growth of the business which has been partly facilitated by the support.

Chart 26: In terms of impact as a result of the support received through the programme – has your business experienced any of the following?

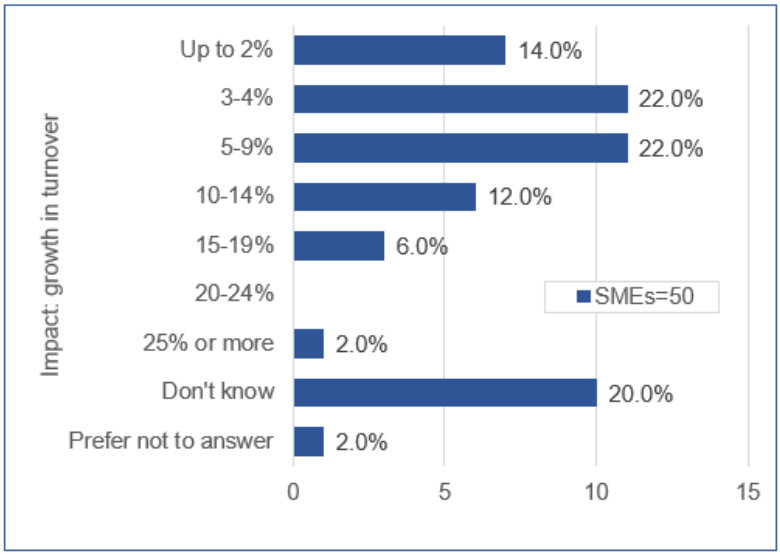


(Source: LMAP business beneficiaries online survey)

For those businesses which responded positively to the impact of support on turnover and/or employment, they were asked a further question to understand the scale of impact experienced to date. In terms of turnover impact, the (50) survey responses indicate that for several businesses the impact on their 'top-line' had been fairly significant.

As Chart 27 illustrates, a number of firms (20% of those who responded) feel that their annual turnover has been boosted by over 10% (from pre-support levels). The majority experienced an annual turnover uplift up to 10% - still a considerable achievement for the scale of support provided. Again, it is important to urge caution given this is based on a small sample of supported businesses (noting the earlier point about 'positive bias' in survey responses), the responses are nevertheless encouraging. We were careful to word the question so that it was clear we were asking about the turnover impact that could be *directly* associated with the LMAP support.

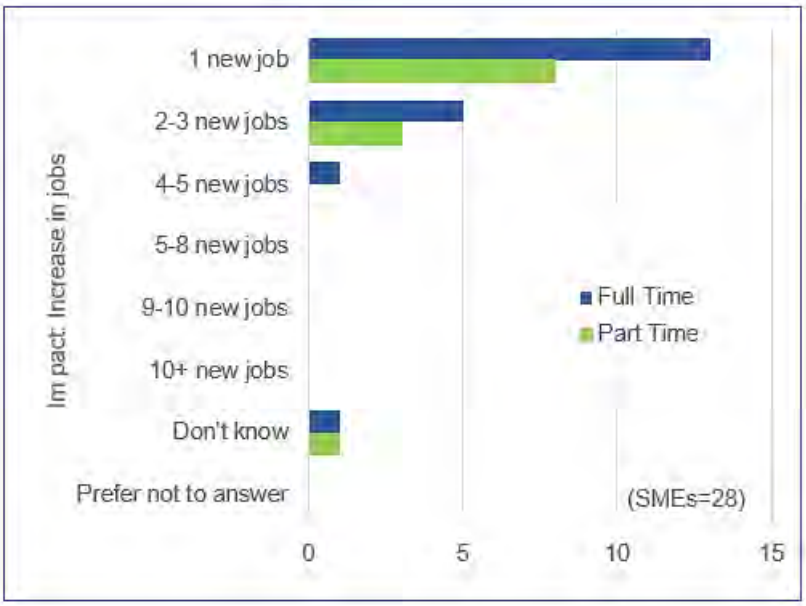
Chart 27: What would you estimate your annual growth in turnover to be as a direct consequence of receiving support through the SWMAS?



(Source: LMAP business beneficiaries online survey)

The small number (28) of businesses who responded positively in employment terms (to date) were also asked the scale of impact. Of the businesses who responded, they had increased their employment as a direct consequence of the support by approximately 27 FT and 14 PT jobs[18]. One business stated that it had increased its employment by 4-5 jobs (Chart 28).

Chart 28: Are you able to estimate the growth in the numbers employed as a direct consequence of receiving support through the SWMAS (LMAP) programme?



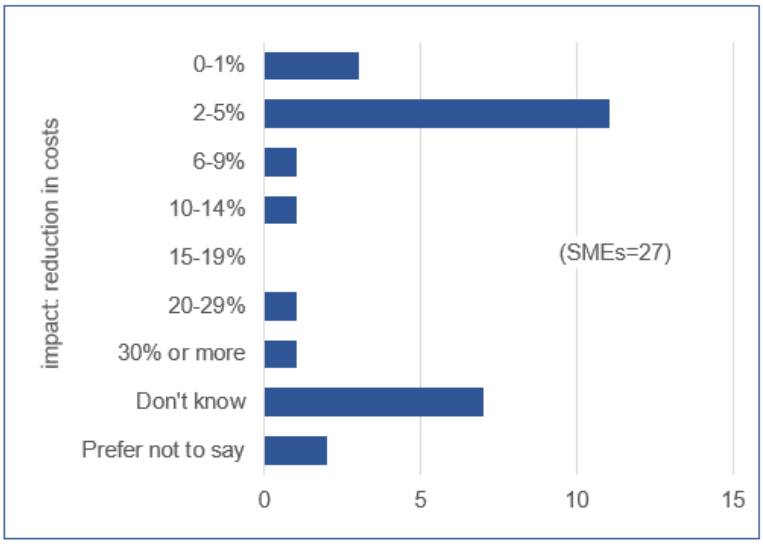
(Source: LMAP business beneficiaries online survey)

In addition, we also asked whether businesses had experienced a reduction in their cost base as a result of LMAP support, again against the baseline of their pre-support annual cost base. This is relevant given the focus of support on operational efficiency.

Chart 29 below shows the estimated impact in terms of cost reductions. Whilst the majority of responses estimated that LMAP support had contributed to a reduction of annual costs of circa 2%-5%, a small number of businesses estimated that the impact had been much more significant – in excess of 20%. This illustrates that the project had the potential to be transformative for businesses, presumably those that were being established or early-stage development.

[18] We are not able to specifically detail the number of jobs supported given that the businesses were given a range of options. These estimates take the lower bound of the range and therefore may represent a slight underestimate.

Chart 29: Are you able to estimate the reduction in your annual cost base as a direct consequence of receiving support through the SWMAS (LMAP) programme?

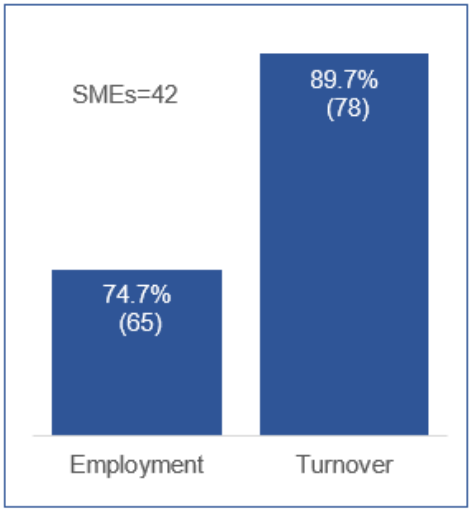


(Source: LMAP business beneficiaries online survey)

4.4 Business outcomes and impacts – expected

As well as the impact to date, we were also keen to understand whether the support provided through LMAP was expected to have a future impact – mindful that the positive impacts of business support are often lagged. Again, the results from the survey and business consultations were highly encouraging. As Chart 30 illustrates, almost all businesses that responded to the survey expected growth in turnover at some future date (encapsulating some of those businesses where turnover has already increased).

Chart 30: As a result of the support received from SWMAS, do you expect your business to grow further in terms of employment or turnover in the next five years?



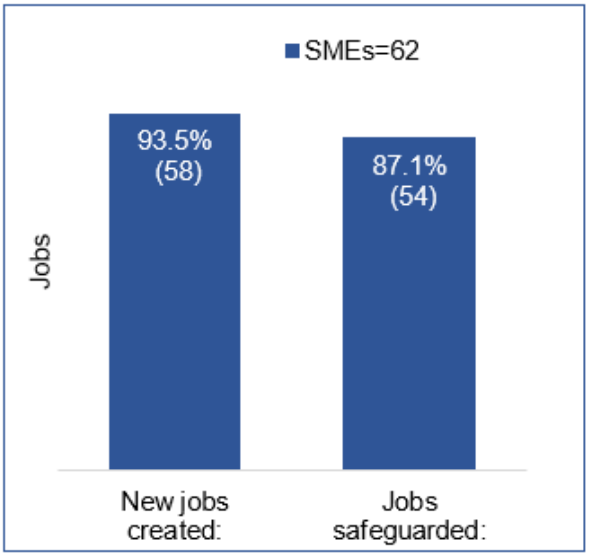
(Source: LMAP business beneficiaries online survey)

Three-quarters of those that responded also felt they would be able to support more jobs in the future. In some respects, this is also a useful finding. As previously shown, the project has a job creation (C8) output target of 320. This could be considered stretching, with much of that needing to be evidenced in the final

two quarters of project delivery. Whilst evidence of job creation continues to be collected by SWMAS until project completion, it is likely that job creation will be lagged. As a consequence, the employment impact of the project may not be fully captured through monitoring activity - the full employment of the support may be understated. The survey responses seem to corroborate that argument. Chart 31 illustrates that the impact will be a combination of new job creation and the safeguarding of existing jobs. Businesses were able to choose both options if relevant – the responses indicating that the support could lead to both outcomes.

It is also important to note that the current definition of employment impact that is allowable under ERDF output reporting[19] relates to job creation only. It does not allow safeguarded jobs to be captured. The responses to the survey indicate that this is an important outcome of the support provided, that it has enabled businesses to safeguard those already in employment. This was also consistently raised in our business interviews. As a consequence, it could be argued that the employment impact of the project as captured through C8 output reporting is understating the full extent of the employment impact of the project.

Chart 31: As a broad estimate, how many further jobs could be supported as a direct consequence of the SWMAS (LMAP) programme?



(Source: LMAP business beneficiaries online survey)

4.5 Progress in relation to the Logic Model

According to the Project Logic Model (as illustrated previously in Figure 1) the LMAP's intended outcomes and impacts were connected to its overall objective to provide support and advice to manufacturing SME's in order to facilitate growth. As Table 17 below shows, the evaluation evidence suggests that it has fully achieved against its high-level intended outcomes and impacts.

[19] 'Output Indicator Definitions Guidance for the European Regional Development Fund for England v6 – June 2018'

Table 17: Progress in Relation to Intended Outcomes and Impacts

Intended Outcomes and Impacts	Evidence from Evaluation Process
Increased awareness and knowledge of the benefits of specialist external manufacturing advise amongst businesses assisted	✓ Support provided to a range of manufacturing businesses that had not previously accessed support. 30% of businesses responding to online survey would have not known where to look for expert/specialist help. Business consultations highlighted examples of early-stage businesses who were unaware that such support was available ✓ Good proportion of businesses assisted had previously accessed SWMAS support through previous programmes, therefore had been aware of the benefits it could provide
Increased employment amongst assisted firms where the business has specified employment increase in the Grant Application and project closure documentation	✓ Evidence from outputs (C8) and corroborated by online survey responses that support has led to some direct job creation – even though the support has often focused on improving operational efficiency and/or greater automation in the production process ✓ However, biggest impact may be indirect job creation/safeguarding through the support facilitating subsequent growth – the online survey suggesting that the most substantial employment impact may be lagged
Increased public investment as a result of awareness of the project and manufacturing specialist insight into potential improvements and resulting impact	✓ Very high levels of private investment leverage, far exceeding project level targets at an aggregate level. Some specific projects were able to leverage private investment far above targeted intervention rate ✓ Overall, intervention rate lower than original expectations and should be viewed as a significant achievement by the project
Increased business interaction with other support organisations as a result of awareness and signposting by manufacturing specialists	✓ Referral data shows a good level of interaction between LMAP and other support providers ➢ The data indicates that the awareness and relationship between SWMAS (LMAP) and the Growth Hubs differs across each of the respective LEP areas, partly reflecting different Growth Hub models but also highlighting that some relationships may need to be refreshed
Increased knowledge on a range of subjects as a result of workshops facilitated by the project	✓ The project ran 24 masterclass workshops (primarily to raise awareness of the programme but which also included practical hands-on exercises based on real-life business scenarios. One-third of these were undertaken in partnership with the Growth Hubs. 186 businesses attended these workshops. We have reviewed the feedback from these events and the feedback was overwhelmingly positive.
Increased GVA (not a contractual output of the project and no formal method of data collection is available	✓ The feedback from the sample of businesses in the online survey is that a significant proportion have experienced an increase in their annual turnover and/or a reduction in their annual costs as a direct result of the support provided through the LMAP. Therefore, there is a strong inference that it has had a positive

Intended Outcomes and Impacts	Evidence from Evaluation Process
	impact in terms of GVA and this is estimated in this summative assessment.

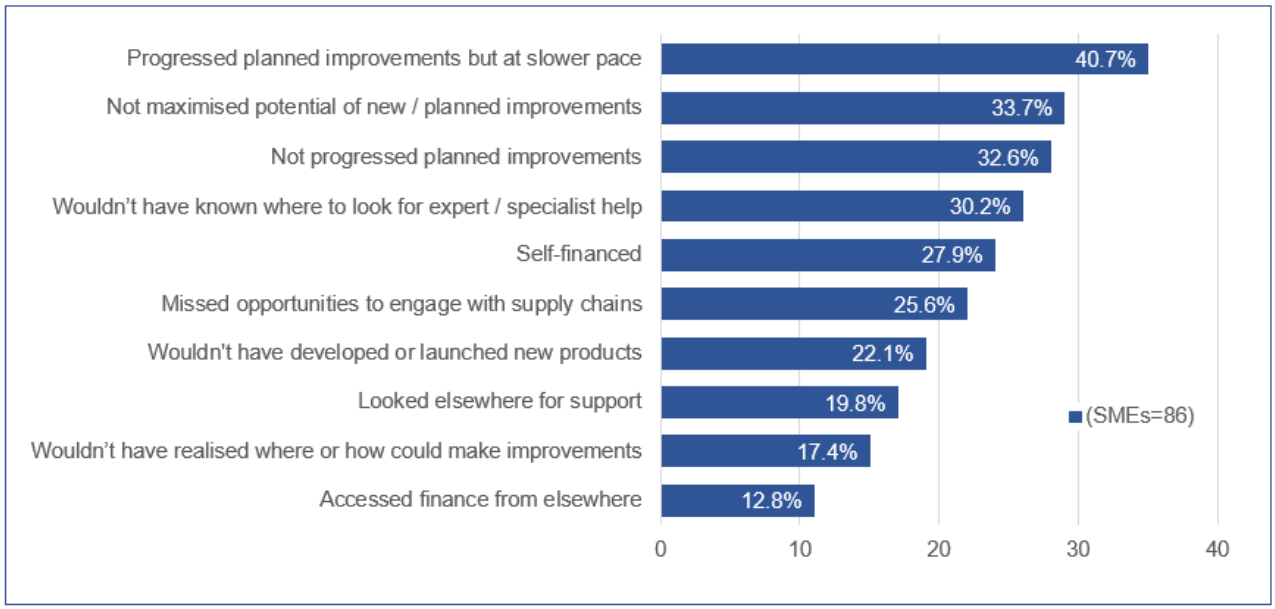
4.6 Additionality

Additionality refers to the extent to which something has happened as a result of an intervention that would not have occurred in the absence of that intervention. This is a complex concept and often difficult to measure easily.

The three common adjustment factors tend to relate to deadweight, displacement; and, leakage. In terms of deadweight, we wanted to directly understand this through our contact with businesses. The online survey asked the question 'Without the support you received from SWMAS (LMAP), what do you think you would have happened?' As Chart 32 illustrates, one-third of those who responded to the survey would not have progressed with the planned improvements at all, not maximised the potential of their business or missed opportunities. Approximately 41% of those who responded would certainly have progressed at a slower pace.

These responses suggest a relatively low level of deadweight should be considered. This was corroborated by feedback in our business consultations, with several businesses citing that they simply would not have been able to implement the planned improvements without the support received. This particularly related to the grant support, with many smaller businesses not necessarily being in the position to access private loan finance to purchase the capital equipment.

Chart 32: Without the support you received from SWMAS (LMAP), what do you think you would have happened?



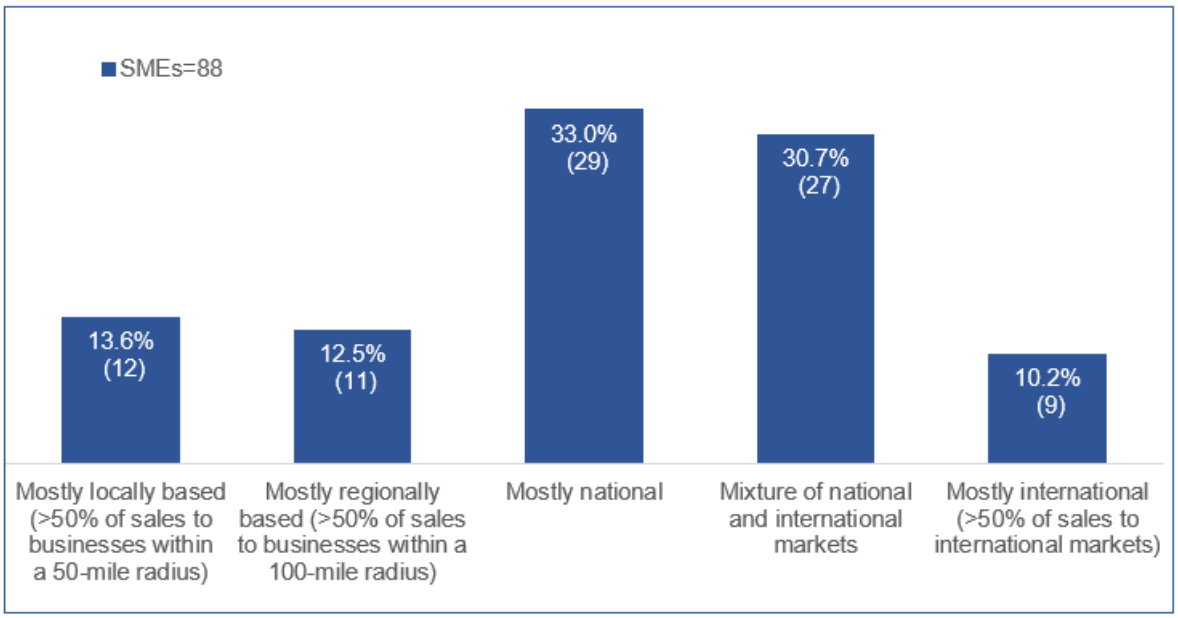
(Source: LMAP business beneficiaries online survey)

In terms of displacement, this normally refers to market displacement i.e. that the benefits experienced by the supported business is to the detriment of a competitor elsewhere in the target area – in this case the

South West region. To better understand this (although it is inherently difficult to estimate) businesses were asked a question in the online survey regarding the geographical scope of their market.

As Chart 33 illustrates, approximately 74% (63) of those who responded accessed mostly national or international markets. Only 14% (12) had over 50% of their sales within a relatively tightly defined market (50-mile radius). Again, this suggests that market displacement within each LEP area is relatively low, particularly bearing in mind that just because a business serves a local market doesn't necessarily mean that any growth it experiences is displacing activity elsewhere. Many of the businesses we spoke to in our consultations were developing relatively novel products which were meeting specific customer needs.

Chart 33: Which of the following statements best describes the geographical focus of your market?



(Source: LMAP business beneficiaries online survey)

The benchmark data for the estimation of additionality is set out in the below table. However, it is important to note that (as with the value for money benchmarks which are used later in this report) the data do not specifically relate to the type of service that the LMAP has delivered. The benchmark data relates to relatively generic 'individual enterprise support', also relating to additionality adjustments at a sub-regional level[20]. It is also useful to note the confidence intervals associated with the benchmark estimates and that the data is now relatively old. No alternative robust benchmark data has been produced in recent years.

Table 18: Review of Additionality Evidence

		Evidence from Primary Research	Benchmarks[21]	Comment
Deadweight	i.e. would the outcome have happened anyway (for example,	As indicated in the above text, this was questioned as part of the online survey and/or	Regional median	Evidence from survey and consultations suggest a low figure

[20] The benchmark data was estimated at a regional and sub-regional basis. The regional definition related to the old Government Office regions. It could be argued that sub-regional benchmark is more appropriate for CIOS. However, this often involved very few observations and is less robust – therefore we use the regional benchmark

[21] BIS Occasional Paper No 1. Research to improve the assessment of additionality (October 2009)

		Evidence from Primary Research	Benchmarks[21]	Comment
	could the business have implemented planned improvements itself without support)	business consultations. The evidence suggests that deadweight may be relatively low.	benchmark of 49.5% Mean = 47.3% (+/- 3.7% at 95% confidence level)	may be appropriate – 20%
Displacement	i.e. has the intervention taken market share from elsewhere in the Programme area (for example, has business growth been at the expense of other businesses in the area)	This was asked in the online survey and discussed in some of the business consultations. The evidence suggests that displacement would be low – given that many supported businesses are serving national/international markets, or that they are providing relatively specific and novel product offerings.	Regional median benchmark of 28.5% Mean = 30.8% (+/- 4% at 95% confidence level)	Evidence from survey and consultations suggest a low figure may be appropriate – 10%
Leakage	i.e. have any benefits accrued to non-target beneficiaries (for example, has job creation been supported outside of the respective LEP area)	This was not directly asked in the online survey and/or the business consultations. However, expectations of leakage is low.	Regional median benchmark of 5% Mean = 12.9 (+/- 6.2% at 95% confidence level)	Due to lack of empirical evidence we broadly adopt regional benchmark
Multiplier effects	i.e. further economic activity stimulated by the direct benefits of an intervention associated with income and supply chains	It is not possible, without rigorous analysis of supply chains to gain an empirical understanding of multiplier effects	Regional median benchmark of 1.45 Mean = 1.44 (+/- 3.5 at 95% confidence level)	Due to lack of empirical evidence we broadly regional benchmark

4.7 Assessment of impact

As indicated in the previous sections, the responses that we have received through the online survey – and corroborated in the small number of follow-up interviews – is that project has had a strong positive impact on commercial performance of the businesses. This allows us to make indicative estimates of the economic impact of the project, as measured through Gross Value Added (GVA). However, before this exercise undertaken it is important to recognise three important factors:

- The capture and measurement of GVA was not a requirement in the current 2014-2020 programme. Therefore, projects including LMAP (and HVMIP) have not captured that information on ongoing basis. Whilst the MHCLG summative assessment guidance now makes reference to evaluations needing to capture the economic impact – and GVA is one of the indicators it suggests – this has required a certain amount of 'retrofitting' (principally through end of project evaluations). It is also important to recognise that the summative assessment guidance was issued after projects commenced.
- Therefore, any approach has to be based on the information received through the evaluation. In this case, the online survey that was undertaken. However, it is important to reiterate that the responses to the survey only represent a sample of businesses supported. Given that the survey was anonymised (due to GDPR requirements) it is not possible to tell whether the sample if representative of the whole supported population. As indicated earlier, we received 97 responses to the survey from businesses who received support from the LMAP (including 9 who received support from both LMAP and HVMIP). Based on the 294 businesses supported[22] this would mean that the confidence interval associated with this sample size would be +/-8.2% at a 95% confidence level (assuming that the sample is representative of the whole supported population)[23]. That is, we can be 95% confident that the quantitative responses provided would be within a range of +/-8.2% of the average. We use this confidence interval as a range to express the potential economic impact of the project.
- Measuring impact through GVA should only be used if it is 'relevant' to the intervention e.g. it may not be relevant to some ERDF projects which will not necessarily have a focus on commercial impact, or that impact may be considerably lagged. Innovation projects provide an example. However, we do feel there is more relevancy to the SWMAS projects, even though it is important to recognise that the feedback from the survey is that even more considerable commercial benefits may take place over time. Feedback from our telephone interviews suggested, that for some businesses, the benefit of the support was immediate e.g. new capital equipment/machinery quickly allowed them to expand production.

In terms of estimating the indicative impact of the project we use two broad approaches, and then understanding whether they broadly corroborate or differ.

- An 'employment based' approach – this simply takes the number of jobs supported and assumes that the GVA created by those new employees matches typical levels found in the area.
- A 'turnover and cost based' approach – this takes the findings of the survey in terms of typical turnover 'uplift' and applies it to the baseline (pre-support) turnover figures to estimate the additional turnover that may have been supported. That is then converted to GVA using a benchmark turnover: GVA ratio. We also estimate the cost savings supported by the LMAP – recognising that GVA can be influenced by 'top-line' and 'bottom-line' improvements.

[22] This was the number of supported businesses at the time the online survey was conducted. Therefore, this has been taken as the population to estimate the confidence interval

[23] Although not all of the questions were answered by all of those who responded, therefore confidence intervals would be wider for those specific questions

Both approaches will produce an *annual* estimate of GVA impact. It is important to recognise that benefits will last longer than one year, although our expectation is that they will not necessarily persist over the long-term. Therefore, we use a pragmatic assumption that benefits will last for a period of 3 years.

Employment based approach:

As shown previously, 327 businesses have been supported to date through the LMAP (in the form of projects – with a target of 432), with 270 of these being grant-funded project. The output monitoring data shows that evidence has been collected to demonstrate that 232 new jobs have been created, with an expectation more to be evidence before the project closes (with a target of 320). That effectively assumes that 0.7 jobs will be created for each business supported.

In addition, the responses to the LMAP survey suggested that out of the cohort of businesses who responded to the survey, they had created between 34-40 new FTE jobs[24]. We have converted part-time jobs to FTE assuming that a PT job is equivalent to 0.5 FT jobs. Therefore, the survey broadly corroborates (or just marginally below) the profiled job output data that on average 0.7 jobs will be created per business assist, although the survey shows that job creation certainly does not take place across all supported businesses and occurs to varying degrees.

The latest published data[25] (2017) the average GVA per filled job in each of the LEP areas. We have estimated the average GVA per job across the LMAP region as £46,885 (2017 prices)[26]. If that figure was representative of the typical productivity of a job supported in the HVMIP business that would be equivalent to circa £12,659,000 annual GVA created to date (based on 270 jobs). If the projected job target were met this would increase to circa £15,003,000 per annum. If we took our assumption that those benefits would persist for a minimum of 3 years, then this would be equivalent to between £37,977,000 and £45,009,000. These future benefits have not been discounted, nor have they been 'decayed' to reflect any declining influence of the project support.

In many respects, the size of these estimates demonstrates that the LMAP has had stretching job targets (we comment on this in the following sections).

Turnover and cost-based approach:

The project monitoring data for the LMAP shows that for those businesses that provided baseline turnover information at the time of their IDB the mean average annual turnover was just over £2.5mn. However, the median average was £1mn – reflecting that the project supported several large businesses (a skewed distribution).

[24] The range represents the fact that banded options were provided in the question – the range therefore representing the top and bottom of those banded options.

[25] 'Sub-regional productivity – Local Enterprise Partnership' - ONS

[26] There are no officially published regional figures but we have estimated a weighted average using the number of jobs in each region and the GVA per job for each LEP area

The online survey showed that out of 87 businesses supported through LMAP (not including those also supported through HVMIP), 50 said they had experienced growth in turnover as a direct result of the support provided. For those businesses where a positive impact had been experienced the average (mean) annual uplift was estimated to be circa 7%[27] on their pre-support (baseline) levels[28]. However, we also need to recognise that 37 businesses had not yet had a positive turnover impact and we assume a '0' impact for those businesses to date. Therefore, across the whole sample this equates to a (mean) average of a 3.9% annual uplift.

Based on that calculation, if that typical uplift is applied to the whole cohort of 327 businesses supported through a project intervention, we estimate that it could have uplifted total annual turnover by circa £12,947,000. By utlising the confidence intervals highlighted earlier (+/-8.2%), this is within a range of £11,846,000 and £14,009,000.

To convert this to GVA we use a typical turnover: GVA ratio for manufacturing businesses in the South West[29], equivalent to 0.33[30]. Therefore, the annual GVA equivalent impact would between £3,909,000 and £4,623,000, with a mid-point of £4,272,000. Again, if we assume that benefits persist for 3 years this would be equivalent to between £11,728,000 and £13,868,000, with a mid-point of £12,817,000. Again, no assumption about discounting or decay has been included.

However, it is important to also recognise that the LMAP support also provided benefits in terms of cost efficiencies. Although no baseline data on cost base was collected by the project, the online survey did include a question which provides the basis of further estimates. 28 of the 87 businesses who responded to the survey stated that the support had directly led to a reduction in costs. For those businesses where a positive impact on cost reduction had been experienced the average (mean) annual cost reduction was estimated to be circa 6.3%[31] on their pre-support (baseline) levels[32]. However, we also need to recognise that 59 businesses had not yet had a positive cost impact and we assume a '0' impact for those businesses to date. Therefore, across the whole sample this equates to a (mean) average of a 1.8% reduction in costs.

Based on that calculation, if that typical cost reduction is applied to the whole cohort of 327 businesses supported through a project intervention, we estimate that it could have reduced total annual costs by circa £5,160,000. This estimate is based on data which suggests that costs[33] within manufacturing businesses within the South West equates to 86% of annual turnover[34,35]. By utlising the confidence intervals highlighted earlier (+/-8.2%), this is within a range of £4,722,000 and £5,583,000.

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[27] The businesses were given banded options in this question. We have taken the mid-point for each banded option in our analysis

[28] A few businesses said that they had experienced a positive turnover impact but could not quantify. We have assumed that the median average from those businesses which did quantify the impact also applied to this small cohort

[29] 'Annual Business Survey – Regional Results' - ONS

[30] Based on a 3-year average between 2015 & 2017

[31] Again, the businesses were given banded options in this question. We have taken the mid-point for each banded option in our analysis

[32] A few businesses said that they had experienced a reduction in annual costs but could not quantify. We have assumed that the median average from those businesses which did quantify the impact also applied to this small cohort

[33] Costs include cost of sales and employee costs – both are thought applicable in this context given that enhanced operational efficiency has the potential to reduce both factors

[34] 'Annual Business Survey – Regional Results' - ONS

[35] Based on a 3-year average between 2015 & 2017

Again, we convert this to GVA using the above ratio. Therefore, the annual GVA equivalent impact would between £1,588,000 and £1,843,000, with a mid-point of £1,703,000. Again, if we assume that benefits persist for 3 years this would be equivalent to between £4,674,000 and £5,528,000, with a mid-point of £5,109,000. Again, no assumption about discounting or decay has been included.

We feel it totally appropriate to consider both the top-line (turnover uplift) and bottom-line (cost reduction) impacts in conjunction. On that basis, the annual GVA impact through this 'turnover and cost approach' is between £5,467,000 and £6,465,000, with a mid-point of £5,975,000. Over a 3-year period this would equate to £17,926,000.

Comparison of estimates:

Therefore, the two approaches do provide a relatively wide range of possible impacts as measured by GVA. Through the employment-based approach we estimate impact to date equivalent to circa £15,003,000, whilst the employment & cost approach estimates an impact of circa £5,975,000 per annum. Over a 3-year 'return period' this equates to a range of £17.9mn and £45.0mn. This should be viewed as the *gross* impact.

Placed against the ERDF investment of £2,476,200 this would represent a return of between 7.2 and 18.2 – a highly positive return. As the survey indicates, this could increase as more positive impacts for the business develop over time. However, this is uncertain at this time and we have concentrated on estimating impact to date.

The significant difference in the range of our estimates is predominantly driven by the significant amount of jobs that have been claimed through the project.

Overall, our informed view that we would be more comfortable with basing our view on the lower estimate, given that it still represents a highly positive return. It is also useful to reiterate that these are estimated gross returns, with net additionality considered later in this section.

Impact Indicator		**Impact Area: LMAP project area Performance at Time of Evaluation**		**Impact Area: LMAP project area Projected Performance at Project Closure**	
		Measure	**Adjustment**	**Measure**	**Adjustment**
Employment (Unit = FTEs)	Gross impact	232		320	
	Deadweight/reference case	(46.4)	20%	(64)	20%
	Displacement/substitution	(23.2)	10%	(32)	10%
	Leakage	(11.6)	5%	(16)	5%
	Multiplier effects	60.3	1.4	83.2	1.4
	Net additional	211.1		291.2	
GVA	Gross impact	£17.9mn		£17.9mn	

Impact Indicator		Impact Area: LMAP project area Performance at Time of Evaluation		Impact Area: LMAP project area Projected Performance at Project Closure	
		Measure	Adjustment	Measure	Adjustment
(Unit = £m)	Deadweight/reference case	(£3.6mn)	20%	(£3.6mn)	20%
	Displacement/substitution	(£1.8mn)	10%	(£1.8mn)	10%
	Leakage	(£0.9mn)	5%	(£0.9mn)	5%
	Multiplier effects	£4.7mn	1.4	£4.7mn	1.4
	Net additional	£16.3mn		£16.3mn	

4.8 Strategic Added Value

SWMAS play an important role in helping partners understand the needs and requirements of the manufacturing sector within the South West region (and beyond), principally the Local Enterprise Partnerships. Both the SWMAS Managing Director and the ERDF project manager attend events, often providing insight and views regarding the how the sector is developing. The emergence of the UK Industrial Strategy, and the associated Local Industrial Strategies being developed in each LEP area, provides an opportunity to influence how policy can be orientated to meet the needs of manufacturers. SWMAS recognise this and are engaging with partners through this process.

The SWMAS Manufacturing Barometer provides important insight into the issues facing manufacturers across the UK. It acts as useful evidence to understand the state of the sector. It is the largest survey of its kind focused solely on the manufacturing sector and is informing the Government's Industrial Strategy and national policy discussion on manufacturing.

Manufacturing is increasingly a difficult sector to define. In many respects new technology such as 3D printers are allowing a whole new range of businesses to 'produce' something, relatively quickly and at a lower cost. Therefore, the cohort of businesses that SWMAS aim to support is constantly evolving. This is certainly the view we have formed from speaking to businesses, they were involved in a diverse set of activities and serving very different markets. Many of the business owners wouldn't have necessarily defined themselves as manufacturers, but they were certainly involved in their own manufacturing processes.

Through its role as a direct deliverer of advice and support to businesses manufacturing, SWMAS are well positioned to provide insight from the businesses. Our understanding is that SWMAS certainly try to use this position to work at a strategic level to influence policy, recognising that there is a 'public good' they can provide beyond their own commercial considerations. As previously stated, the feedback we have received through this evaluation is that they are a well-respected and trusted organisation and their views are respected.

The LMAP and HVMIP projects have allowed them to continue to understand the capabilities and needs of manufacturing businesses across the region, helping to influence local policy moving forward. The emphasis on manufacturing in local policy circles does differ across the region.

4.9 Has it made a difference?

Evidence gathered during this evaluation suggests that the LMAP has certainly made a positive difference to the businesses that it has supported. In our view, the strength of positive feedback has been very strong and allows us to have a degree of confidence that it has delivered a professional and valued service.

The evidence from the online survey and associated telephone interviews has presented a wide range of positive responses. In the course of this evaluation we have not received any negative comments on the quality of service provided, all responses showed how positively the support was received.

As the case studies and soundbites contained in this report illustrate, the support has definitely made a difference to many businesses, particularly to those in early-stage development and who recognised that they did not hold sufficient expertise. Even though the size of grants were relatively minor, for small businesses it often allowed them to purchase new capital equipment/machinery which has been transformative.

The survey results also indicate that the project support has already resulted in a wide range of positive commercial impacts, with more expected to generated in the future. Importantly, many of these positive outcomes can directly be related to the 'productivity agenda' which UK Government economic policy very much focuses on. By improving cost efficiency (as shown in Chart 30) and expanding output, the support is having a direct impact on business productivity.

SUMMARY:

- The majority of businesses that responded to the survey felt that the LMAP support had been 'very important' to their subsequent development. This view was corroborated by feedback received through our telephone consultations, with support being provided at an important stage of development for small businesses.

- The evidence suggests that the support has led to commercial impact, with 58% of those responding to the survey stating that it had positively influenced turnover and 32% reducing operational costs. This demonstrates that support had both a top-line and bottom-line impact for many supported businesses.

- Only 1-in-7 businesses who responded to the survey felt that no commercial impact had been felt to date.

- Our objective view is that the project has fully met the objectives as defined in the original ERDF project logic model. In that sense, it has fully achieved what it set out to do – and for what the ERDF funding was provided.

- The survey suggests that the deadweight that can be associated with the support is relatively low – many businesses would not have progressed with planned or improvement or done so more slowly and/or at a lower quality. It also suggests that market displacement is low – many businesses serving target markets beyond their respective LEP areas. The businesses that were supported were also very diverse and often offering quite specific product offerings, again suggesting the potential for local displacement is low.

- The estimates that we have provided in terms of indicate the ERDF support has generated a very positive return against that public investment. We have captured the turnover and cost impact of the project support and, assuming that the benefits of the support and advice are in place for a few years, the estimated measured impacts are significant. In our view it fully justifies that original investment.

SECTION FIVE: VALUE FOR MONEY

5.1 Introduction

Value for Money (VFM) is normally assessed with reference to project outputs, benchmarked against other similar interventions. This section of the report endeavours to provide appropriate benchmarks against which to assess LMAP's VFM and also contextualises the assessment with reference to wider evidence.

5.2 Assessment

As with all European grants, the funder effectively agrees to 'buy' a number of outputs. In the case of LMAP this included a relatively wide range of outputs. However, in this section we focus on the principal outputs where comparable benchmark data is available.

VFM is normally assessed with reference to project outputs and impacts, benchmarked against other similar interventions. Value for money is normally assessed against total public sector cost – in this case the ERDF funding of £2,476,198. Again, this is not always a completely accurate or informative exercise because interventions tend to differ. Therefore, some care needs to be taken in the interpretation of the figures.

There is one benchmark that we do use for reference. This is:

- National research conducted by Regeneris Consulting on behalf of DCLG (as was) which developed a series of benchmarks for the proposed 2014-2020 programme, based on DCLG data from the 2007 to 2014 programme[36]; and,

It is important to note that the below table includes an assessment based on outputs delivered to the end of March 2019 – and projected performance at project closure (shown in brackets). We have only included a small number of 'principle' ERDF outputs in the table. Table 8 shows that unit costs of the output delivery are expected to decrease further before the project is completed. It is also important to note that the benchmark cost per outputs are based on historical prices, whereas the cost per output for the LMAP is shown in current prices. Therefore, they are not directly comparable due to price differentials. They do provide an indication of cost effectiveness.

There are several important points which need to be recognised when interpreting the below table:

- Primarily, the fact that the LMAP has delivered a wide range of outputs through the ERDF funding. This means that no single output should be considered in isolation and to do so would be misleading. For example, a single business assist (C1) may have delivered a new product (C28 or C29) as well as supported an additional job (C8) – the cost of providing support to that business will have delivered all of these outputs.
- Given that a large proportion of the LMAP budget was represented by grants which were given directly to businesses, the whole project cost is not that reflective of the 'cost of support'. This should be represented by the revenue funding allocated specifically to the delivery of the service. As shown earlier, this will equate to £1,669,196 over the project period (if target spend is met), representing SWMAS delivery costs. If the value-for-money assessment was based on that

[36] England ERDF programme 2014-2020: Output Unit Costs and Definitions. A final report by Regeneris Consulting

narrower definition of the cost of delivery, the cost-effectiveness of the project would increase further.

Table 19: Value for Money Assessment

Indicator	Actual (Projected) Performance as June (September) 2019		Regeneris Research (based on DCLG database of projects funded through the 2007-2014 programmes)	Conclusion
	No.	Unit cost		
C1: Number of enterprises supported	**327 (432)**	**£7,572 (£5,731)**	**The mean cost was £34,000** **The median cost was £10,200** **The lower quartile was £4,700** Regeneris suggest a range of £2,500 to £4,700 is used as a starting point.	
C28: Number of enterprises supported to introduce products new to the market	**63 (85)**	**£39,305 (£27,513)**	**The mean cost was £94,000** **The median cost was £28,000** **The lower quartile was £15,600** Regeneris recognise that this is a complex definition. There was no corresponding ERDF output indicator in the previous ERDF programme – the closest being the results indicator 'business with new or improved products, processes or services'. In this instance a unit cost based on the median total public sector cost per business assisted would reflect an intensive assist to support innovation, the average of the lower quartile would reflect a less intensive lower level of support.	
C29: Number of enterprises supported to introduce products new to the firm	**101 (43)**	**£24,517 (£45,021)**	**The mean cost was £94,000** **The median cost was £28,000** **The lower quartile was £15,600** Regeneris recognise that this is a complex definition. There was no corresponding ERDF output indicator in the previous ERDF programme – the closest being the results indicator 'business with new or improved products, processes or services'. In this instance a unit cost based on the median total public sector cost per business assisted would reflect an intensive assist to support innovation, the average of the lower quartile would reflect a less intensive lower level of support.	
C8: Employment increase in supported enterprises	**232 (320)**	**£10,673 (£7,738)**	**The mean cost was £71,000** **The median cost was £25,700** **The lower quartile was £11,500** Regeneris suggest that the lower quartile figure is only relevant for a lower intensity business support and recommend that a figure of £26,000 gross cost per job is used as the starting point	

Table 19 shows that largely the cost effectiveness of output delivery has performed strongly when compared to national and local benchmark measurements. This will improve as more evidence is collected through the final stages of the project. To reiterate, this also does not account for price differentials. The project has performed particularly strongly with regards to C1 and C8 unit costs. The cost per job delivered by the project should be regarded as relatively cost effective, particularly given that job creation was not a core objective of the project.

Therefore, it is our view that the programme has been delivered in a highly cost-effective manner and has provided excellent value-for-money when set against the output targets for the respective ESIF programmes as a whole

We recognise that this assessment could be considered somewhat flawed. In order to get a holistic view of the value-for-money of the programme all outputs should be considered jointly, and not in separation. It should also consider vfm based specifically on the cost of project delivery, excluding the grants that were given directly to businesses. If both of these adjustments were to be taken into account, the project could be seen as being delivered on an even more cost-effective basis.

SUMMARY:

- The LMAP has been delivered in a cost-effective manner, delivery most of its ERDF outputs below the available benchmark data, based itself on historical evaluation evidence.
- In particular it appears that it has supported new product development – either new-to-the-firm or new-to-the-market in a relatively cost-effective manner. This is an important finding in the context of the overall project objective of aiming to stimulate innovation in the supported businesses.
- It has also supported new job creation in a relatively cost-effective manner, perhaps surprising given that much of the support provided focused on improving operational efficiency which could sometimes have resulted in a reduced need for labour input
- The focus that SWMAS maintained on delivery against contracted output targets appears to have resulted in the project delivering good value for the ERDF investment

SECTION SIX: CONCLUSIONS AND LESSONS LEARNED

6.1 Introduction

This final section of the report provides an overall assessment of the LMAP project, highlighting some points for consideration and potential lessons for the future.

6.2 Overall Assessment

The LMAP set out to address a clear market failure and, at a basic level, the associated activities were found to represent an effective project design. The feedback we have received from businesses supported by LMAP is that it has been delivered professionally and has added value to their operations. The LMAP manufacturing specialist was seen as experienced and knowledgeable in his field, accessible and has maintained good ongoing relationships.

The online survey undertaken for this evaluation received almost universally positive responses, and the businesses were content to attribute subsequent positive impact in their business to the support received. Our consultations with a small (11) number of businesses supported through the programme highlighted how LMAP support has acted as an important element to their growth. We spoke to several progressive and innovative businesses which had been assisted, all of which were now operating more efficiently than pre-support.

Overall, SWMAS was seen by stakeholders as a trusted partner, and the experience and continuity it has brought to the project delivery has been well regarded.

The project has been delivered in a cost-effective manner. SWMAS has designed and delivered a project which has been appropriately resourced, but certainly should not be regarded as 'top-heavy'. The grant process is seen as a notable example of how a well-defined process can be managed in a relatively 'light-touch' way, whilst not compromising the compliance requirements of the accountable body.

6.3 Lessons Learned

6.3.1 Lessons for Policy Makers

- In our view, SWMAS has delivered a business-friendly grant process which has been commensurate to the needs of business (and the scale of financial assistance sought) whilst not compromising on compliance requirements. The discretion and trust afforded to the manufacturing specialists – guided by clear guidance from the programme management team – has utilised their experience. This has resulted in a relatively 'light touch' and, importantly, quick process which has allowed businesses to progress their plans without significant delay. This compares favourably against other grant programmes operated elsewhere, where approvals tend to be determined by committee. We feel the SWMAS model – in-the-field experienced backed up by robust 'checks and balances' in the core team – should/could be considered elsewhere.

- As with all ERDF funded activities operating in England the projects managed by SWMAS operate on a cost and overhead recovery basis (nil profit). However, this creates a number of real business challenges and limitations for commercial (and non-commercial) organisations seeking to deliver projects. Whilst

SWMAS has been able to deliver the projects successfully, the margins (between it being sustainable or a loss-making activity) have been extremely tight. The experience of SWMAS suggests that the 15% overhead recovery factor does not reflect the true costs of delivering ERDF projects.

6.3.2 Lessons for Those Designing and Implementing Similar Interventions

- The benefits on project delivery (in terms of quality and efficiency) of continuity and experience should not be underestimated. SWMAS is experienced in delivering ERDF projects and had in place a highly experienced team which was able to 'hit the ground' running. Despite the protracted start to the project, the experience of the team members meant that it was able to build momentum relatively quickly – mostly through existing relationships with businesses. In funding programmes there is often the urge to invest in new activities which require new systems/processes/teams to be put in place, impacting on how quickly momentum can build. We feel these projects conversely demonstrate the benefit of investing in 'what works' and allowing continuity in delivery.
- The importance of robust management information has been demonstrated in the evaluation of these SWMAS projects. The way that the management information has been used by the project team to help direct and flex activities is, in our opinion, a good example of how information can be used as a tool, rather than just being seen for reporting purposes.

6.3.3 Lessons for the Grant Recipient

- When delivering projects in a multi-partner context (often determined by geography) it is important for project progress to be as visible as possible. Many partners are principally concerned by delivery in their area, and it may be advantageous for SWMAS to consider how the geographical spread of supported businesses can be regularly and clearly demonstrated. Moving into the next phase of delivery it may be appropriate for SWMAS to consider how it demonstrates project progress.
- Following on, it may be an opportune moment for SWMAS to 'refresh' some of the relationships with project partners in some areas. This would provide benefits in terms of visibility but also to keep the available support at the forefront of partners minds, potentially facilitating further referrals.

ANNEX A: Beneficiary business profile by area

Category of Region	SMEs	Employees			Turnover		
		Median	Min	Max	Median	Min	Max
Less Developed	43	5	1	98	£450,000	£10,000	£8.2m
More Developed	469	10	1	150	£610,000	£1,000	£14m
Transition	124	14	1	160	£1m	£10,000	£18m
Total	**636**	**12**	**1**	**170**	**£1m**	**£1,000**	**£35.3m**

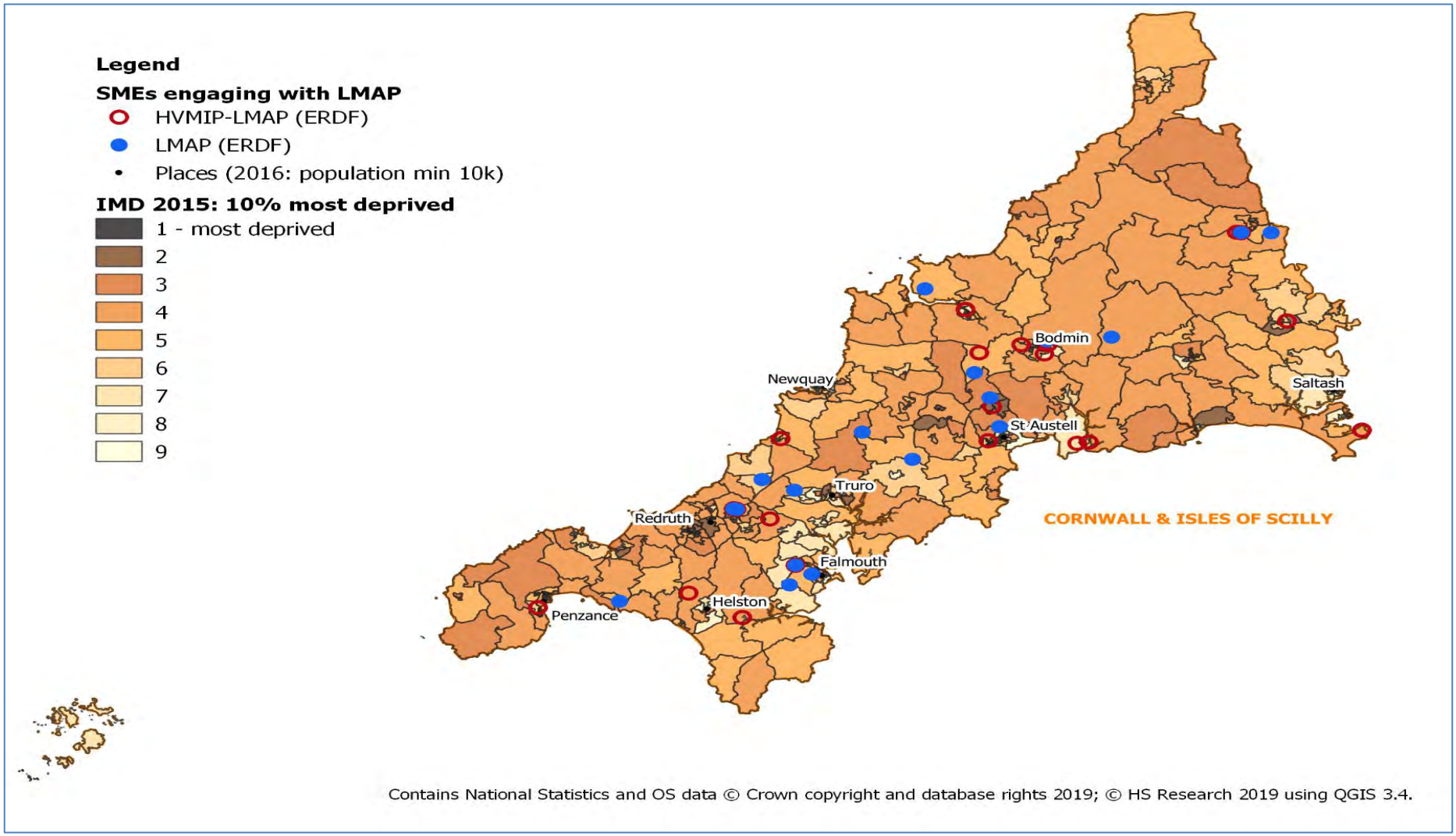
LEP	SMEs	Employees			Turnover		
		Median	Min	Max	Median	Min	Max
CloS	43	5	1	98	£450,000	£10,000	£8.2m
Dorset	107	14	1	160	£1m	£10,000	£18m
Gloucestershire	99	15	1	115	£1.2m	£1,000	£17m
HotSW	198	13	1	150	£1m	£1,000	£14.5m
Swindon & Wilts	87	10	1	170	£1m	£1,000	£35.3m
West of England	102	17	1	157	£1.3m	£1,000	£14m

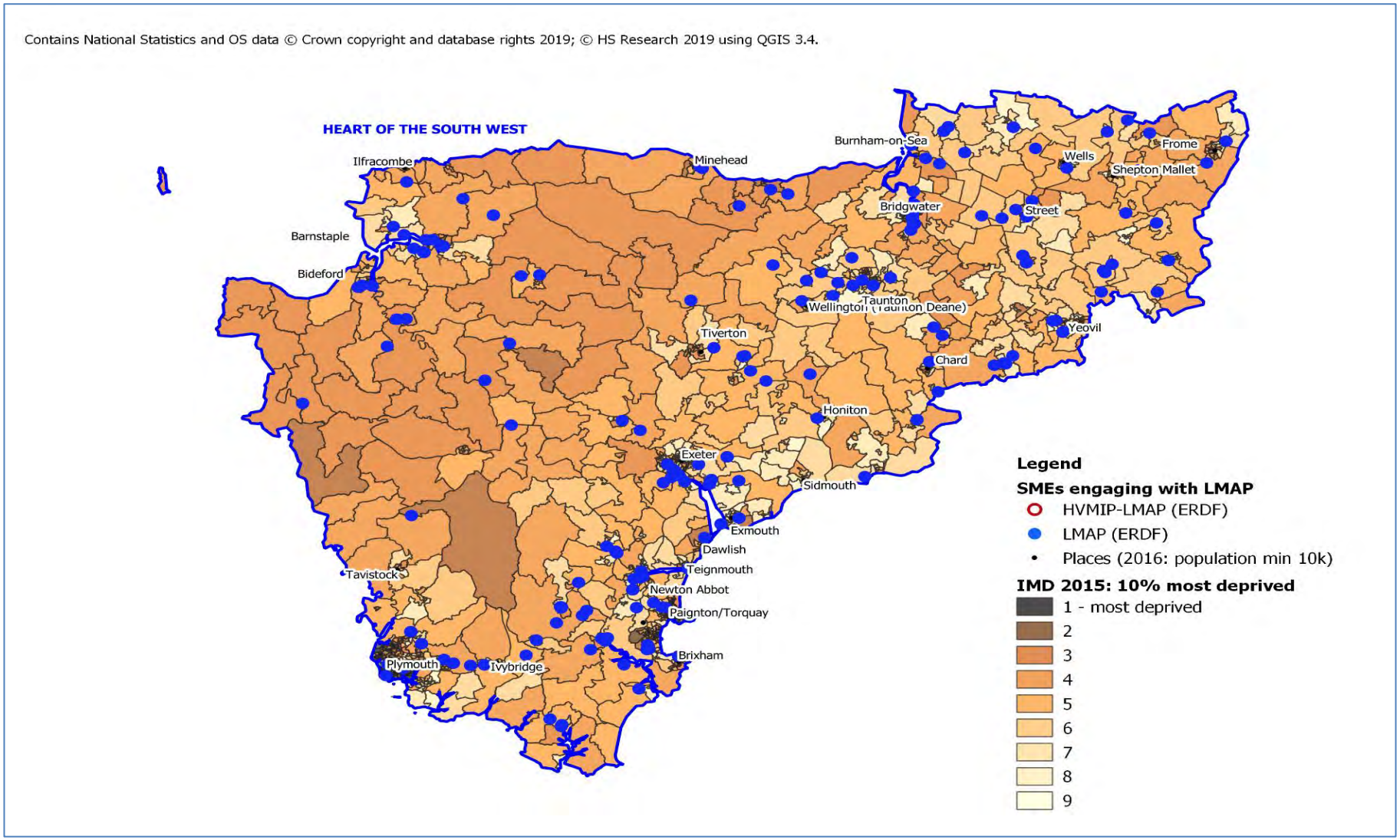
ANNEX B: Claim process and compliance checks

Programme Support	Receive enquiry							Create a record of ERDF expenditure (ongoing)		Chase client for any missing or inaccurate claim info						
Compliance		Receive original paperwork and audit check			Check grant offer and all associated paperwork	Send grant offer to client	Inform MS to open project on BAT			Collate project paperwork: IDB proposals, supplier justification, grant offer; add project file						Conduct impact (jobs) verification and collect evidence of products launched
Manufacturing Specialist (MS)		Conduct IDB		Process grant application	Create grant offer and send to compliance for checks				Conduct f2f project closure meeting, checks spend and grant value & collects impact							
SWMAS BAT	Log enquiry & refer	MS Log IDB & financials		Log grant application & proposals & supplier justification		Log grant offer	MS opens project		**DELIVERED** – log closure meeting and mark as 'complete'. Add impact		**OK TO CLAIM** – Log thatproject can be added to next claim		**CLAIM** – Log project has been added to claim	**CLAIM PAID** – Log claim has been paid (project)	**GRANT PAID** – Log grant has been paid (client)	
SME (Client)			Procure supplier			Client receives grant offer & starts project		Project delivery phase		Client sends claim evidence & grant invoice to the Hub						
Project Manager											Construct claim using BAT & expenses data					
Finance										Check compliance of all claim paperwork from client		2nd check claim + sign-off	Send the claim to MHCLG		Pay the client's grant invoice	
MHCLG														Process claim and pay SWMAS		

…

ANNEX C: Beneficiary business profile by LEP area

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HEART OF THE SOUTH WEST
Ilfracombe
Minehead
Burnham-on-Sea
Wells
Frome
Shepton Mallet
Bridgwater
Street
Barnstaple
Bideford
Taunton
Wellington (Taunton Deane)
Yeovil
Tiverton
Chard
Honiton
Exeter
Sidmouth
Exmouth
Dawlish
Teignmouth
Tavistock
Newton Abbot
Paignton/Torquay
Brixham
Plymouth
Ivybridge
Legend
SMEs engaging with LMAP
HVMIP-LMAP (ERDF)
LMAP (ERDF)
Places (2016: population min 10k)
IMD 2015: 10% most deprived
1 - most deprived
2
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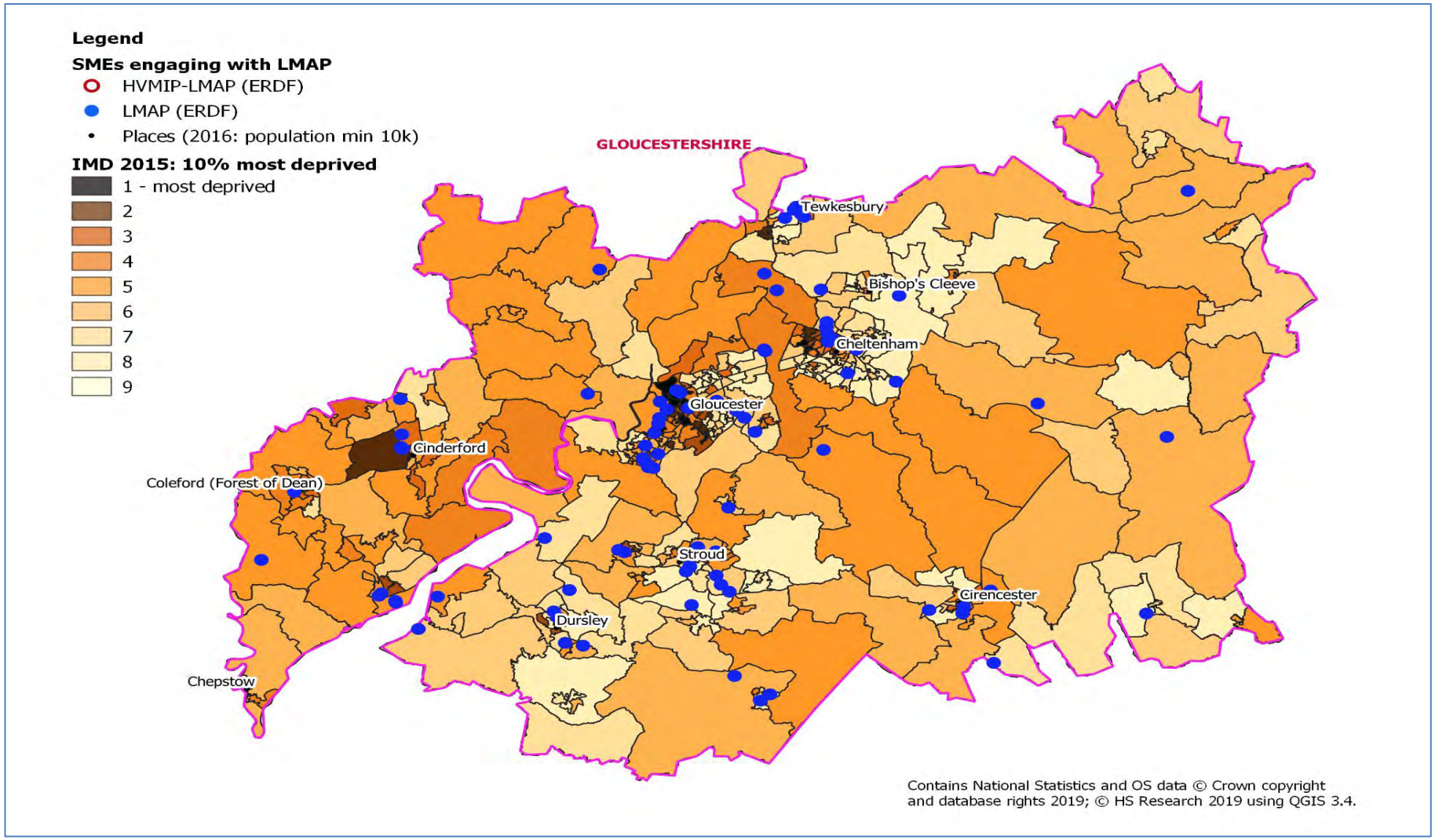
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GLOUCESTERSHIRE
Tewkesbury
Bishop's Cleeve
Cheltenham
Gloucester
Cinderford
Coleford (Forest of Dean)
Stroud
Cirencester
Dursley
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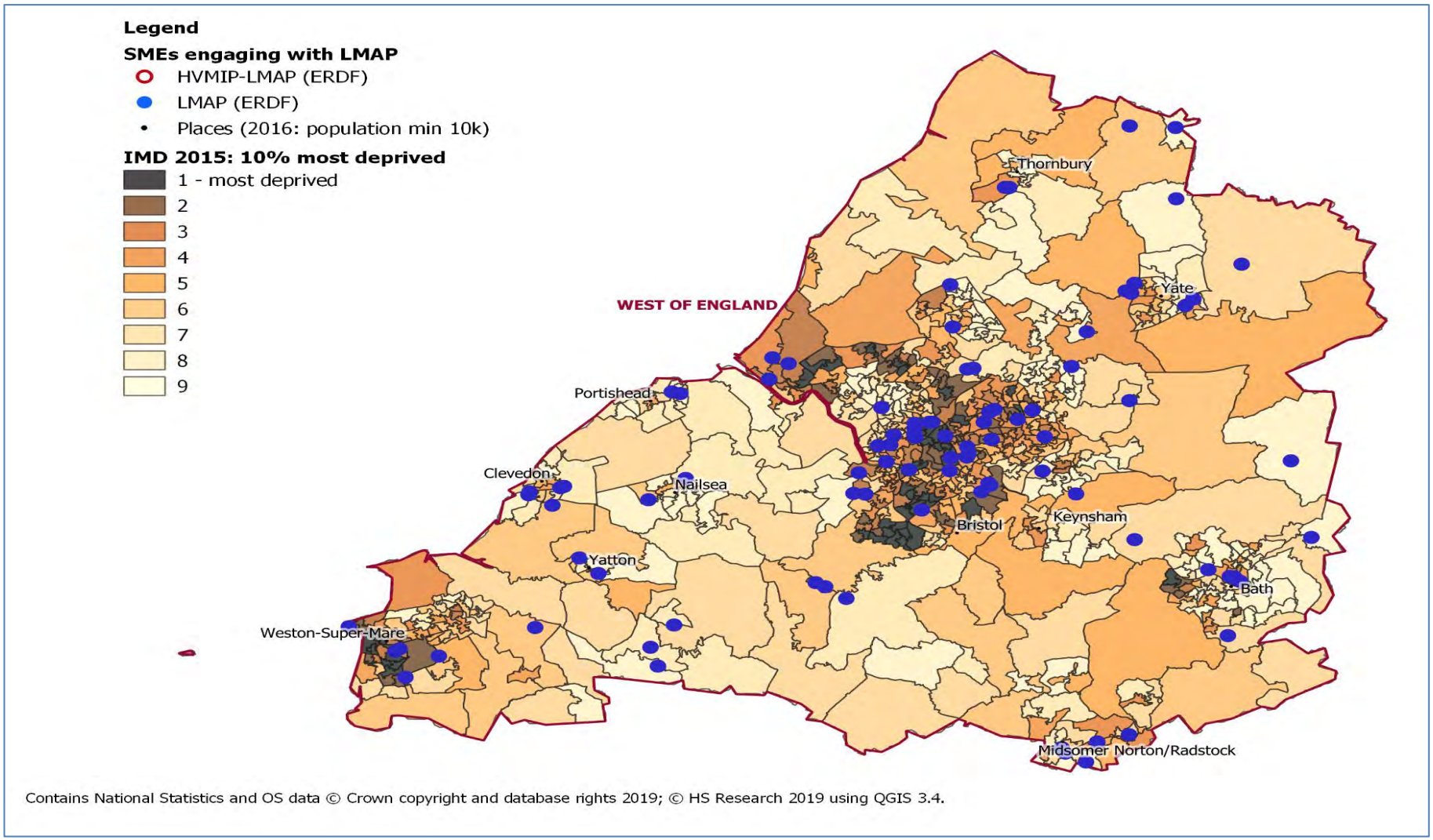
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WEST OF ENGLAND
Thornbury
Yate
Portishead
Clevedon
Nailsea
Bristol
Keynsham
Yatton
Bath
Weston-Super-Mare
Midsomer Norton/Radstock
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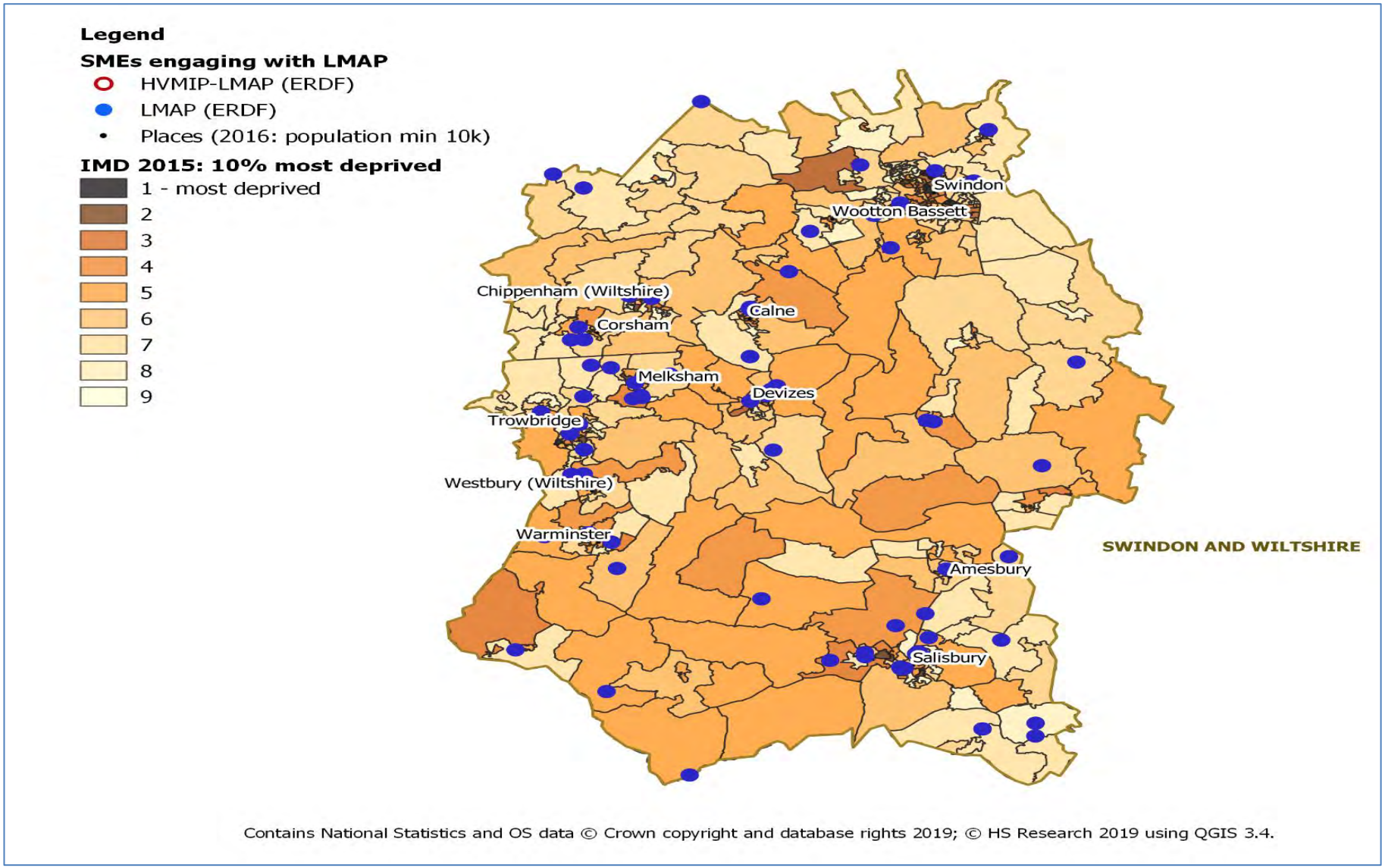
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Swindon
Wootton Bassett
Chippenham (Wiltshire)
Calne
Corsham
Melksham
Devizes
Trowbridge
Westbury (Wiltshire)
Warminster
Amesbury
Salisbury
SWINDON AND WILTSHIRE
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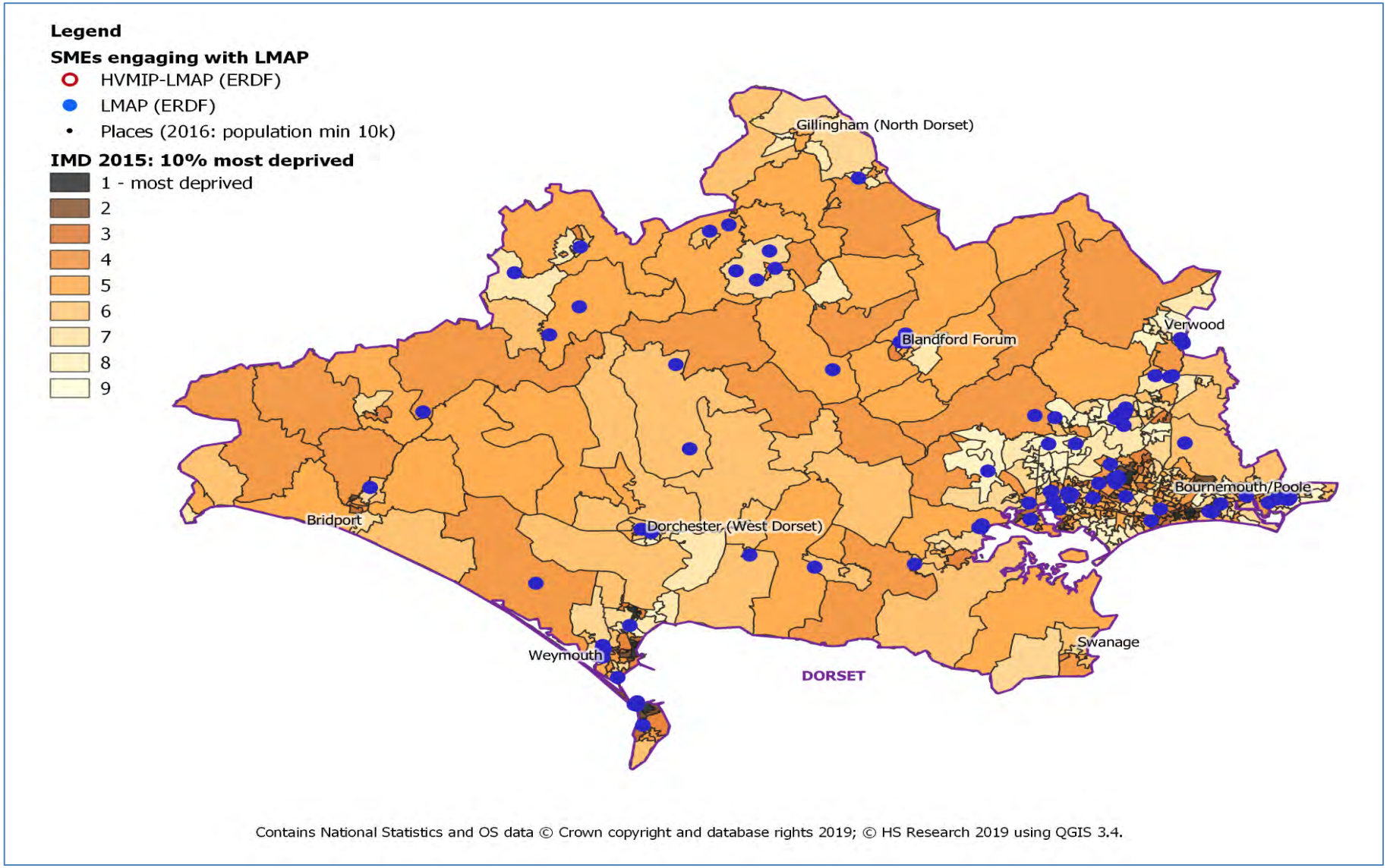
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LMAP (ERDF)
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IMD 2015: 10% most deprived
1 - most deprived
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Gillingham (North Dorset)
Blandford Forum
Verwood
Bournemouth/Poole
Bridport
Dorchester (West Dorset)
Weymouth
Swanage
DORSET
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ANNEX D: Stakeholder Consultations (HVMIP and LMAP)

Name	Organisation/Network
Badder Alfaresi	MHCLG
Daniel Newman	Torbay Hi-Tech Forum
David Hynd	Heart of the South West Growth Hub
David Riddell	Innovate2Succeed
Debbie Passmore	Torbay & South Devon Manufacturers Group
Eifion Jones	Heart of South West Local Enterprise Partnership
Finn Morgan	Dorset Gateway
Heather Coupland	Oxford Innovation
Helen Heanes	Dorset County Council
Jane Warren	Dorset Engineering & Manufacturing Cluster
Jo Minnaar	Swindon & Wiltshire Growth Hub
Jon Hurell	Cornwall Manufacturers Group
Julian Head	Swindon & Wiltshire Local Enterprise Partnership
Karen Friendship	Plymouth Manufacturers Network Group
Mark Rogers	Department for International Trade
Matt Borne	Cornwall & Isles of Scilly Growth Hub
Matthieu Harvard	MHCLG
Paul Gilbert	SWMAS manufacturing specialist
Peter Brown	Gloucestershire Growth Hub
Peter Norris	Department for International Trade
Rachel Brain	Gloucestershire (GFirst) Local Enterprise Partnership
Simon Howes	SWMAS
Steve Gerry	Plymouth Manufacturers Network Group