INSIGHTWORKS

Gaining Advantage in New Enterprise Growth (GAIN)

A Summative Assessment - March 2023

European Union
European Regional Development Fund

e.factor GROUP LTD

MODAL TRAINING CENTRE

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INSIGHTWORKS

Summative Assessment History

Following an Invitation to Tender and a competitive review in December 2022, the Insight Works team were appointed as evaluators by E-Factor Group Ltd in January 2023 to undertake a Summative Assessment of the European Regional Development Fund (ERDF) GAIN (Gaining Advantage in New Enterprise Growth) project.

This report adopts a structure in line with the requirements set out by the ERDF Managing Authority – the Department for Levelling Up, Housing and Communities (DLUHC) – as set out in Summative Assessment Guidance ESIF-GN-1-033 Version 4 01/07/2021 and ESIF-GN-1-034 Version 4 01/07/2021.

Approach

Our effort in this assessment has been centred around five key practices:

Focus, a method of managing inception which defines the critical issues, priorities and lays the foundations for assessing added value and value for money.

Explore, a forensic review of project documentation, PIV,OTSV and PCRs, management information, team and partner views, beneficiary surveys and an examination of the project Logic Model. Our interviews were informal, non-attributable and structured, drawing on responses to open questions.

Analyse, bringing together the results from the focus and exploration phases (particularly the management information and beneficiary surveys) into Insight Works team review sessions to clarify economic impact, project outcomes and support, driven by an active search for specific insights and lessons learned.

Innovate, applying proven innovation tools and techniques to generate improvement ideas particularly in terms of the comprehensive identification of impacts and understanding of beneficiaries.

Report, meeting (and exceeding) all client, Managing Authority and ITT requirements. In line with the guidance our work has assessed:

- The Rationale, design, context, and project logic
- Performance against contracted targets and expenditure profiles
- Impact on individuals and organisations
- Project management and governance processes
- The Performance of key delivery components
- Lessons learnt, strengths and weaknesses
- Recommendations for future delivery

The Insight Works Team:

Conducted a review of the Full Application and subsequent Project Change Requests (Feb 2020, Sept 2021, Apr 2022) the former outlined the original rationale and context under which the project was designed and developed, its objectives and the model created to deliver the objectives along with the adaptations that were made during delivery. The PCRs remodelled the project based on the on-going performance and MA requirements.

Analysed available Management Information, including the project documentation, organisation chart, Logic Model, Case Studies and company and event data to verify performance against the objectives and targets, seeking to understand the nature and scale of support and the quality of data capture.

Interviewed the Team and Partners with an Inception meeting on 18/03/23 involving Catherine Espin and Tim Maddinson, followed subsequently by interviews with:

- 08/02/23 - Mark Webb Managing Director E-Factor
- 08/02/23 - Tim Maddinson Business Support and Advice Manager E-Factor
- 08/02/23 - Rachel Appleton Business Advisor E-Factor
- 08/02/23 - Steve Rusling Business Advisor E-Factor
- 08/02/23 - Tony Parkinson (former) Performance Manager E-Factor
- 08/02/23 - Catherine Espin Project Compliance Manager E-Factor
- 07/03/23 Hugh Callaway – Managing Director – MODAL Training
- 09/03/23 Jill Gilby GAIN Business Advisor MODAL
- 08/03/23 Andy Goudie (former) Executive Director of Projects - TEC Partnership
- 13/03/23 Julie Knudsen Operations Manager MODAL
- 13/03/23 Dave Payne IT Technician MODAL
- 29/03/23 Kevin Smith The Grimsby Institute TEC Partnership

Reviewed our preliminary conclusions and created our key conclusions, drawing on our established evaluation innovation process for exploring issues, challenges and problems, generating ideas, testing their viability, feasibility and desirability.

We hope our work helps inform future policy, project management, design and delivery

Project Overview

Full Application submission Date: 30 September 2016

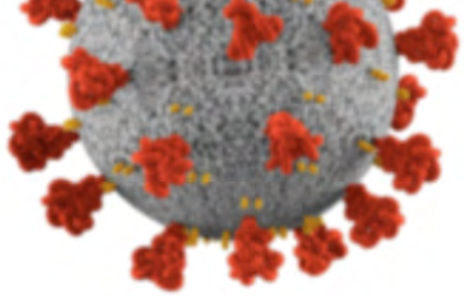
Project Start Date: Originally proposed as 1 January 2017 – achieved 1 March 2019

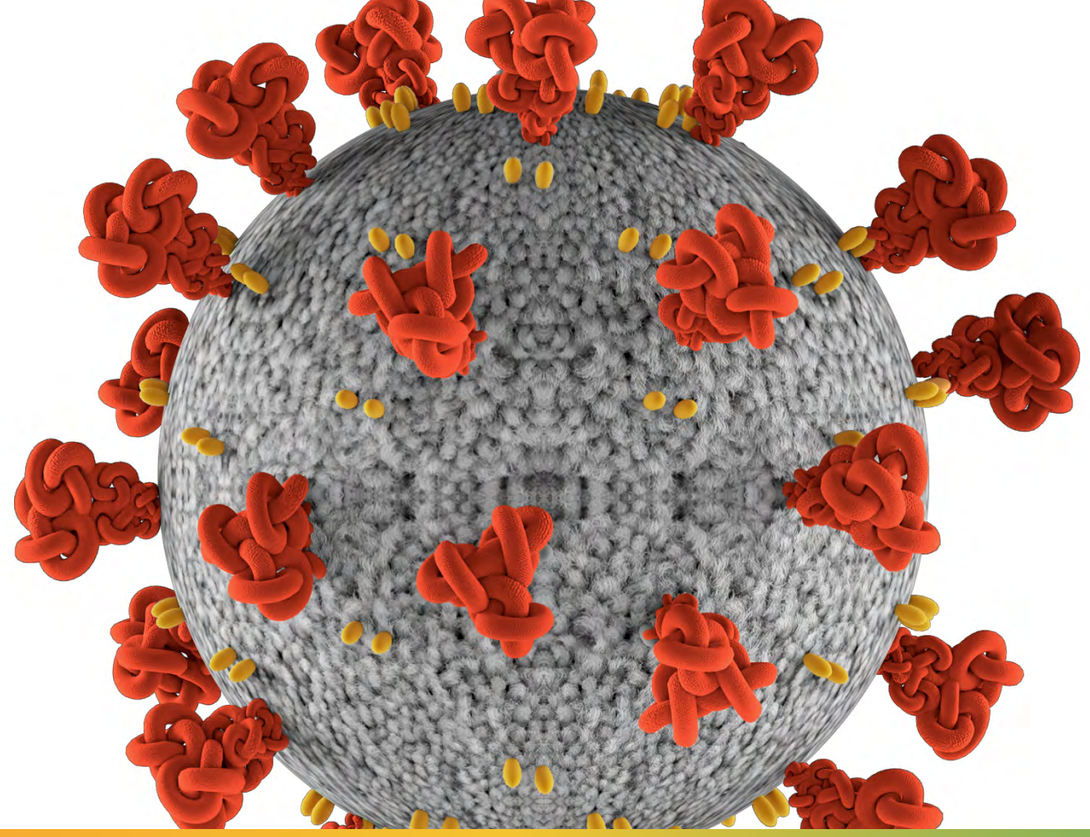
Project End Date: Originally proposed as 30 December 2019 – finally extended to 30 June 2023 following 3 PCRs

Total Project Costs: Total costs originally projected as £1m – subsequently revised to £1.45m, and finally £2.4m

Project Outputs & Expenditure

Indicators/Expenditure		Original Full Application	Amount in Most Recent PCR	Total Achieved at Q4 2022	% of Target	Projected Outcomes	% of Target
Expenditure							
ERDF Revenue Expenditure (£m)		£1,049,283.00	£2,428,260.00	£2,121,377.00	87%	£2,408,260.00	99%
Outputs							
C1	Number of enterprises receiving support	164	256	238	93%	280	109%
C4	Number of enterprises receiving non–financial support	164	256	238	93%	280	109%
C8	Employment increase in supported enterprises	62	70	60.8	87%	69.8	100%
C29	Number of enterprises supported to introduce new to the firm product	38	56	41	73%	52	93%
P13	Number of enterprises receiving information, diagnostic and brokerage support	178	292	269	92%	311	107%





1. Project Context

1.1. What was the project seeking to do?

Launched in 2019 by the E-Factor Group Ltd in collaboration with MODAL Training Ltd (subsidiary of the TEC Partnership) this project was originally designed to deliver 3 years of bespoke growth support to SMEs in the North Lincolnshire (East and West Lindsey).

ERDF resources allowed E-Factor and MODAL to employ sector specialist Advisors – in E-Factors case, some for the first time:

E-Factor

Food

Hospitality and Tourism

Health and Wellbeing

MODAL

Logistics

Ports

Renewables

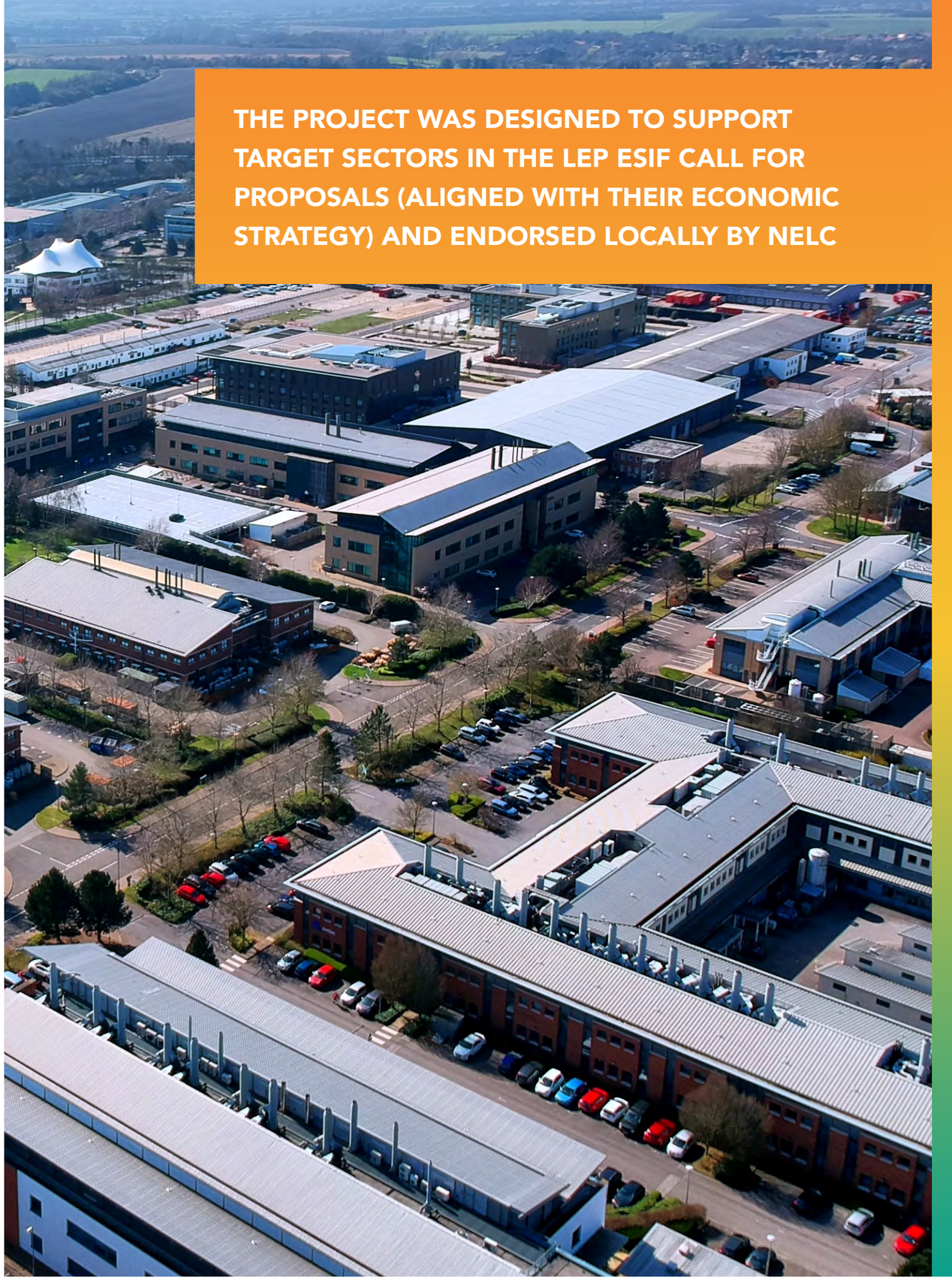
The project was conceived to deliver under ERDF Priority Axis 3; Enhancing the Competitiveness of Small and Medium Sized Enterprises, with support aligned to the following Investment Priorities:

- 3c – Support the creation and extension of advanced capacities for products, services and development
- 3d – Support the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes

1.2. What was the economic and policy context at the time that the project was designed?

The project was designed at a time of some flux in the business support arena following the creation and establishment of Growth Hubs (the network was completed in 2016), the relative failure of HMG's Business Support Simplification Programme and at a time when Local Enterprise Partnerships were producing their first Strategic Economic Plans and ESIF strategies. The project was designed to support target sectors in the LEP ESIF Call for Proposals (aligned with their economic strategy) and endorsed locally by NELC. There were perceptions that Growth Hub signposting would achieve limited business impact, high-growth support was not being covered and the recognition that lifestyle businesses are still valuable to the local economy.

The Humber - a gateway to Europe - has faced unemployment levels double the national average, with a higher than average number of business starts with lower survival rates and has areas suffering high levels of deprivation. The Greater Lincolnshire business stock is 39,305. 90% of local SMEs employ less than 50, 86% employ less than 10 and SME managers are often accused of having a "dock mentality". There are numerous family-owned businesses who regularly fear sharing with outsiders. E-Factor's Business Hive has 280+ members bringing together local firms to network and give voice to their support needs.



THE PROJECT WAS DESIGNED TO SUPPORT TARGET SECTORS IN THE LEP ESIF CALL FOR PROPOSALS (ALIGNED WITH THEIR ECONOMIC STRATEGY) AND ENDORSED LOCALLY BY NELC

The E-Factor Group had been established as an "Enterprise Agency" in 2007 using substantial Local Economic Growth Initiative resources. The company has grown steadily over the past 16 years and now employs 20 full time staff and has a turnover of circa £1.5m. In 2016 it opted to seek to become Accountable Body for the GAIN project, working with MODAL Training – an adult educational service company also employing around 20 which is 100% owned by the local TEC Partnership - a well-established group of local colleges and educational organisations which includes the Grimsby Institute.

Andy Goudie (the principal designer of the GAIN project) left his role at the Institute but he has remained close to the project and is a member of the E-Factor Board.

MODAL Training Ltd's embeddedness in some of the target sectors was seen as a natural fit for GAIN. The college also owned a TV company which had a free to view license and this seemed to offer potential to support project communications.

The project set out to provide five key forms of assistance:

1. Support from Advisors with direct experience of the target sectors
2. Strategic advice from qualified generalist Advisors

3. Access to 9 hours of specialist consultancy (fully funded via grants)
4. Networking and themed events
5. Brokerage to other local support programmes

The availability of ERDF resources presented the delivery partners with an important opportunity to build on the extensive knowledge and skills acquired during the delivery of previous programmes – notably the Local Enterprise Growth Initiative for E-Factor and sector training for MODAL. The project was therefore designed drawing on direct experience of what works for smaller companies. All partners concluded that local businesses needed a highly flexible range of support in sectors which were broadly new to local business support: Health and Wellbeing, Food and Hospitality, Tourism, Ports, Logistics and Renewables.

Given the involvement of experienced delivery organisations there was the potential for the project to become quickly established, but the Managing Authority was extremely slow to support and agree the project Full Application and Funding Agreement and neither participating organisation was prepared to proceed at risk. There was some loose discussion with the MA around "retrospection" which faltered and provided insufficient comfort for the partners to proceed. This resulted in two years of delay and the project only commenced 1 March 2019.

The project model was designed by individuals within both organisations who had delivered very similar activities and it was felt the proposed outputs were realistic and achievable based on prior experience. The project teams had a sound bedrock of knowledge to access during both design and implementation, although MODAL were new to ERDF disciplines and it took time for them to understand ERDF practices and the importance of the process and paperwork. The E-Factor team provided training and support to the MODAL Advisors and administration teams.

The contracting arrangements with MODAL presented some challenges for the E-Factor team. There were discussions around basing MODAL advisors at E-Factor, but this was unviable. MODAL advisors did have the opportunity to work from E-Factor as necessary. This resulted in less integration than E-Factor had desired.

1.3. What were the specific market failures that the project was seeking to address? Was there a strong rationale for the project?

The ERDF project Full Application requires project proposers to articulate the market failures their project seeks to address. We are four-square with economists who have argued that using market failure arguments to justify public interventions is inappropriate. At the same time, although we are passionate about the simplification of public processes, we consider project proposers should be required to explain why they believe there is a need for public intervention via a Logic Model or similar approach.

The GAIN Full Application and Logic Model drew on data from the ERDF 2014-2020 Operational Programme, which highlighted the disparity between the GLLEP area performance compared to both the national and that of other LEP geographies whilst the Logic Model stated:

"The project is designed to fund sector specific advice to SMEs to assist them to develop strategies for growth, quality improvement or business development. It is funded through ERDF to contribute and counter market failure, in that the economy is less-developed in NE Lincs, N Lincs and the Eastern and northern districts of Greater Lincolnshire, productivity and employment are below national rates, and SMEs cannot afford to pay for advice."

It is clear the project was designed specifically to address the disparity between the less-developed areas in North East, Eastern, Northern and Greater Lincolnshire which face many challenges, especially when compared nationally.

1.4. Was it appropriately designed to achieve its objectives? Was the delivery model appropriate?

Yes, in our opinion the project was cleverly designed to allow a highly flexible range of support and intervention options and the decision to place sector expertise at the heart of the design was a sound one.

In terms of the project process, clients enquire or are recruited, and following eligibility checks (there is no point in wasting the time of companies or advisors where firms are ineligible) they are account managed by Advisors covering their sector / areas. Advisors undertake a Business Needs Analysis using a pre-populated template. This delivers multiple benefits: it saves a client's time and effort, it avoids time wasted on ineligible firms, it increases the quality of the client experience (no sign of box ticking) and the Advisor can give full attention to what is being said as opposed to having their head buried in a laptop. On the strength of these interactions Advisors decide on the best ways to assist.

The project has operated a "framework" approach to the acquisition and management of its grant funded consultants. The Framework was set up following all the usual ERDF technical challenges and designed to deliver a compliant procurement process. Proposals from potential suppliers were evaluated and scored, and following appointment they were interviewed before being added to the Framework. GAIN Advisors have subsequently matched them to client needs, monitored supplier performances and controlled the consultancy budget. Given their commercial experience, in our opinion, this has added to project's the level of financial and quality control.

At the time of the evaluation there were 27 providers on the Framework – aggregated into 5 (flexible) thematic areas. Some suppliers had multiple areas of expertise and could work across themes. There has been a gap in terms of finding expertise around franchising, but otherwise the team feel they have been able to meet almost all identified needs.

This model has clear advantages over other project grant offers which can often struggle to attract clients, particularly where beneficiary companies need to provide match funding. SME managers are almost always reluctant to put their hands in their pockets to pay for what they perceive to be expensive consultants.

The team decided that where appropriate, they would use the Framework to give SMEs up to 9 hours of fully funded help. Consultants on the Framework are individuals that have done well in the target sectors in the past. For example, one supplier - Fresh Marketing – has been used regularly because of their high performance with clients. Others have been very good at helping clients with sales. As the consultants also run small businesses themselves "they get it".

Clients are not normally put straight in touch with consultants. The process has to be driven by need, and beneficiaries are effectively account managed by Advisors.

Both delivery partners have revenue generation interests, but both also function for the public good. E-Factor are involved in property development and run the Hive membership scheme, while MODAL sell a raft of training to the logistics and renewables sectors. This mix of public and private sector skills has been important to the project's success.

In our opinion the project design and delivery model were appropriate to achieve its objectives. The project now has well-established and rigorous contract management processes that have ensured appropriate controls are employed in the management of suppliers. Suitably qualified administrative staff were recruited and assigned to manage the technical dimensions of the project.

The consultancy grant on offer is seen as generous, but it is sometimes not enough to get really experienced consultants in the target sectors.

The E-Factor and MODAL philosophy around the delivery of business support contracts is admirable. E-Factor's Managing Director Mark Webb has a real passion and commitment to strengthening the local business network and his values have infused the project. Both delivery teams believe it's important to recognise the difference between delivering a funder's requirements (compliance and meeting the eligible expenditure and outputs rules) and doing something real. Both organisations have made serious efforts to "hide the wiring" and work on the quality of the client experience. Both parties have believed (and we agree) that if you set out to do the right thing, outputs will look after themselves. These attitudes have been a vital component in the performance of both organisations and something that is widely owned.

Further, both teams believe (and we also agree) that support which is too prescriptive doesn't work. The project was cleverly designed to legitimise the provision of help with almost any identified SME need:

- Sector Specialist Advisory Support
- Grant funded consultancy (Coaching mentoring consulting) up to 9 hours
- Peer to peer
- Resource efficiency and productivity advice
- Process and performance management
- Workforce development
- Events and themed workshops
- Collaborative projects
- Signposting

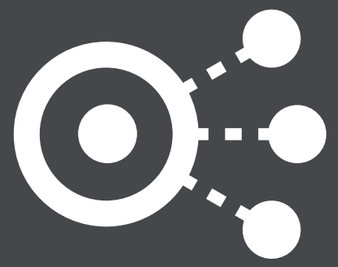
This has allowed Advisors to start with a blank sheet of paper and establish what challenges clients are immediately facing – customer pull rather than project push.

IN OUR OPINION - THE PROJECT DESIGN AND DELIVERY MODEL WERE APPROPRIATE TO ACHIEVE ITS OBJECTIVES

The team are proud they have managed overlay this philosophy on ERDF practices.

It's regrettable that HMG's approach to business support resource management is often so far away from the realities of delivery and that the ERDF evidence requirements regularly miss the point, representing an unnecessary burden that dilutes focus, wastes time and effort and delivers little added value.

Finally, the team at E-Factor have learned about new challenges with new kinds of clients and this has opened up completely new perspectives for them. They have also found new ways of delivering support and have not been shy in reflecting the shortcomings in the Managing Authority's handling of the funding.



1.5. Were the targets set for the project realistic and achievable?

Based on the evidence available and our evaluations of similar ERDF actions, the originally proposed targets were reasonable, realistic and achievable within the resources allocated at the time. Project performance subsequently demonstrated there was potential to do more and the targets were sensibly raised in the April 2022 PCR (with the notable exception of the C8 target which was considered demanding and was reduced).

Even taking account of the additional ERDF resources secured in April 2022 - which increased eligible project costs from £1.45m to £2.4m (66%) the cost per output achieved is reasonable and as ever, a great deal of support has been provided which cannot be counted.

We regularly observe that when designing or proposing ERDF projects there is usually a trade-off between output volume and impact achievable. Volume generally impresses funders but has the potential to damage quality of delivery. However, we can understand why project proposers / owners are so conservative around targets – given the threatening processes which accompany non delivery of ERDF outputs.

Beyond this, it's important to note that the project will have exceeded most of its targets despite the challenges presented by the pandemic and EU exit.

1.6. How did the context change as the project was delivered and did this exert any particular pressures on project delivery?

Beyond Covid-19 and EU-Exit there seem to have been no material changes in the context during project delivery. The challenging economic conditions in the Humber area have remained relatively consistent throughout the delivery period, Covid-19 has disappeared from business agendas, and the difficulties occurring because of EU-Exit seem to have now been largely accepted and managed.

As with other ERDF business support projects, the move to online delivery during the pandemic meant that activities lost a sense of community, making networking and building relationships even more difficult. It should also be noted that entrepreneurs can be isolated even in "business as usual" and the pandemic exacerbated the issues.

1.7. Bearing in mind any changes in context or weaknesses in the project design / logic model, can the project reasonably be expected to perform well against its targets?

Yes. We have concluded that with the notable exception of the C29 target (which we regard as stretched) the project will almost certainly meet or exceed all of its targets during its lifetime. The evidence shows the project performance has been impressive, delivering much more than was anticipated across the board.

The stimulation of new products and services has proven difficult given most companies in Food (fish), Health & Wellbeing (care homes) and Logistics (haulage) are unlikely to be considering such a diversification and the work associated with the introduction of new products/service demands a significant amount of resource, time and effort (regularly underestimated) in any small company.

2. Project Progress

THE PROJECT HAS PERFORMED VERY WELL AGAINST ITS EXPENDITURE AND OUTPUT TARGETS

2.1. Has the project delivered what it expected to in terms of spend and outputs?

The project has performed very well against its expenditure and output targets. The forecast expenditure is likely to be achieved, the project has already exceeded many of its output targets and the team are anticipating further success before the end of the month.

2.2. What are the factors which explain this performance?

We understand the project struggled to hit the ground running. Some practitioners reported time was wasted in a period of procrastination. As with almost all ERDF projects there was no fully developed process in place at the beginning and new Advisors had to map it out for themselves. Things took a long time to come together. Having said this we know there were unacceptable delays in terms of material decisions by the MA, and we regularly draw attention to the fact that we have never seen a project that started on its start date. The majority take six months to get rolling and many take more months to create real momentum. That is why we are not fond of projects with a two-year (or less) delivery timescale. In our view, the attempt in CRF to achieve six-month delivery has been ridiculous.

As mentioned above, putting the consultancy Framework in place was extremely complicated. Members of the team regularly felt the ERDF procurement requirements were over the top. However, it was also acknowledged that without the Framework clients would have been burdened with collecting and managing 3 quotes etc. The Framework approach at least overcame that issue. The project developed its own scoring method to support the evaluation of supplier proposals and those who achieved above the line scores were appointed to the Framework Subsequently every SME project had a separate individual approval form/process. Processes were also put in place to limit of the risk of fraud.

Partners have argued that the Managing Authority's delay in making an approval decision impacted initial delivery, affected project implementation and acquisition as important delivery windows were missed.

The Sectors

The E-Factor team have argued that if GAIN hadn't been created there would have been no serious specific support for the targeted sectors.

Health and Wellbeing: The health and social care Advisor brought new kinds of competence to the team and thence to local businesses. Nothing had been done in the care sector before GAIN and the sector had never reached out for support. As with any other sector, managers in the small businesses served were not always keen to be open about their challenges until a level of trust had been established.

At the time the project was launched care home occupancy was typically 60%. The sector is characterised by its poor training, absent owners, challenges around recruitment and retention, unsociable hours, being a difficult job, with low pay, staff with low or no qualifications and many employees who may be unemployable elsewhere.

Supporting businesses in the Health and Wellbeing sector therefore proved extremely difficult. Firms in the sector can be significant employers, but officially they have not been seen as "real" businesses. It was helpful that the team were able to employ someone with direct experience in care homes, including private sector care homes, who knew what these organisations were going through, understood the implications of inspections and the challenges facing homes, and this helped build trust. Sometimes managers in these types of businesses needed to be "educated" to recognise their business was eligible for help. The team were delighted they managed to achieve some real integration in the sector. Sadly, when the recruited specialist advisor decided to retire, finding someone to replace her with the same credentials proved difficult

Food: Assisting those in the food sector has also been a challenge. We understand that 70% of those in the sector are involved in fish. The recruited Advisor came from that sector, with extensive experience in similar businesses. She has been excellent at creating connections and as a result support has achieved real impacts.

The food sector is very different, because of the standards, legislation and the numerous process controls that need to be in place. Coming from the sector the Advisor could walk a floor and know if the production flows were right. Consultants could then use computer programmes to plan factory layouts better. Fish is expensive, and goes off quickly, so working under pressure and "in the business" is normal.

The Top 5 local businesses in the sector – Youngs, New England, etc, are large multi-million-pound companies. There is very small middle market, but outside the top firms there can be a "dock mentality" which limits their attitudes and ambitions around improvement and growth. Some firms in the sector don't have employment contracts or staff handbooks. They lack aspirations and are not sure what best practice looks like. Pre-Brexit most in the fish sector didn't think it would happen. Some continue to stick their heads in the sand. Many managers don't think there is anything wrong with what they were doing. People in the sector are not used to sitting down with someone and theorising about the business for hours. They just don't do it. Time management can therefore be a major part of what needs to happen. Often, managers just want cash, not strategy advice. They might have to take the project offer of support to a Board or Trustees, and it can then fall over. Advisors always need to seek to work with decision makers if any forward movement is to be achieved.

Despite this, most firms in the sector have been receptive and there is a very large number of small and micros businesses - the team dubbed them "Van People" who are always open and receptive to doing something new - often spin outs from larger firms - and are agile.

Prior to the creation of GAIN, the food sector had also not been supported locally. As with many sectors that have previously been excluded from support, managers often didn't recognise they may be eligible for help. The E-Factor Advisor had manufacturing background, good contacts in the industry and possessed real credibility. She joined the team at end of March 2019 and during April 2019 the team organised a raft of launch sector events – for example in Food, Health and Social Care. Expert speakers were recruited, and this gave the project some momentum. This activity created a clear demand. The E-Factor team subsequently never needed to seek out clients.

The team believe that the "Ideal Client" in the food sector is a business that employs 4 or 5 plus, with managers that are willing to do their share of the work, looking to significantly grow, aiming to improve themselves or their business and actively seeking to be part of the business community.

The Visitor Economy: We were told that the local tourism offer is extremely limited. Essentially, there are B&Bs and the Beach. There are currently not many attractions in the area. Some survived the pandemic, others were lost. There are now a number of local initiatives to establish more attractions and the pandemic had a positive impact on some businesses – for example many outdoor activities thrived.

Wayne Hemmingway MBE (the designer and entrepreneur) was the keynote speaker at the 2022 Seaside Summit (now a regular annual activity). He'd been approached by the local Council to talk about the Cleethorpes Masterplan which resulted in the biggest participation in a survey the Council had ever experienced.

Grimsby Creates – the £5.3m programme to support local creative actions – has been a legacy of the event and Wayne Hemmingway is returning to be involved in a local rebranding. The Council has applied for cultural funding, to create festivals which would be free to public and resources have now been made available from the Arts Council to deliver a programme to raise the local profile.

Logistics, Ports and Renewables: MODAL Training Limited provide maritime, logistics, health & safety, education and training

As the project proceeded, the MODAL team concluded that a key company need was around marketing. SME managers recognised they needed to up their game but were not tech savvy. This led them to create social media surgeries. They ran a pilot surgery in December last year and found the feedback priceless. Helping people with graphic creation and the use of Facebook and Instagram accounts. They had accounts but they were struggling to create content and needed help generating it. They were often technically challenged and needed support in managing resources like photoshop. The team developed a series of events that have ensured managers can write content, produce timelapse videos and make communication a routine.

Logistics businesses are regularly owner drivers supported by their partners. Given the nature of the business getting owners to attend seminars is extremely difficult and project resources have meant MODAL could only fund a limited number of one-to-ones.

There is often a suspicion around free support, which suggests a strong case for expressing the value of support more powerfully, being better able to demonstrate the benefits.

2.3. When the project draws to a close, is it expected to have achieve what it set out to?

Yes. Please see our conclusions around outputs/ outcomes and expenditure captured elsewhere.

In terms of outcomes, the evidence we have suggests there have been clear benefits to individual managers and to their businesses in many beneficiary companies. They have benefitted not only from grant and consultancy support, but also from the learning which occurred in individuals and management teams in terms of specific business processes and increased appreciation of the benefits of using external expertise.

Although there is no direct evidence, we believe that the primes in supply chains will also have benefited from increased efficiency in suppliers.

3. Project Delivery and Management

3.1 Was the project well managed? Were the right governance and management structures in place and did they operate in the way they were expected to?

The focus in GAIN has been on providing meaningful support – recognising it is not a waste of resources when clients haven't clocked up 12 hours (and therefore can't be counted as an ERDF output). What matters is the quality of support and the impacts achieved. The GAIN team have aimed to ensure that regardless of the level of their input the support they give makes a difference, building credibility and trust with clients for the long term.

Project activities have been overseen by sound Governance and Management. Administrative processes have been shared between experienced staff in both the Accountable Body (E-Factor) and the Delivery Partners (Grimsby Institute and MODAL), As observed elsewhere, both organisations in the project partnership have significant experience in the delivery of similar services and understand the challenges faced by individuals in the target sectors, although at the outset experience of ERDF project management was limited. Experience within the partnership has enabled the project to use existing local networks effectively to ensure that where project support was inappropriate, or project support had been completed, beneficiaries could be handed off to others who may be able to assist.

At a strategic level, the project has been managed by a Project Board comprising Mark Webb, Tim Maddinson (E-Factor) Hugh Callaway (MODAL) and Kevin Smith (Grimsby Institute). This has met quarterly and following a stuttering start now has an established process for reviewing progress on outputs, sharing challenges and good practice.

In the early days the project benefited from extensive experience of Tony Parkinson who recently retired.

Tim Maddinson has overseen the day-to-day management of the project.

The key role in administration and Compliance has fallen to Catherine Espin. Andrew Goudie and Kevin Smith (Grimsby Institute) prepare the ERDF quarterly claims with inputs from both E-Factor and MODAL

Julie Knudsen Operations Manager for MODAL was appointed in May 2019. She prepares quarterly reports on MODAL actions. The E-Factor team established the project paperwork and provided training in ERDF compliance. Inside MODAL project progress is monitored via what might be seen as "old-fashioned" (but highly effective/visible) Whiteboards. Copies of all MODAL documentation are retained in locked cabinets.

The team has more than 20 project related forms and a document control approach. There are individual output record forms. De-minimis was agreed at a flat rate for all support of £88.88. Calculated by taking an average of consultancy support/advisors hours and workshops over a 6 month period. Timesheet records support output claiming. Good use is made of SharePoint. There is an agreed folder structure and clients are allocated unique numbers.

Company eligibility is immediately tested at the Expression of Interest stage - trading, employees, turnover and sector data is collection and Companies House and Credit Safe checks are made on ownership etc

The project has produced 10 high-quality case studies (five videos and five narrative) along with other generic promotional video materials. We view their Case Study template as best practice.

The project was subject to a PIV during May 2019 and an OSTV in November 2019. The project produced a comprehensive mid-term Progress Report at the end of December 2021, which was updated in May 2022.

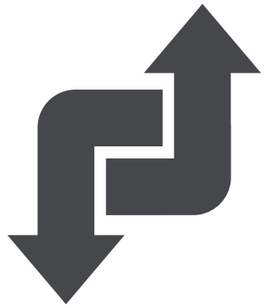
Mark Webb is a member (Deputy chair) of the Local Enterprise Partnership's Business Support Advisory Board where learning from GAIN can be shared and the voice of the small company can be heard. He makes similar contributions in the NELC Development Growth Board. Tim Maddinson is a member of the LEP's SME Group.

The Support Process

Clients arrive through various routes including the E-Factor website. A considerable number of beneficiaries are acquired via Advisors cold calling prospects, or through cross referral from other E-Factor advisors and members of the Northern Lincolnshire Business Advisors network. SME details are immediately recorded on the CRM. Advisors arrange meetings and aim to create a Business Needs Analysis in an hour – using a pre-populated format which minimises the administrative burden on clients. Over time the team have become increasingly selective about the choice of clients for support. Some clients want Advisors to write their business plans for them or would like them to do all the work. Advisors have increasingly looked for those who are prepared to invest their own effort in moving forward.

The team have been excellent at connecting to other local programmes and are well integrated into the Growth Hub process. There are quarterly meetings to enable Advisors to keep up to date with brokerage options.

The ERDF paperwork burden on business is significant and consumes Advisor time that could be spent supporting companies. There have been attempts by the team to reduce some of the project paperwork.



3.2 Has the project delivered its intended activities to a high standard?

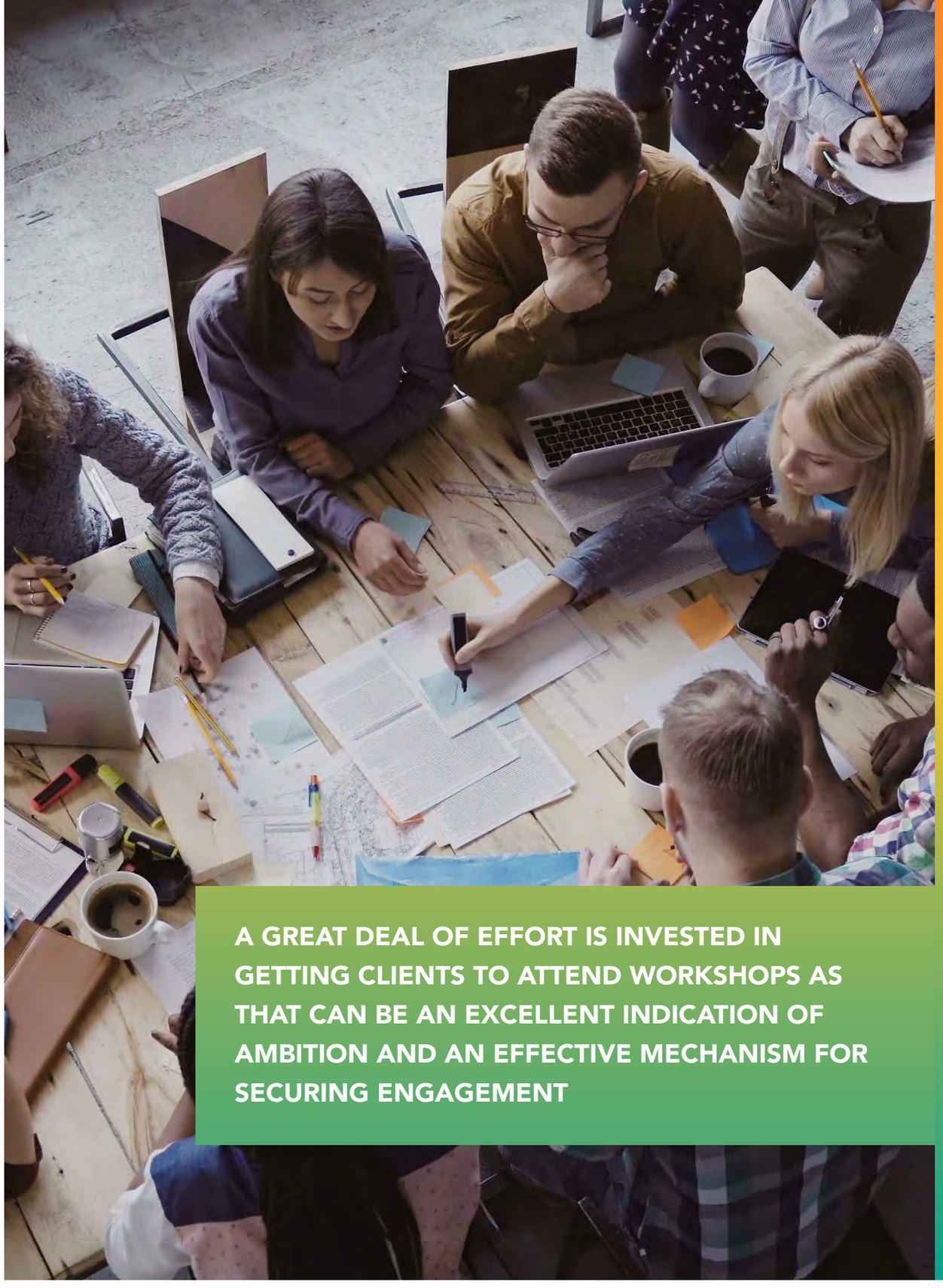
The three E-Factor Advisor posts supported by GAIN have worked alongside E-Factors three Advisors involved in Growth Hub delivery,. Over the course of the project MODAL have employed three individuals to fill the single Advisor post supported by GAIN resources. All Advisors have been providing local SMEs with diagnostic and signposting support. As with all advisory processes, the quality of Advisors is pivotal to the quality of support.

The E-Factor team's approach has been admirable. They have seen their mission in terms of helping individuals to become entrepreneurs as opposed to being business owners. Both partners have performed well in terms of recruiting and managing Advisors – with both experiencing a degree of churn in the funded posts. Those we interviewed (employed at the time of the evaluation) had a consistently high level of expertise and could see issues from the client's perspective.

GAIN clients can end up accessing significant levels of support both within the project and following brokerage activity. All the Advisors we interviewed recognised that the task is about building relationships. A significant amount of Advisor time is client facing or used in attendance at events. A great deal of effort is invested in getting clients to attend workshops as that can be an excellent indication of ambition and an effective mechanism for securing engagement.

During the life of the project the E-Factor team have employed 3 individuals to assist with the Visitor Economy / Tourism. We were told the best to date is the one currently engaged who operates his own VE business. He knows the sector well, has real empathy with other firms operating in the sector, is aware of the challenges they face and is well equipped to advise on the relevant support available.

Individuals holding the GAIN Advisor post at MODAL have been subject to a similar churn. The first person to hold the Logistics portfolio was a logistics expert. It was hoped he could also help in the renewables sector, but he didn't manage to engage many companies in that segment. He was followed by another person from the same sector. As noted elsewhere the project progressed MODAL managers concluded that regardless of the targeted sector the needs of businesses were often the same – for example improving marketing or financing growth. The latter two MODAL advisors have therefore been generalists and have proven very effective, providing more strategic support.



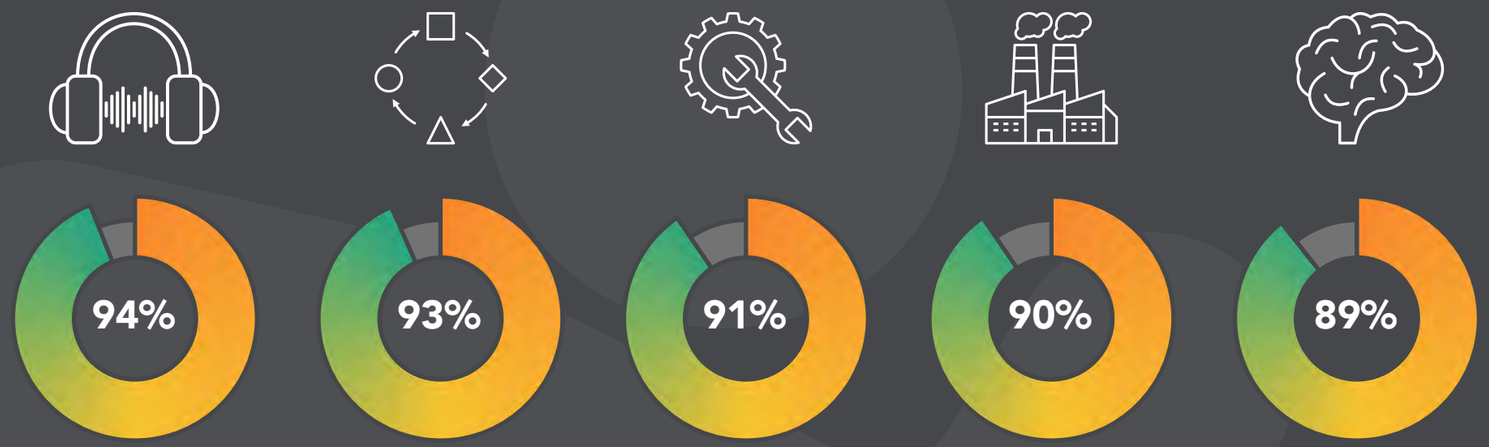
A GREAT DEAL OF EFFORT IS INVESTED IN GETTING CLIENTS TO ATTEND WORKSHOPS AS THAT CAN BE AN EXCELLENT INDICATION OF AMBITION AND AN EFFECTIVE MECHANISM FOR SECURING ENGAGEMENT

Survey Results

All 260 C1 beneficiaries were surveyed. In total we received 89 responses, all of which were useable. However, not every respondent answered every question.

This response rate leads to a high level of statistical robustness with a confidence interval of +/-9% at the 95% confidence level, meaning that if 50% of respondents answer yes, we can be 95% certain that the true answer lies between 41% and 59%. Percentages are presented based on the number of respondents to each question.

Benefits of the Advisor



Having someone listen to your needs

The ability to connect you to other, relevant support

Being able to help you solve your problem

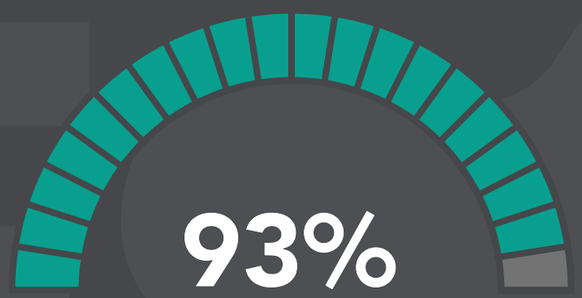
A great understanding of your industry

Someone willing to challenge your thinking

Average Score 4.3/5 = Valuable - Highly valuable

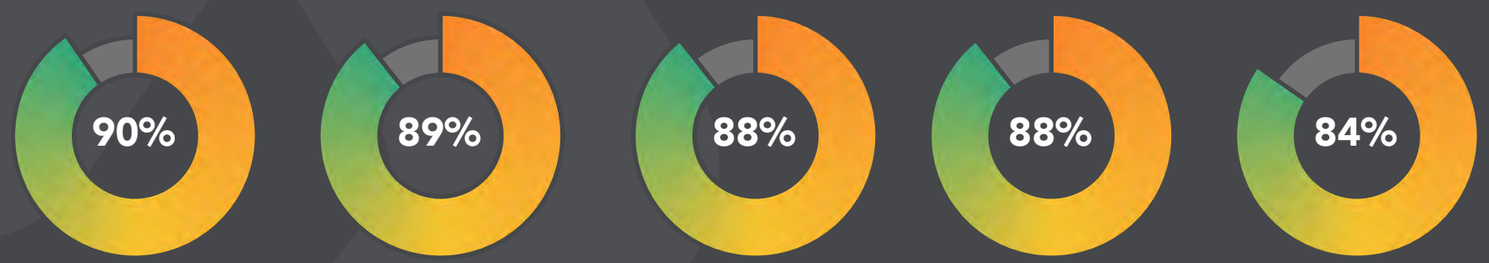
This question used weighted scoring

Action Status from the Business Needs Analysis



- **71%** Have taken action
- **22%** Plan to take action, but haven't yet
- **7%** Don't intend to take any of the actions recommended

Impact of the Advisor



Signposting to other services

Specialist advisor support

Access to consultants

Development of the Action Plan

Attendance at workshops

Average Score 4.1/5 = Impactful - Highly Impactful

This question used weighted scoring

Impacts of Support - Survey Respondents...

Are Introducing New Products and Services

73% respondents said they had introduced at least one/two new products or services. 29% said they had introduced three or more since being on the GAIN programme.

Have Become More Productive

88% respondents reported a productivity increase with 80% saying the support had stimulated an increase of 20% - 100% linked directly to the support provided. Where there was an increase, the average was 50%.

Are Investing More in R&D

14 respondents reported an increased investment in research and development at a total of £191,850 as a consequence of GAIN support.

Are More Likely to Seek Support & Advice in Future

96% of respondents said they were more likely to seek external advice in the future.

Have Increased Their Growth Potential

90% respondents reported an increase in their growth potential with 80% saying the support had stimulated an increase of 20% - 100% linked directly to the support provided. Where there was an increase, the average was 53%.

Economic Impact

£3.15m

of Turnover increases

£12.96m

Anticipated increase in turnover over the next three years

The project has increased the turnover in 26 respondents totalling £3.15m at an average of £121.3k. 31 respondents also reported a total expected impact of £12.96m on their estimated turnovers over the next three years.

55

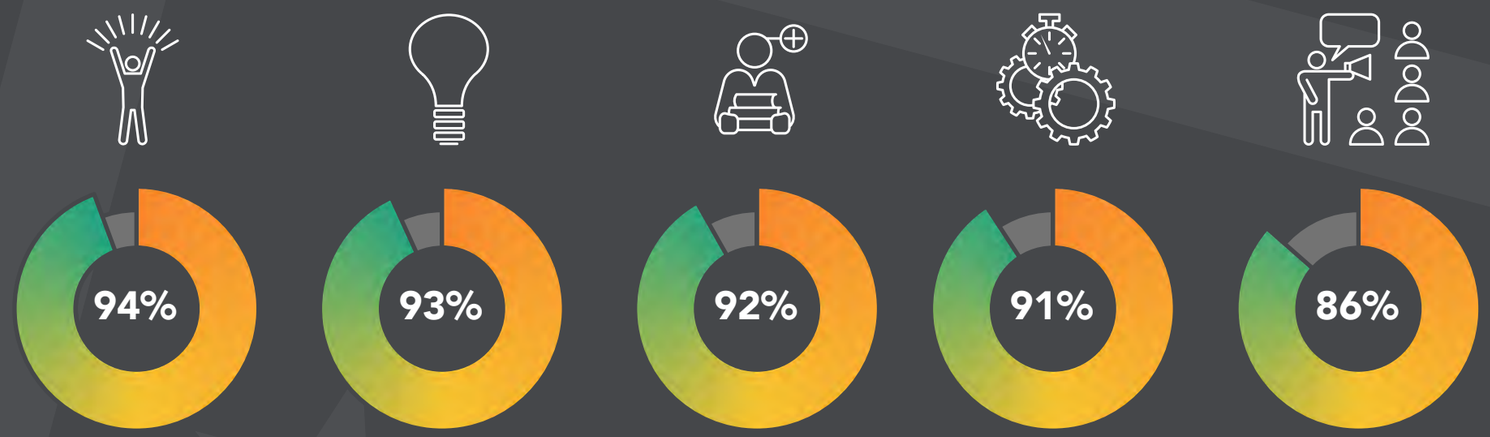
Jobs Created

121

Jobs Safeguarded

GAIN support helped 26 respondents to create a total of 55 new jobs and safeguard 121 in 36 businesses. 81% of those who created jobs also safeguarded at least one job.

Impact of the Advisor



Increased your feeling of being supported

Better understanding of your business and its priorities

Increased your knowledge or skills

Increased capacity and capability to grow your business

Improved your leadership and management skills

Average Score
4/5 = Impactful

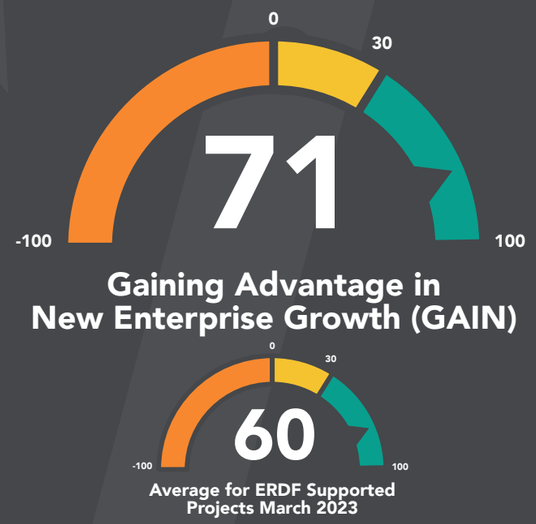
This question used weighted scoring

The Insight Works use the Net Promoter Score (NPS) to establish client satisfaction in all our evaluation work. NPS is a commonly deployed business index that measures the willingness of customers/ clients to recommend an organisation's products/services to others. This method is used to assess overall customer satisfaction across a wide variety of sectors/ industries.

There are no publicly available public offer comparators, however, the Insight Works has constantly updated our own NPS database for all the publicly funded projects in which we have been involved. According to the data we have collected since 2019, the current average Project NPS is 60.

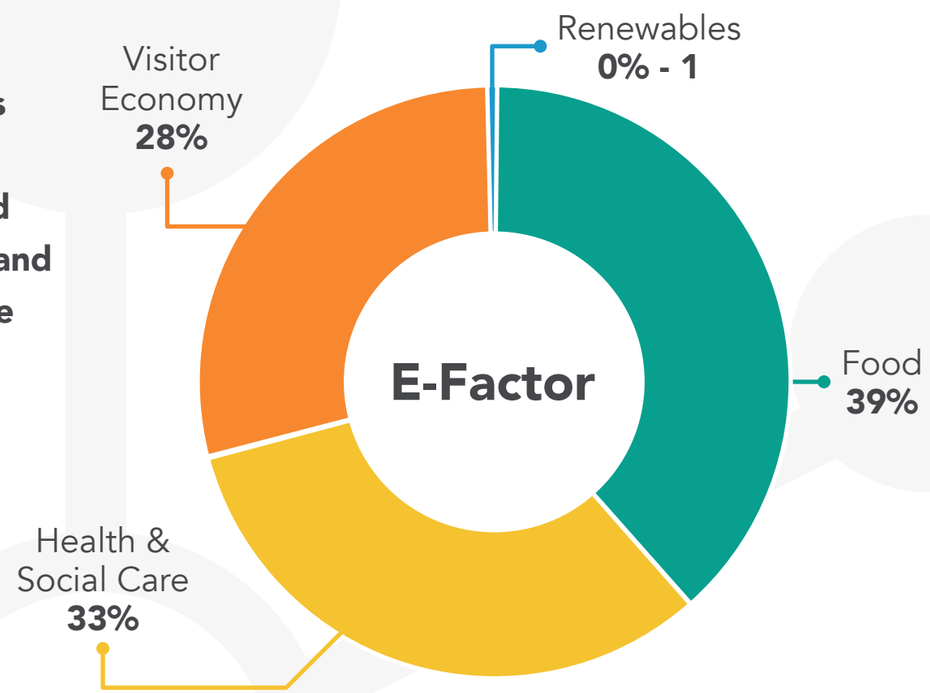
When compared to average industry (private sector) scores, the NPS average for publicly funded activities is always higher. We attribute this primarily to the fact that business support is free, and some beneficiaries are receiving grants versus the expected costs of using commercial support. It should be noted; any score above 30 is considered as extremely good for a private sector organisation.

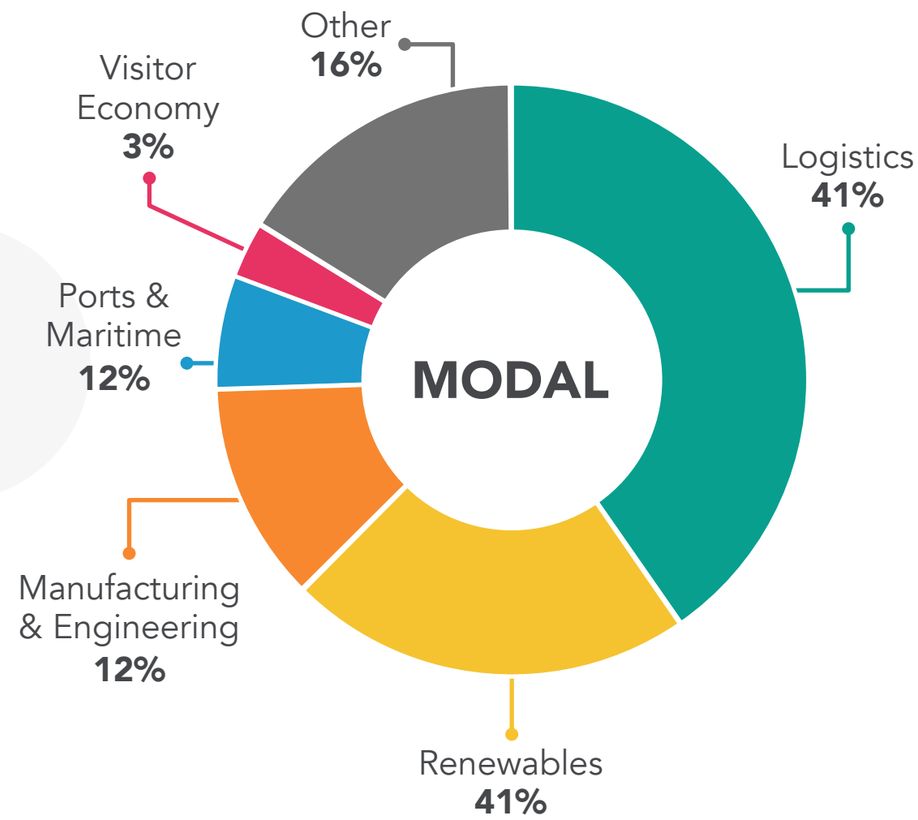
The GAIN Project has been awarded an NPS score of 71 by its beneficiaries. This score is +11 on the average project NPS and gives us a high degree of confidence that respondents were generally happy with the support they received and would recommend E-Factor/MODAL to others.



Sector Analysis

We have conducted an analysis into the sectoral makeup of GAIN's "engaged" SMEs based on data from the GAIN Hours and Outputs Excel spreadsheet. We completed sectoral data for all MODAL firms using web research.





Renewables

A diverse range of companies from the renewables sector have been assisted by the project, predominantly by MODAL. GAIN support has reached larger SMEs with significant importance to the region and some smaller businesses with a wide range of niche specialisms including:

- EV charging
- Wind turbines supply chain, instrumentation and maintenance
- Solar
- Heat pumps, heating equipment and contractors
- Insulation
- Sector specific consultancy
- Network GRP/GCE

Ports and Maritime

Eight companies in the Ports and Maritime sector were helped with a range of targeted services both within and to the sector, these included:

- Ship/port agencies, cargo handling and import/export facilities
- Marine diving and surveying/mapping services
- Highly specialist manufacturing and engineering; netting, rope, lifting and repair

Manufacturing

Three packaging manufacturers were engaged (another sectoral strength of the region due to the sector's importance to the food industry). Other manufacturing and highly specialist businesses have been in the supply chain for - or offering services to heavy industries such as subsea and offshore with links to the renewables, logistics, ports and maritime.

Other Sectors

There were 20 companies which did not fall into one of the above sectors. These included painters and decorators, property, cleaning services and four from the wholesale/retail sectors. Eight companies could not be categorised.

Events

There have been 132 events, attended by 1,704 people with average attendances of 12. The majority of events and workshops were focussed on marketing themes including social media platforms, content creation and branding.

The teams also ran events and workshops around specific aspects of running a business such as growth, HR, recruitment and time management. Four events were part of the Great Big Small Business Festival in 2022.

Events By Year	Number of Events	Number of Bookings	Number of Attendees	Average Attendees	Attendance Rate
2019	31	506	401	13	79%
2020	18	205	127	7	62%
2021	30	460	333	11	72%
2022	43	937	749	17	80%
2023	10	129	94	9	73%
	132	**2,237**	**1,704**		

Examples of other specialist and niche events included:

- DFDS Logistics Tour
- Allergen Legislation for Business Owner
- Introduction to ISO Certification for Logistics and Renewables
- 5R's to Recovery for Dental Practice
- Growing and Sustaining Your Haulage Business
- Grimsby Seafood Village Tour

GIVEN THE HIGH LEVEL OF EXPERIENCE IN THIS PARTNERSHIP AND THE INDIVIDUALS INVOLVED IN DELIVERY WE HAVEN'T IDENTIFIED ANY SIGNIFICANT AREAS FOR IMPROVEMENT

3.3 Could the delivery of the project have been improved in any way?

Given the high level of experience in this partnership and the individuals involved in delivery we haven't identified any significant areas for improvement in this delivery model. Of course, there is no process which cannot be improved incrementally and that can be managed by active continuous improvement initiatives.

3.4 For projects with direct beneficiaries: did the project engage with and select the right beneficiaries? Were the right procedures and criteria in place to ensure the project focused on the right beneficiaries?

North East Lincolnshire is a small, well connected county. E-Factor and MODAL are well known and receive large volumes of enquiries from local SMEs who want support. Broadly, the local Council focusses its support efforts on large employers – but 89% of local adults are employed by SMEs and GAIN has provided another brand to bring a wide variety of SMEs in. As a result of the GAIN experience there is now a consensus in the E-Factor team that the focus of future support should be on companies who employ more than five, where managers are sufficiently or significantly ambitious, have the desire to improve and are willing to do the work, as well as wanting to be actively involved in the local business community.

The team are not fans of the current policy thinking around high growth/gazelle/unicorn firms and the effort involved in trying to seek them out. They believe that locally there are early doors companies and struggling companies. The sweet spot is not those who are scale ups, but those who have the potential to grow. The team believe that at least 30% of local companies are not struggling and not new but could grow and they should be the target market for future support.

3.5 How are project activities perceived by stakeholders and beneficiaries? What are their perceptions of the quality of activities / delivery?

There has always been a genuine problem around collecting stakeholder perceptions. Although individuals or organisations can clearly be regarded as stakeholders (rather than delivery partners) they are almost always distant, and their knowledge of projects is often scant. They are therefore difficult to identify and contact, and often so far away from the detail of the project all they can do is offer superficial perceptions which add little value to the evaluation work. Our focus is therefore normally trained on beneficiaries, and we are very fond of attribution. Beneficiary perceptions have been comprehensively covered above.

3.6 To what extent have the horizontal principles been integrated into and shaped delivery?

The project has collected Equality and Diversity data from all beneficiaries. The project's contribution to sustainability has rested in its support for local companies in the renewables sector and this has been reflected above.

4: Project Outcomes and Impact

4.1 What progress has the project made towards achieving the outcome and impacts set out in its logic model?

The project has achieved each of its outcome and impact measures, as detailed below.

Outcome 1: Increased Capacity

Increasing capacity in small businesses is primarily aimed at improving productivity and ensuring businesses who have the potential to grow can do so. Capacity can be affected in a variety of ways. Typically, in this context, they include strengthening supply chains, accessing finance, utilising consultancy and business advice services and improving business processes and workforce development.

Utilising Consultancy and Business Advice Services

All beneficiaries of the project received support from a sector specialist business advisor. There was data available for 276 companies, 199 supported by E-Factor and 77 supported by MODAL.

No of Hours	E-Factor	%	MODAL	%
Under 12	26	13%	23	30%
12 Hours	66	33%	21	27%
Over 12	107	54%	33	43%
Total	199	100%	77	100%

- **Average Under 12 Hours**
  - E-Factor 4.75 - MODAL 3.5
- **Average Over 12 Hours**
  - E-Factor 15.2 - MODAL 12.9
- **Combined Average**
  - E-Factor 12.8 - MODAL 10.1

Of the 276 companies where data was available, 199 E-Factor businesses accessed a total of 2,551 hours of support at an average of 12.8 per business. This average does not give the full picture, and 54% of E-Factor companies received over 12 hours of support at an average of 15.2 hours. 77 MODAL businesses received a total of 774 hours of support at an average of 10.1 hours. The data also showed that 30% of MODAL businesses received less than 12 hours of support, compared to just 13% by E-Factor. When looked at alongside the total average number of hours delivered, it would suggest that E-Factor converted a much higher proportion of companies they worked with to C1 Enterprises Supported.

Businesses also accessed consultancy support via two Frameworks. The first supplier Framework, operating between 2019-2022, included 38 consultants who supported a variety of business process including sales, marketing, people development, energy management, etc. and spent £104,235. The 2nd Framework (current at the time of the evaluation) included 27 consultants, awarding £110,000 of funding, with over £40,000 claimed.

GAIN will have undoubtedly strengthened supply chains across the LEP area. Using the Fish sector as an example – which is such a major part of the local economy - there are 5 major primes in the area, including Youngs and New England. These businesses are significant multi-million pound operations. The team reported that the middle group who sit below those can tend to lack aspiration and be under productive, and lack best practice (no contracts or handbooks for staff). Then there are the small and micros who are more open to new things and relatively agile. It is this middle and lower-level SMEs who have benefitted from GAIN. By helping these businesses access consultancy support to improve key business processes, there is no doubt that supply chains have strengthened, and suppliers are more efficient and effective than prior to support.

GAIN WILL HAVE UNDOUBTEDLY STRENGTHENED SUPPLY CHAINS ACROSS THE LEP AREA

Accessing Finance

The project has worked closely with a community development and a financial initiative called Finance for Enterprise who provide soft loans. The project has been able to connect companies to them throughout the project.

The Council have also sponsored the Investment Hub – a group of ex-bankers who are tasked with engaging businesses to access funding.

The project's own advisors have also worked closely with Growth Hub advisors to connect to other ERDF projects and funding opportunities.

Outcome 2: 246 SMEs receive advice that helps them evaluate and develop strategies and actions to develop their enterprise, contributing to GDP growth, employment growth and business innovation.

At the time of the evaluation the project had recorded 238 C1 Enterprises Supported outputs, which was forecast to rise to 280 by project closure.

Outcome 3: 63 FTE people economically active, stemming from the business support intervention

At the time of reporting, the project had evidence of an increase in employment in supported businesses of 62.31, expected to rise to 70 by project closure. There was also evidence that 121 jobs have been safeguarded as a result of the support.

Outcome 4: 60 businesses developing new products or services to support the opportunity for business growth

The project had evidence of 41 C29 (New to firm products) which was expected to rise to 52 by project closure. However, the team reported there were many more companies that had been supported to develop new products or services, but where the evidence had not been provided. There had also been companies who have developed multiple new products.

Outcome 5: 279 SMEs engaged and signposted to access support, as well as obtain reflection and analysis on their current practice

The project had achieved 269 P13 outputs (Number of enterprises receiving information, diagnostic and brokerage support), expected to rise to 311 by project closure.

Impact 1:SMEs screened and selected to progress into assistance interventions, to assist the SMEs to health-check their business, understand or develop strategies for growth and assist the companies to develop these into action plans. The impact is to grow the economy, leading to job creation, business growth and product or service developments.

The project had screened 703 companies, of which 238 have gone on to receive a minimum of 12 hours of support (expected to rise to 280 by project closure). As a result of this support, the project had achieved a net increase in employment of 59.61 and safeguarded a further 128.7. These jobs equate to an annual increase of £3.4m of Net Additional GVA, and £8.9m of Net Safeguarded GVA.

90% of survey respondents reported an increase in their growth potential, with 80% saying the support had stimulated an increase of 20% - 100% linked directly to the support provided. Where there was an increase, the average was 53%.

In addition, there was evidence of increased turnover of £3.15m, and anticipated increase in turnover over the next three years of £12.96m.

Finally, 14 survey respondents reported an increased investment in research and development at a total of £191,850 as a consequence of GAIN support.

Impact 2: To develop, with SMEs employees, Directors and business leaders, a greater understanding of their business, and priorities for development, evidenced through the business support records, and translated into business practice. The Impact is 164 Companies will be assisted to develop growth and quality improvement strategies, leading to business expansion.

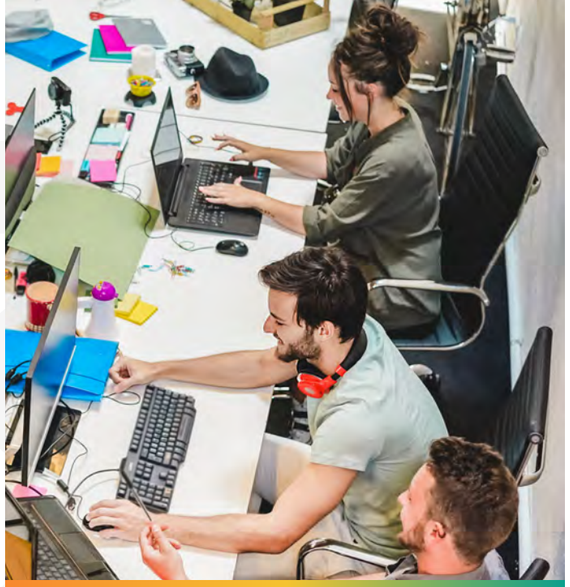
The project had recorded 238 C1 Enterprises Supported outputs, expected to rise to 280 by project closure.

Impact 3: To grow the economy locally and regionally through assisting companies to develop their businesses, and creating additional jobs. The Locality has higher levels of economic inactivity, so the impact is 62 jobs added to the local economy.

The project had evidence of an increase in employment in supported businesses of 62.31, expected to rise to 70 by project closure. There was also evidence that 121 jobs have been safeguarded as a result of the support.

Impact 4: To assist companies to develop, to develop new products, services or processes that improve business performance, and growth of the SMEs.

The project had evidence of 41 C29 (New to firm products) expected to rise to 52 by project closure. However, the team report there were many more companies that had been supported to develop new products or services, but where the evidence had not been provided.



AS A RESULT OF THIS SUPPORT, THE PROJECT HAS ACHIEVED A NET INCREASE IN EMPLOYMENT OF 59.61 AND SAFEGUARDED A FURTHER 128.7 JOBS

Impact 5: SMEs screened and selected to progress into assistance interventions, as well as signposted towards Growth Hub and other support services. The Impact is SMEs have an assessment and recommended actions, to improve industry insights into growth strategies and connect them to support services.

To date the project had achieved 269 P13 outputs (Number of enterprises receiving information, diagnostic and brokerage support), expected to rise to 311 by project closure.

4.2 To what extent are the changes in relevant impact and outcome indicators attributable to project activities?

In calculating economic impact, we have used the employment data collected over the course of the project, and safeguarded employment collected via our online survey.

Net Impact has been calculated at the Multi-LEP geographical level. Employment data has been used to calculate GVA and utilises data obtained from the latest available version of the Annual Business Survey (May 2021) for appropriate SIC codes.

We have applied a series of standard economic multipliers. For GVA and employment, Deadweight has been applied at Zero, as respondents were asked to attribute any increase in employment directly to the support received.

Displacement of 29.3% and Leakage of 11.5% have been applied based on HCA guidance (for regional-level business development and competitiveness support, in line with BEIS guidance).

Type I economic multipliers have been applied at the SIC divisional level. Type II multipliers not only include the direct (impact on the business supported) and indirect effects (impact on the supply chain), but also account for induced impacts – the increase in household income throughout the economy.

Substitution is not applicable to this type of intervention, whereby existing employees at an SME will not have been replaced by other SME funded/ incentivised via public monies.

4.3 What are the gross and net additional economic, social and environmental benefits of the project (where relevant and applicable to project activities)?

The table below shows that the project has generated Gross Additional Employment of 62.31, and Gross Safeguarded Employment of 121. Once deductions and multipliers are applied, this results in Net Additional Employment of 59.6 and Net Safeguarded. Employment of 128.7. This is 188.3 jobs in the economy that wouldn't have existed without the support.

Using employment to calculate GVA, the project has generated Gross Additional GVA of £3.35m, and Gross Safeguarded GVA of £8.87m. Once deductions and multipliers are applied, this results in Net Additional GVA of £3.4m and Net Safeguarded GVA of £8.88m. This is £12.3m of GVA in the economy that wouldn't have existed without the support.

As we have used a series of ready reckoners (based on HCA guidance) to calculate additionality, we have also applied a 75% sensitivity test which offers a more cautious estimation and could be considered the minimum impact level.

	Net Additional Employment	Net Safeguarded Employment	Net Additional GVA	Net Safeguarded GVA
Gross Impact	**62.31**	**121**	**£3,354,769**	**£8,873,535**
Deductions				
Deadweight	62.3	121	£3,354,769	£8,873,535
Displacement	44.1	85.5	£2,371,822	£6,273,589
Leakage	39	75.7	£2,099,062	£5,552,126
Multiplier	59.6	128.7	£3,423,353	£8,883,402
Net Additional Impact	**59.6**	**128.7**	**£3,423,353**	**£8,883,402**

Net Impact Extrapolated across 75% C1 Beneficiaries	45	97	£2,567,514.41	£6,662,551.78

4.4 Can these benefits be quantified and attributed to the project in a statistically robust way?

All impacts are attributable to the project as respondents were asked to attribute any increase in employment directly to the support received.

Creating a Counterfactual Argument by Attributing Benefits: Engaging with companies who have been supported by the project is challenging as is evidenced by the take up rate of our survey. Overall, we had 89 responses from the survey out of approximately 240 survey invitations. That's a positive return rate of 37%.

We have serious doubts about the validity of using publicly available data as a counterfactual, particularly at this point in time. Most of the data available is from either 2019 or at best 2020. It is likely that financial and employment data is representative of pre-Covid performance, and in our view, that would be incomparable to current performance.

In addition, taking a pre-support and post-support position is rarely a true reflection of the reality of impact achieved. For example, when looking at turnover or employment, a company may turnover £10m and employ 100 people before support, and turnover £9.5m and 90 people after support. Using that data in isolation, it would look like the support has had no impact. Yet, in reality, it may have been that the company actually lost 15 people, but the support helped them to generate 5 new jobs. Adopting a pre and post approach would not have captured this.

The same principle can be applied in the opposite direction – a company may increase their turnover or employment, but it may have nothing to do with the support given.

THE PROJECT HAS CREATED 188.3 JOBS IN THE ECONOMY THAT WOULDN'T HAVE EXISTED WITHOUT THE SUPPORT

This would also be true of productivity, if using turnover per employee as a proxy. The support may improve the productivity of a process within a business, but this wouldn't necessarily always appear in the financials, particularly if the example above is taken into account.

Because of these reservations, we maintain that directly asking beneficiaries to 'attribute' impact to the support given is one of the best ways to create a counterfactual argument. Asking the company to state the increase in turnover (£ value) as a direct result of the support provided, means there can be no over claiming or under claiming of any impact, and a credible and robust counterfactual argument is created.

4.5 To what extent has/will the project contribute to the achievement of ERDF programme result indicators?

The project has made contributions towards the UK Government's ERDF Operational Programme Results Indicators (3c) 3.2/3.3, (3d) 3.4/3.5.

- **3.2 and 3.4 Number of small and medium sized jobs created:** At the time of the evaluation the project had generated Gross Additional Employment of 62.31, and Gross Safeguarded Employment of 121. Once deductions and multipliers are applied, this results in Net Additional Employment of 59.6 and Net Safeguarded. Employment of 128.7. This is 188.3 jobs in the economy that wouldn't have existed without the support.
- **3.3 and 3.5 Gap in productivity between SMEs and large companies' productivity measured in terms of gross value added per employee:** Using employment to calculate GVA, the project has generated Gross Additional GVA of £3.35m, and Gross Safeguarded GVA of £8.87m. Once deductions and multipliers are applied, this results in Net Additional GVA of £3.4m and Net Safeguarded GVA of £8.88m. This is £12.3m of GVA in the economy that wouldn't have existed without the support.

Using Net Additional GVA and Net Additional Employment, we can calculate Net Additional GVA per employee of £57,046.

4.6 What are the main sources of Strategic Added Value that the project has created?

E-Factor has long had a reputation around supporting start-ups because of its roots as an Enterprise Agency. It was founded using resources from the Local Enterprise Growth Initiative and although LEGI was adjudged to have failed at a national level when it was externally evaluated, we cannot overstate how successful it was in North East Lincolnshire. Since 2007 the E-Factor team have supported more than 2600 SMEs, helping to create 1870 new businesses and 2500 jobs. We have found the model amongst the most impressive use of public funding we have encountered. At its heart is the principal of using public funding to support property development which generates a surplus which can be used to fund public support.

When E-Factor started operations there was a great deal land and buildings locally that were not being used and a clear need to build the business stock and help local people to be enterprising. The team asked: How can we make the initiative aspirational, get people to rent space, begin start-ups, etc with the aim of using any surplus generated to for business support. That's more or less what has been done.

Refurbishing empty properties could be a key route to more incubation and the creation of new enterprises. Given sufficient support not for profit enterprises could use this kind of device to generate revenue to pay for business support. This represents a major opportunity to move business support onto a self-funding model in the future. Every town has empty buildings.

USING NET ADDITIONAL GVA AND NET ADDITIONAL EMPLOYMENT, WE CAN CALCULATE NET ADDITIONAL GVA PER EMPLOYEE OF £57,046

We believe the E-Factor team could provide HMG and other partners in the economic development arena with important insights into how to finance business support actions in a world of diminishing resources.

For MODAL, the project has enabled the team to shine a light on and provide support to specific sectors such as transport and renewables.

The learning which has occurred in this project could help others with the design and development of support to address similar needs in SMEs elsewhere.

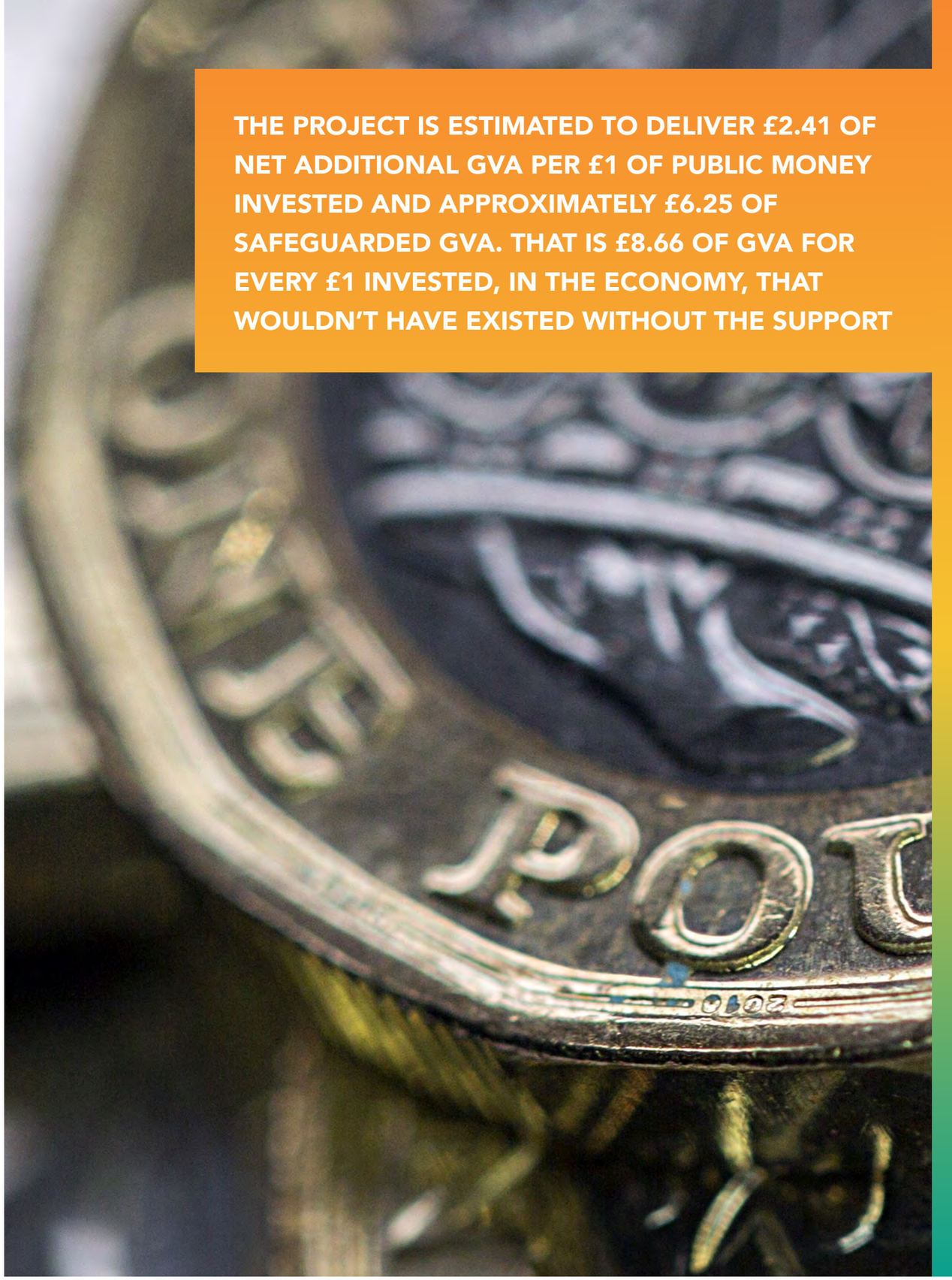
5: Project Value for Money

In any assessment of ERDF project value for money, it is always important to remember the project has already passed the MA's VFM tests at a structural level during appraisal. On this basis, if a project delivers or exceeds its outputs at a cost equal to or lower than forecast, it will have met the MA's /Operational Programme requirements. This project has done so.

With a total project expenditure (at the time of evaluation) expected to be £2.37m, and an ERDF contribution of £1.42m, our analysis of the value for money provided is summarised below. For the purposes of these calculations, we have used Project Closure Projections for Expenditure and Outputs.

- The total public cost per Enterprise Supported (280) is £5,071.
- When compared to research conducted by Regeneris[1] this represents exceptional value for money, significantly lower than the Mean (£34,000).
- Taking the project data, which evidences a gross increase in employment of 62.31, each individual additional employee will have come at a public cost of £22,789.
- This delivers excellent value for money when compared to other projects we have evaluated – one comparator project we evaluated recently delivered gross employment increase costs of £57.5k – almost treble the costs in this project.
- When compared to the Regeneris benchmarks, the project will have achieved exceptional value for money, significantly lower than the Mean cost (£71k) and lower than the Median (25.7k).
- The project is estimated to deliver £2.41 of net additional GVA per £1 of public money invested and approximately £6.25 of safeguarded GVA. That is £8.66 of GVA for every £1 invested, in the economy, that wouldn't have existed without the support.

[1] England ERDF Project 2014-20: Output Unit Costs and Definitions



THE PROJECT IS ESTIMATED TO DELIVER £2.41 OF NET ADDITIONAL GVA PER £1 OF PUBLIC MONEY INVESTED AND APPROXIMATELY £6.25 OF SAFEGUARDED GVA. THAT IS £8.66 OF GVA FOR EVERY £1 INVESTED, IN THE ECONOMY, THAT WOULDN'T HAVE EXISTED WITHOUT THE SUPPORT

6: Conclusions and Lessons Learnt

Please note the observations already made in section 4.4.

We believe the specialist expertise, personalities and operating styles of the project Advisors have been pivotal to the success of this project. Both partners have recruited people who have been credible in the market "We understand the sector and we can help you make it better" and have taken a step away from the old-fashioned notion of business support. The blank sheet approach is to be applauded and the difference it can make can be significant. The ability to be able to engage with SMEs and reference real issues, with no agenda, no tick list, hiding the wiring (better still discarding it) is genuine best practice.

Strengths

Factors which have had a positive impact on delivery include:

- The people have been the projects biggest asset. Cold calling time poor companies can be challenging, but the team approached all contacts in highly personable manner and built connections.
- The quality of speakers and the content of workshops, meetings, webinars and breakfast networking events was of an extremely high standard.
- High levels of advisor sector expertise, credible, caring and prepared to go above and beyond.
- Involvement of organisations with a proven track record, long experience and expertise in the business support arena.
- Quality outcomes for SME beneficiaries and important business impact for public investment.
- Benefits of small experienced teams and positive cultures, practice sharing and peer review coupled with a degree of autonomy.
- E-Factor and MODALs "public good and not-for-profit" character.
- E-Factors Enterprise Agency experience and MODAL's embeddedness in the logistics sector.
- Experienced local people with a history in local delivery.
- A way compensating for the postcode lottery created by recent policy changes.
- A clear voice for micro, start-up and SME in local policy development.
- Use of consultancy expertise is an effective method of public support for small companies.
- Team confidence that those assisted have all benefited from positive personal or business impacts.
- Materially exceeding targets despite COVID and EU exit.
- A good level of competence in ERDF Compliance process.
- Reasonable targets that allowed increases in the quality and duration of support.
- Sound Governance and Management processes.
- Themed workshops for example around social media allowing both group exchanges and 1:1 support.
- A broad range of staff members were leveraged at both E-Factor and MODAL to exploit internal expertise during the application stage and throughout delivery.

Weaknesses

- The ERDF constraints.
- The mountain of paperwork and bureaucracy associated with ERDF.
- The early focus on helping any business as opposed to being selective.

Lessons for the Delivery Partners

Entry into new sectors made the team nervous. They were very hesitant at first, but went for early wins, finding any business they could help, sometimes assisting those without the need just to earn their spurs. If the team were to do this again, they would be more selective from the outset – E-Factor are open door, but the team have limited resources so they would be selective about who they work with proactively.

Lessons for Project Designers

- Have a good understanding of regulations and standards in the sector.
- Select the right people – get the right Advisors – those who elicit respect, understand business and can communicate well.
- If the work is in sectors that haven't been supported before, ensure the project results profile takes the need to build performance into account.
- A project needs breathing space to walk into a new sector and time to build trust. It will take time to get traction. If projects want to offer more than "we can find you money" – they need time to win hearts and minds.
- Take care in designing projects.
- Recognise the pressures on beneficiaries - they are time poor and participation is a big commitment.
- Bringing different together businesses into the same room always works - connecting those that wouldn't think they had anything in common and would never think of making contact - can be extremely valuable.
- Try to ensure the people writing proposals/ designing projects are to be involved in the delivery or at least have direct experience of delivery.
- Focus on SMEs who are looking to grow rather than those who are struggling.
- Seek creative ways to add additional revenue streams for clients.
- SME is a collective term - recognise there is a wide variety amongst smaller companies in terms of size, process capability, attitudes and sectors.
- Procurement Frameworks do work, but they need careful handling.
- Teamwork is critical. The pandemic highlighted the need for teams to work together and collaborate (often whilst apart) to make projects a success.
- Leverage particular expertise, interests and specialisms within a team to play on people's strengths.

Lessons for Policy Makers

- There continues to be a need for genuine grassroots business support capabilities.
- Despite project efforts some clients considered the amount of ERDF project paperwork to be "atrocious".
- There should be much more flexibility in terms of the definitions and applications of output indicators. The ERDF indicators are sometimes flawed and achieving the right things is often hampered by further flawed interpretations.
- During appraisal ensure outputs are compatible with the sectors being targeted - in this project the potential for creating new products and services in the logistics, care and food (fish) sectors was limited, whereas the introduction of new processes - which almost always improve productivity - are not acknowledged by the indicators.
- HMG's ambivalence around the management of revenue generation in publicly funded projects needs a serious review.
- The project lost Advisors as a result of the uncertainty around the first one-year extension – MA decisions need to be made much faster.
- The tortuous appraisal process for this project took even longer than that associated with the Government Offices and Regional Development Agency.
- Policy needs to be focused on measuring the right things - leaving behind the obsession with many ERDF output concepts which are out of date and flawed.
- The incremental withdrawal of public support from business support following the demise of Training and Enterprise Councils, RDAs, Business Links and now the LEPs and Growth Hubs puts local councils at the heart of funding decisions. Many councils have no history of business support delivery, have poor reputations for direct commissioning of services and procurement, are often only focused on inward investment and large employers, providing very little support to smaller companies, have limited commercial understanding and there is the potential they will use SPF resources to close gaps in funding outside of business support. SPF is undermining the drive for growth.
- The arrangements around SPF will almost certainly result in redundancies and another round of loss of experience and expertise, with service quality reductions at a time when the claimant count is higher than ever.
- There is a now a vacuum in terms of business support policy.
- HMG should not be abdicating responsibility for policy around business support and economic development under the guise of devolution.
- There is a case to put the quality of support to the centre of HMG monitoring activity abandoning inappropriate outputs and over zealous audit processes.
- Funding streams need to be much more sensitive to commercial issues in terms of the actual cost of delivery.
- The legacy of threat which has been present in ERDF should be removed from project performance management.
- Policies must be more sensitive to local needs - Levelling Up is proving less equitable in Lincolnshire.
- HMG conventional wisdom around project exits need review – currently it is either complete closure or commercialisation and ERDF policy has prevented commercialisation actions within project lifetimes – new polices are needed for the 21st century.
- The management of the ERDF new product and service output indicator has been particularly vexing to the project owners and ourselves. The indicator completely misses the purpose of the intervention which is not to count the number of companies in which new products and services have been stimulated, but to count the number of new products and services (and processes) which have occurred as a result of support - because that is the indicator of the innovation health of a company. We are counting the wrong things.
- We can see no need for the heavy-handed administrative process associated with the PCR when the strategic purpose of the conversation is to understand how well the project is doing and evaluate the level of resources that could be allocated.
- HMG equality and diversity requirements remained opaque. We're not sure that any of the data collected is ever used and we wonder why the burden is beneficiaries and cannot be commissioned via much clearer E&D responsibilities for projects.
- Where do we go with the learning and information that we're gathering? Why isn't someone ***using*** this learning? The LEPs could have played a role here, but haven't.

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