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Inspiring Enterprise and Growth Interim Evaluation Report

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**Report Completed by
EU Projects Consultancy**

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Evaluator's note: In view of the findings in 4.1 Value for Money, it is the evaluator's opinion that seeking an extension for the project was without doubt the right course of action.

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1. PROJECT CONTEXT

IEG – Inspiring Enterprise and Growth – is an ambitious name for a project with just 4 delivery partners aiming to work with 350 potential entrepreneurs and 140 fledgling SMEs/Social enterprises from under-represented groups in London. However, IEG’s managing organisation and the delivery partners are all extremely knowledgeable and experienced in every aspect of the project and its beneficiary groups and initially contributed their expertise in suggesting targets and activities for the project application. All delivery partners have long experience in problem solving and in reacting positively to volatile markets and unpredictable business concerns; they draw on each other’s fortes and coordinate their skills. In the evaluator’s view, the strengths of the management and delivery partners and the above model have resulted in a robust and developing project that demonstrably inspires enterprise and growth.

IEG is funded under Priority Axis 3 ‘Enhancing the competitiveness of small and medium enterprises. The headings in sections 1 and 2 below are taken from ERDF guidelines and reference will be made to the project’s Logic Model (Appendix 1); interim evaluation interview questions (Appendix 2) and answers; and the original application – verbatim text is indicated. The project manager and lead partner is the London Training and Employment Network (LTEN). Delivery partners are: D-Foundation; FashionWorks; and Training Business for Growth (TFBG). ReWorks was originally included in the partnership but has not responded to any communication or participated in the project; they were not interviewed for this report.

- **What was the project seeking to do?**

Inspiring Enterprise and Growth project aims to equip participants with skills and competences to become more enterprising, start up new businesses/social enterprises and grow to ensure their sustainability. IEG seeks to recruit on and recruitment in localities across London which have high unemployment and economic inactivity rates where there are concentrations of BAME and women owned businesses and communities with limited or no business support provision.

The project’s key objectives (taken from the application) are:

- To engage potential entrepreneurs and fledgling SMEs/social enterprises through outreach and promotion within pre-start college/university hubs, sectoral hubs and specialists to local business/community networks and associations including partners’ databases of potential entrepreneurs.
- To support 350 potential entrepreneurs through a mix of diagnostic, prestart incubation experience; a programme of ‘concept to realisation’ workshops and other specialist support tailored to each individual entrepreneur’s ambitions and support needs, to become enterprise ready (creating 140 new enterprises).
- To support 140 potential entrepreneurs through business testing//business ideas viability; business to business matching and networking; business counselling/coaching including access to other funding and industry networks and workshops; to make the journey from start up to high growth businesses or social enterprises.
- To support 50 fledgling SMEs/social enterprises through business reviews; strategic business planning; and SMART actions and targets; and other tailored specialist support directing the business to a higher sustainable growth.
- To support the 140 new enterprises and 50 SMEs/social enterprises with non-financial support to create 75 FTE new jobs and 6 introducing new products to market.

- Each of the 350 potential entrepreneurs will receive at least 12 hours of assistance support and 50 SMEs/social enterprises will receive at least 12 hours of business support. However, many of the entrepreneurs and SMEs/social enterprises will receive a lot more support than that if assessed as needed. (Evaluator's note: this has found to be the case).

- **What was the economic and policy context at the time that the project was designed? and what were the specific market failures that the project was seeking to address?**

When designing the project, the following contextual factors and market failures were amongst those to influence IEG content and objectives - and are still relevant:

- BAMEs, older people and women have less chance of starting, growing or sustaining a business than other groups and are under-represented in all business start-up initiatives.
- In a research report by the Business Ethnic Minority Federation, SMEs reported that inability to expand was due to lack of investment and general lack of knowledge – but also, past projects had shown that lack of confidence in mainstream support limits motivation.
- All London Boroughs have policies in place to support local SMEs together with strategic regional alliances. However, these focussed on supporting SMEs in general rather than targeting and outreaching disadvantaged groups.
- Only 16.7% of London's enterprise are majority owned by women & 16.5% BAME owned.
- Some of the least well economically performing areas in London have the highest business closure rates.
- Women, older people & BAME potential entrepreneurs are perceived as 'hard to reach' & there are disproportionate concentrations of BAME and women owned businesses and communities in areas where there is also a limited clustering of business support services.
- In a research report by the Business Ethnic Minority Federation, SMEs reported that inability to expand was due to lack of investment and general lack of knowledge – but also, past projects had shown that lack of confidence in mainstream support limits motivation.
- LTEN's research on available funded support identified the lack of community led outreach. Lack of customised marketing had led to an "information failure" whereby a large number of potential entrepreneurs were unaware of available support.
- LTEN also surveyed 12 London borough's business strategies and found that that IEG's proposed methodology and activities were not delivered elsewhere
- In addition, vulnerable businesses were found to lack specific and relevant information such as services and product development, market awareness, market testing and support during high risk ventures such as start-up or expansion into new markets.
- There were a number of other ERDF projects, which had complementary services but they are mainly clustered in other geographical areas of London and tended to attract different demographics.
- Systematic research and data from previous partner projects, spanning 18 years, showed a lack of mainstream customised and focussed business support initiatives for IEG proposed target groups.

- **Was there a strong rationale for the project?**

The above points demonstrate that there were strong reasons for designing IEG and for ERDF to fund the project. In addition, the anticipated impacts and outputs were shown to be justified and these validated the project further.

- **Was it appropriately designed to achieve its objectives? Was the delivery model appropriate?**

As will be seen in the following sections, IEG is on track to achieve objectives and to exceed expectations in some areas. Briefly, the delivery model is firstly based on the four partners' knowledge and experience of the intended beneficiaries, business sectors and contacts, the market possibilities. Secondly, the model is based on positive and proactive interaction between partners together with a range of flexible business support to create customised interventions for participants. This model is wholly appropriate and is driving significant results.

- **Were the targets set for the project realistic and achievable?**

The project management is hoping an extension will be granted due to various factors including a slow start. Sections 3 and 4 show that in terms of beneficiary numbers and ERDF outputs the partners are on target to achieve by the end of the longer project if they continue at the current rate. Section 2 will show that in terms of individual participants and their businesses, targets have been met and exceeded – in some cases spectacularly. As such, the targets set were realistic and appear, at this stage, to be achievable; given the combined experience of the partners this is perhaps unsurprising.

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

- Partners and beneficiaries are mindful of Brexit and possible consequences. Delivery partners are finding that the uncertainty is discouraging some participants from starting a business. In these circumstances, participants with wealthy families who have capital and contacts in the UK or overseas, are comparatively even more successful than usual.
- This creates an even greater need to help those without these advantages. Partners are considering how best to simulate that environment of contacts and funding. Young creatives with good ideas are unable to start up and the sector is 'becoming beige' because advantaged participants don't always have the most vibrant and fruitful business ideas.
- The 'beige' effect is further exacerbated by the observed current trend for universities to select students on ability to pay for their course.
- A significant percentage of support money is currently going towards solving the knife crime issues which is impoverishing other sectors at a time when London needs edgy, sustainable and developing businesses.
- Gentrification of once cheap areas is happening rapidly e.g. in Hackney and Shoreditch and further out in Margate. This is creating churn as young creatives are pushed out and new concentrations in affordable areas are not yet forming in sufficient numbers to spark ideas off each other or to develop supportive infrastructure.
- The new Enterprise Allowance is not working – does not seem to have been designed to support start-ups.

- **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?**

As seen above, the project is performing well against its targets and can be expected to continue to do so. Outputs and outcomes are providing strong evidence that the project design and logic model are robust and reflect the needs of the beneficiary groups and project resources. Delivery partners are developing exciting strategies to combat the issues above; for example, work with universities alongside theoretical entrepreneurship degree courses to offer practical support in acquiring the skills needed to start up and sustain businesses.

2. PROJECT DELIVERY AND MANAGEMENT

- **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?**

IEG is managed by LTEN, the lead partner, who has a strong record across 20 years in developing and delivering successful partnerships and projects. Governance and management structure have been tried, tested and honed over this time and are right for this project genre and comply with ERDF requirements. Partners state that LTEN manages 'very well'. The project partners all have experience of governance and management and contribute to the smooth running of the structures in place. All agree that for the most part, the project has operated as expected at this level; where any glitches are observed, LTEN and partners are quick to identify causes and rectify.

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

The high standard of delivery is not only seen in the significant achievement of outputs within budget, but in outcomes and impact recorded by partners and beneficiaries to date. At this interim stage, a small representative sample is given here; for the summative assessment, an in-depth study will be analysed.

- For example, the IEG emphasis is on 'getting it right' that is, ensuring participants take a realistic view of their ideas, skills and chances of success from the start - and choosing alternative routes to business growth or start up if these are more appropriate e.g. short-term employment.
- One partner has run fundraising workshops to assist participants to apply for grants to fund specific projects.
- All partners stimulate the acquisition of the soft skills necessary to sustain a successful business e.g. confidence, less naivety, effective communication, entrepreneurship, ideas generation, networking and creating own business networks in different contexts.
- All partners raise achievement by showcasing young people, introducing new entrepreneurs to established business and vice versa, introducing and helping to create new markets.

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

Partners agree that projects can always be improved and lessons continue to be learned throughout delivery. Suggestions have been made that:

- It would have been useful to incorporate a further project stage to grow the newly established business – to take them to the next level.
- The project and partners could have been even more joined up to create extra dimensions
- Onerous paperwork takes up resources that could be used in supporting participants and it impedes progress.

- **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?**

The evaluators have noted that IEG's partners, activities and specified beneficiaries were all well-chosen and appropriate to the project objectives. As a result, these three project elements harmonise and interact as planned and the right beneficiaries are engaged and supported appropriately. IEG outreach covers a range of environments such as Job Centres, universities, women's community groups and young people's clubs.

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

In-depth feedback will be collected from beneficiaries for the final report. Meanwhile, evidence of beneficiary achievements from partners indicates the effectiveness and quality of activities.

- ASBO – a journal produced by and focussing on young entrepreneurs was started by a partner to give young creatives and start-ups a voice. They have since been approached by a well-known magazine with a view to buying it and the team. Also, a representative from Saatchi and Saatchi took 6 copies from an exhibition saying 'such a professional product, why don't I know about these people?'
- Sole-traders can feel isolated or unable to focus on their business if worried by, for example, family issues. The partners are seen by their beneficiaries as available and willing to assist them through every kind of problem.
- A success story based on IEG assistance to obtain a grant and to 'look wider' is that of a cheese blending manufacturer who now has contacts in Harrods and with well-known chefs. IEG is assisting the business to seek international markets.
- Beneficiaries are grateful for IEG's flexibility and problem solving- one partner ascribes part of the ability to do this to the ERDF principles. As example is of a woman working with a sewing group; she had a child on her back and a sewing machine in a shopping trolley. IEG couldn't locate a backer but found a café in need of development. The woman now invites the sewing group to drop in to her café.

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

- Equal opportunities, gender mainstreaming, tackling poverty and social exclusion, these principles are at the heart of IEG and have been fundamental to all LTEN's projects - which are invariably directed towards combatting disadvantage. The IEG delivery model and content was specifically designed by partners to support and grow businesses and their owners that face these challenges in London. Every element of IEG consciously incorporates these principles
- Sustainable development is actively supported by the partnership in their own workplaces and practices and is promoted by them in their interactions with beneficiaries. LTEN has gained the Greenmark Level 2 standard of good practice. However, although most beneficiaries plan to save resources where they can, a complete commitment is too expensive for many at this stage of their business development. Conversely, there are some who use the current interest in sustainable development to design their business idea and marketing around the movement. An example of this is the entrepreneur who makes a material for swimming shorts from plastic bottles.

3. PROJECT PROGRESS

3.1 Scheduled versus Actual Expenditure

The total approved project expenditure is just under £2.72m of which £1.36m is from the ERDF (so a 50% intervention rate). The match funding is shared between the separate, independent revenues of the delivery partners. A breakdown of the original project scheduled expenditure is shown in Table 3.1, broken down by budget-line and year of spending. This interim evaluation of the project has an effective date of 31 December 2018.

Table 3.1 – Scheduled expenditure by budget line and year (£000s)

Time period	2016	2017	2018	2019	Whole Project	To date (31/12/18)
Salaries	42.8	573.7	590.4	444.0	1,651.0	1,206.9
Other revenue expenditure	0.0	15.0	5.9	4.3	25.3	21.0
Marketing	0.0	28.5	26.4	17.8	72.7	54.9
Consultancy	0.0	195.8	284.0	214.0	693.8	479.8
Professional fees	0.0	0.0	14.6	10.0	24.6	14.6
Flat rate indirect costs	6.4	86.1	88.6	66.6	247.6	181.0
Total scheduled expenditure	49.2	899.1	1,009.9	756.7	2,715.0	1,958.2

From the claims submitted by LTEN each quarter, we have been able to derive the actual expenditure to compare with the scheduled expenditure – at this stage, we have not sought to break this down by budget line. The results are summarised in Table 3.2 (showing the performance in each quarter) and 3.3 (showing the cumulative performance).

Table 3.2 – Actual quarterly expenditure compared with scheduled (£000s)

Quarter	Actual	Scheduled	actuals: % of quarterly schedule	actuals: % of end-2018 target	actuals: % of project target
Q4 2016	49.2	49.2	100.0%	2.5%	1.8%
Q1 2017	164.8	157.1	104.9%	8.4%	6.1%
Q2 2017	65.1	245.0	26.6%	3.3%	2.4%
Q3 2017	164.8	249.6	66.0%	8.4%	6.1%
Q4 2017	235.5	247.3	95.2%	12.0%	8.7%
Q1 2018	184.1	250.8	73.4%	9.4%	6.8%
Q2 2018	231.6	262.0	88.4%	11.8%	8.5%
Q3 2018	208.0	249.7	83.3%	10.6%	7.7%
Q4 2018	230.9	247.4	93.3%	11.8%	8.5%
End 2018	1,533.9	1,958.3	78.3%	78.3%	56.5%

2019 (projected)	1,181.1	756.7	156.1%		43.5%
Project	2,715.0	2,715.0	100.0%		100.0%

Table 3.3 – Actual cumulative expenditure compared with scheduled (£000s)

Quarter	Actual	Scheduled	actuals: % of quarterly schedule	actuals: % of end-2018 target	actuals: % of project target
Q4 2016	49.2	49.2	100.0%	2.5%	1.8%
Q1 2017	214.0	206.4	103.7%	10.9%	7.9%
Q2 2017	279.1	451.4	61.8%	14.3%	10.3%
Q3 2017	443.8	701.0	63.3%	22.7%	16.3%
Q4 2017	679.4	948.4	71.6%	34.7%	25.0%
Q1 2018	863.5	1,199.1	72.0%	44.1%	31.8%
Q2 2018	1,095.1	1,461.2	74.9%	55.9%	40.3%
Q3 2018	1,303.1	1,710.9	76.2%	66.5%	48.0%
Q4 2018	1,533.9	1,958.3	78.3%	78.3%	56.5%

It can be seen that by the end of 2018, about 78% of the expenditure scheduled up to that date had been actually disbursed, representing about 56% of the total target project spend of £2.72m. If that target is to be met during 2019, expenditure in that year will have to reach 156% of the originally scheduled expenditure in 2019. So, measured solely in terms of expenditure claimed, the project is significantly behind schedule.

From Column 3 of Table 3.3, it is clear that the project was its furthest behind schedule at the end of Quarter 2 of 2017 (at only 62%). Since then, every quarter has shown some degree of catch-up, so that by the end of December it had reached over 78% of the schedule. Nevertheless, the rate of expenditure will need to increase quite dramatically if the project target is to be reached before the end of 2019.

Of course, expenditure is only part of the story. If the outputs being produced were on schedule – or even ahead of it – this would mean the project had been delivering outputs more efficiently than anticipated. If this was the case, logic suggests one of two possible consequences: either the project would be terminated on time, with output targets met or exceeded (but with a significant expenditure underspend), or the project would continue beyond the planned termination date until expenditure had met its target in full (in which case we would expect the output targets to be significantly exceeded). We look further at the relationship between expenditure and outputs in the next section.

3.2 Description of targeted outputs

The targeted outputs of the project are based on a twin-pronged approach as follows:

(a) recruiting a number of SMEs across London which meet various criteria, and delivering to them a package of bespoke business support, advice and assistance, according to each SME's own diagnosed needs and business aspirations. The support is provided by a team of specialist business consultants co-ordinated by the delivery partners, which are in turn co-ordinated by LTEN. For each SME so supported with an absolute minimum of 12 hours of properly documented consultancy support, a C1 and a C4 project output can be claimed. The overall project targets for such claims are 150 C1s and 150 C4s.

(b) recruiting a number of individual potential entrepreneurs across London and implementing programmes designed to:

- (i) develop understanding of the issues around starting up a business

- (ii) assist them to develop good entrepreneurial values
- (iii) ultimately support them to set up successful enterprises

For each such individual so assisted with an absolute minimum of 12 hours of properly documented support, a P11 project output can be claimed. The overall project target for such claims is 350 P11s.

In order to qualify as a C1/C4 output, each SME must receive a basic minimum level of 12 hours of consultancy support, which must be tailored to the specific needs of each business and include a diagnostic review. In the vast majority of cases, however, significantly more than 12 hours of support have been provided.

Likewise, some of the would-be entrepreneurs may receive only a basic level of 12 hours of support, although most will receive more support. Part of the purpose of the initial outreach programme is to ensure that those going forward to establish a business can do so with reasonable expectations of success. Thus, if any individuals concluded that entrepreneurship was not a suitable path for them, or that they were not yet ready to start on that path, this could be viewed as a positive project outcome (although they might then leave the project having received only the minimum hours of support). In far more cases, it would be expected further support would be offered, with the ultimate objective of setting up a sound and successful business.

The project is directed particularly at SMEs and potential entrepreneurs operating in areas of London experiencing lower levels of economic success. Initially, it focused primarily on women and/or ethnic minorities within these areas and also the disabled, whether SME-owners or potential entrepreneurs. However, the equalities targets have since been removed for SMEs, and equalities data is no longer collected for them. However, they remain for the potential entrepreneurs, and LTEN has adopted targets of 45% for women, 65% for BAME, 12% for those with disabilities and health issues, and 10% for older people.

The target number of C1/C4 outputs for support to SMEs is 150 over the lifetime of the project (and it has been clarified that these cannot include any businesses created as a result of the work with potential entrepreneurs). Of the businesses meeting the C1/C4 output criteria, there is a further target for a proportion of them to be fledgling businesses, that is less than 12 months old - any such case can be counted as a C5 output, and the project target number of C5 outputs is 70.

The project has two further output targets:

- (i) to create 60 full-time equivalent new jobs, in all likelihood (but not necessarily) within the pool of SMEs qualifying as a C1/C4 output. Each such FTE job may be counted as a C8 output.
- (ii) from amongst the C1/C4 output SMEs, to support six of those businesses in introducing a new product to the market. Each such business may be counted as a C28 output.

The project output targets are summarised in Table 3.4

Table 3.4 – Summary of project output targets

Output code	Description	Target
P11	Assistance to potential entrepreneurs - minimum 12 hours	350
C1/C4	Support to SMEs (not from P11s) – minimum 12 hours	150
C5	Support to fledgling (< 12 months) SMEs (from the C1/C4 cases)	70
C8	Full-time equivalent jobs created (not necessarily amongst C1/C4s)	60
C28	SMEs bringing a new product to market (from the C1/C4 cases)	6

3.3 Description of available data

At this interim evaluation stage, data have been available to us from three main sources:

- 1) The standard ERDF claims workbooks, as completed and submitted by LTEN each quarter - these give us headline global quarterly totals for project expenditure and numbers of claims in each category
- 2) A spreadsheet database giving details of each individual claim in each quarter, including the following information:
 - i) type of output claim;
 - ii) date achieved;
 - iii) hours of assistance to support claim;
 - iv) postcode where assistance provided;
 - v) individual ID code for each business/entrepreneur (grouped by delivery partner)
 - vi) equalities data: gender, disability status, ethnicity and age group. Initially, this was provided for all claim types, but this has now been discontinued for all but the P11 (potential entrepreneur) claims;
 - vii) where available, details of the existing business, including company name, registration number and registered postcode.

Initially, this database was incorporated into each quarterly Claims workbook, but more recently it has been supplied separately.

- 3) A cumulative spreadsheet called the ERDF Summative Assessment data monitoring template, giving further details for each business and individual eventually scoring an output in the project. Initially, there was no means of linking these data at an individual level with those in the database referred to in 2 above. At the evaluators' request, LTEN subsequently added an ID code field to the Summative Assessment sheet, which allowed the two databases to be combined.

For the P11 claims, the Summative Assessment data includes:

- i) Nature of support (one of three types)
- ii) Start date of support
- iii) Hours of support (\geq hours to be claimed)
- iv) Name, address, postcode, date of birth and employment status of individual

In addition, there are fields for recording the end-date of support, cases where the support leads to a business start-up, and the status of the individual (and business where applicable) 6 months and 12 months after the end-date, but these are barely populated as yet.

For the SME-related claims, the Summative Assessment data for each business includes:

- i) Name and contact details of owner or main point of contact
- ii) Sector code
- iii) Date trading started
- iv) Age of business
- v) Date support started
- vi) Hours of support (\geq hours to be claimed)
- vii) Number of FTE staff
- viii) Recent annual turnover
- ix) Date support ended (hardly populated as yet).

After combining the data (in point 2 above) for each of the quarterly claims, and after LTEN had added the ID codes to the Summative Assessment worksheet, we were eventually able to combine the databases to create a single Outputs Database containing all available digital claims data. In the process, a number of anomalies revealed by comparison of data in 1, 2 and 3 (above) were identified. These were discussed with LTEN, and nearly all of them were resolved; we will work towards resolving the remaining anomalies (and any new ones which might emerge) at the final report stage. They do not affect the broad conclusions reached in this interim report. We then adjusted our Outputs Database to reflect the resolution of each anomaly identified, and our analysis of the claims has been based on this database. As a result, the headline tallies of valid output claims each quarter sometimes differ from the total numbers of claims actually submitted. These differences only amount to a maximum of ± 2 in any case.

3.4 Scheduled versus actual outputs achieved

Table 3.5 shows the P11 outputs scheduled over the duration of the project compared with those successfully claimed up to 31 December 2018. Table 3.6 shows the same for the C1/C4 outputs, and Table 3.7 for the C5 outputs. In each case, the table shows the progress of the cumulative tally of successful claims, first as a percentage of the cumulative scheduled claims and then as a percentage of the December 2018 project target and of the overall project target.

Table 3.5 – Actual cumulative P11 outputs compared with scheduled

Quarter	Actual	Scheduled	actuals: % of quarterly schedule	actuals: % of end-2018 target	actuals: % of project target
Q1 2017	22	22	100.0%	7.3%	6.3%
Q2	33	50	66.0%	11.0%	9.4%
Q3-4	77	120	64.2%	25.7%	22.0%
Q1 2018	110	170	64.7%	36.7%	31.4%
Q2	149	220	67.7%	49.7%	42.6%
Q3	193	250	77.2%	64.3%	55.1%
Q4	250	300	83.3%	83.3%	71.4%
2019		350			

Table 3.6 – Actual cumulative C1/C4 outputs compared with scheduled

Quarter	Actual	Scheduled	actuals: % of quarterly schedule	actuals: % of end-2018 target	actuals: % of project target
Q1 2017	5	5	100.0%	3.8%	3.3%
Q2	8	10	80.0%	6.2%	5.3%
Q3-4	26	30	86.7%	20.0%	17.3%
Q1 2018	40	55	72.7%	30.8%	26.7%
Q2	53	80	66.3%	40.8%	35.3%
Q3	68	105	64.8%	52.3%	45.3%
Q4	84	130	64.6%	64.6%	56.0%
2019		150			

Table 3.7 – Actual cumulative C5 outputs compared with scheduled

Quarter	Actual	Scheduled	actuals: % of quarterly schedule	actuals: % of end-2018 target	actuals: % of project target
Q1 2017	3	3	100.0%	5.0%	4.3%
Q2	4	6	66.7%	6.7%	5.7%
Q3-4	10	14	71.4%	16.7%	14.3%
Q1 2018	15	25	60.0%	25.0%	21.4%
Q2	24	36	66.7%	40.0%	34.3%
Q3	33	48	68.8%	55.0%	47.1%
Q4	42	60	70.0%	70.0%	60.0%
2019		70			

It is not helpful to produce similar tables for the C8 and C28 outputs. In the case of the C8s (job creation), only 2 FTE jobs had been claimed by the end of 2018, against a target of 20. There was a slow project start partly because partners were having to focus on recruitment. Subsequently, they also needed to go back through paperwork in order to track outputs when new guidelines were introduced which permitted C5 achievers to be counted from amongst the C1/C4 cases. Previously, even a young C1/C4 output was not allowed to be claimed as a C5 output. Given all this background, the shortfall in numbers is now expected to be rectified in 2019. In the case of the C28s (taking new products to market), there had been 6 successful claims by the end of 2018, against a target of 3, so the total project target of 6 claims had been met well ahead of schedule.

With the exception of the C28s, the claim rates for the various output types have lagged significantly behind schedule. The most extreme lag is in job creation – to meet the project target, it now has to create 58 FTE equivalent jobs before the end of 2019, against 2 created in the previous two years. Whilst there is no requirement that these jobs should be created from the pool of businesses qualifying as a C1/C4 claim, this is obviously by far the most likely source for them. By the end of 2018, this pool was 84 strong, and it would be expected that, by this time, project consultants had developed strong relationships with many of the supported businesses. So, there is every reason to believe that the rate of job creation will at least increase, although it remains to be seen whether that will be sufficient to reach the project target.

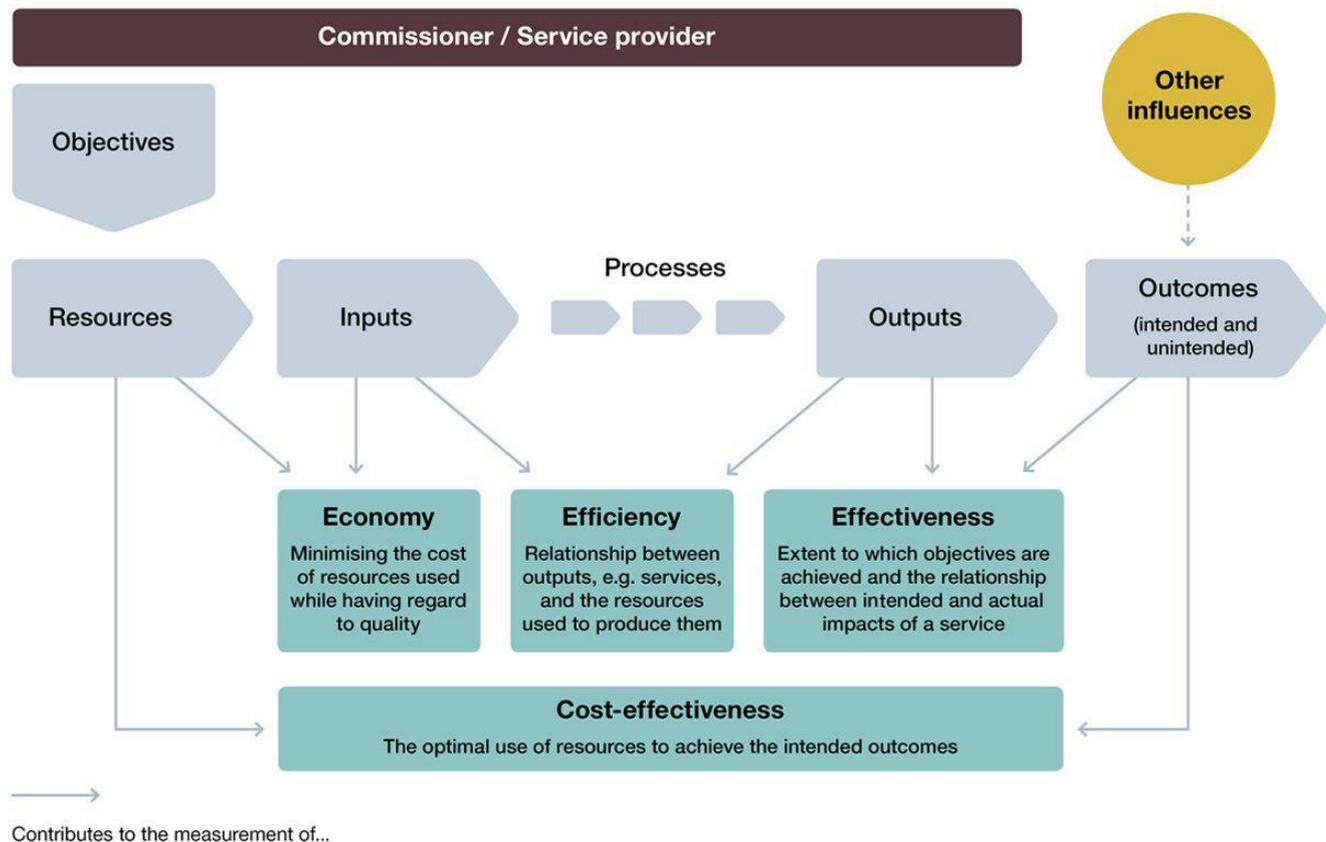
The build-up of C1/C4 claims has also been much slower than was originally scheduled – and this in itself would be expected to have a knock-on effect of delaying claims in the other SME output categories. Furthermore, it is inevitable that there will be a significant time lag between incurring expenditure and producing outputs. As the rate of project expenditure (as a % of scheduled expenditure) has increased steadily through 2018, we would expect this to be converted into higher claim rates in 2019. Table 3.6 shows that the C1/C4 claim rate has been stable at around 65% of the schedule for the last nine months of 2018, which suggests that the shortfall perhaps arose prior to April 2018, in which case it would represent a one-off historical backlog to be made up during 2019.

The shortfall in the rate of C5 outputs (support to fledgling businesses) follows a very similar pattern to the C1/C4s, except in this case, the figures for the last nine months of 2018 suggest that the process of catch-up is already underway.

The P11 shortfall against schedule was (at 31 December 2018) much less marked than in the case of the C1/C4s and C5s. The project had assisted 250 potential entrepreneurs by the end of December, representing 83% of the target schedule for that date. To meet the overall project target, it needs to achieve 100 more P11 claims during 2019.

4. VALUE FOR MONEY -

The National Audit Office (NAO) uses 3 main criteria to assess value for money of public funds and this means the optimal use of resources to achieve the intended outcomes. This is illustrated in the NAO diagram below.



4.1 Standardised Spend & Output Table

ERDF has adopted a standardised format for a spend/output summary table for use by project evaluators (shown as Table F.1 in the ERDF guidance). Putting together the essential elements, discussed in Sections 3.1 to 3.3 above, the standardised format is shown in Table 4.1 below.

Table 4.1 brings together the available data on expenditure and outputs (both actual and scheduled in both cases). As a result, it allows a rough assessment to be made of the level of efficiency of the project to date, in terms of the rates at which it converts expenditure to outputs (relative to that implicitly targeted in the original claims and expenditure schedules).

Putting aside the rather anomalous positions on the C8s and C28s, the results for expenditure and the C1/C4s (both close to 56%) suggest strongly that the project has performed almost exactly to the expected level of efficiency, and the P11 (71%) and C5 (60%) results suggest that the target efficiency level may have been surpassed. Put another way, and ignoring the position on the C8s, the project

has delivered outputs at a rate per £ of expenditure equal to or greater than that originally scheduled/anticipated. Thus, virtually the whole of the delay against schedule in producing project outputs is a direct consequence of the delay in spending (against schedule). This suggests that, given enough time, the project is capable of producing the targeted outputs at a cost equal to or lower than that originally planned. If the rate of expenditure is increased further, then the rate of output production can also be expected to increase.

Table 4.1 – ERDF standardised Spend and Output table

INDICATOR	Overall Project Targets		Performance at 31/12/2018	
	Original	Adjusted	Achieved	% of Overall Project Target
Capital Expenditure (£m)	£ -	£ -	£ -	
Revenue Expenditure (£m)	£ 2,715,000	£ 2,715,000	£ 1,533,938	56.5%
P11 - potential new entrepreneurs	350	350	250	71.4%
C1 - enterprises receiving support	190	150	84	56.0%
C4 - enterprises receiving non-financial support	190	150	84	56.0%
C5 - new enterprises supported	50	70	42	60.0%
C8 - FTE increase in employment	75	60	2	3.3%
C28 - enterprises introducing new products to the market	6	6	6	100.0%

Whilst it is inevitable that any attempt to hypothecate expenditure to particular output types will be subjective to some degree of subjectivity, one relevant measure might be the number of hours of constant support claimed for the C1/C4 cases, the C5 cases and the P11s. This mean value of the distribution of hours is surprisingly uniform across the three output categories, at about 17 hours per output. This suggests that the cost of a P11 output should be viewed as broadly equal to that of a C1/C4 output (& that there is no extra cost associated with the C5s found amongst the C1/C4s). This reinforces the tentative conclusion that, whilst C1/C4s are being created at the planned unit rate, the project is exceeding its target efficiency rate for the C5s, and even more so for the P11s.

This analysis then suggests that the project could either accelerate its rate of expenditure and reach (or even exceed) its output targets within in the original timescale envisaged, or it could continue at the same rate and eventually reach those targets if the deadline for project closure was extended (in either case whilst meeting or even surpassing the project’s implied efficiency targets).

But the analysis takes no account of the additional resources which might be needed to deliver on the job creation targets, in terms of the consultancy hours required. Both of the FTE jobs created to date have been within one business, which also scored a C28 output. 35 hours were recorded against the three outputs for C8s and C28s outputs, which we assume were in addition to the 22 hours supporting them as far as a C1/C4 claim. On that limited evidence, very roughly 1,000 hours of consultancy time

might be required to create another 58 FTE jobs. Hopefully, much of the groundwork for many of these anticipated outputs has already been completed, in which case this estimate is too pessimistic.

5. Contents of final evaluation report

As part of our final evaluation of the project on its completion, we envisage subjecting the claims data to more rigorous validity-testing than has been undertaken to date. This will include a comprehensive set of logical tests on the data stored electronically, designed to ensure each claim meets the relevant eligibility criteria, plus scrutiny of the documentation underlying the claims. This scrutiny of the casework documentation will be undertaken on a sample basis, but with particular focus on the more challenging types of output, such as C8s and C28s.

We also intend to analyse the characteristics of each claim category, including geographical spread and hours of consultancy support. In the case of the P11s, we can hopefully perform analyses by the equalities vectors, by prior employment status, by age and by the type of assistance provided. Hopefully, there will by then be sufficient data to look at the success rate in setting up businesses and the persistence rate in their survival thereafter. For the claims for SMEs, we can hopefully perform analyses by age of business, business sector, staff numbers and turnover (although so far, these latter two fields are only sparsely populated with data).

In this project, there were no explicit targets relating to the creation of Value Added. Given this, the relatively small size of the project, and the lack of comprehensive data on payroll or turnover, we see little value in undertaking an estimate of the additional Value Added created by the project, either on a gross or net basis. Such an estimate would unavoidably need to be based on a large number of assumptions, many of which would be too “heroic” to allow reliable results. The size of the project does not justify a major calculation exercise in which the sensitivity to each assumption would be tested, which, in a bigger project, might just make an estimate of the Value Added created justifiable.

Finally, we have found this to be an effective and quality project having great impact on the businesses and the journeys that beneficiaries choose to take. LTEN management is described by partners as ‘amazing and effective’, ‘incredibly supportive’, ‘not specialist but the way they are is the way they should be’. LTEN describes the partners’ business support as highly successful, vibrant and creative. The evaluator has just 3 recommendations at this stage:

- First, to work together to reduce paperwork if possible and explore any allowable digital alternatives.
- Secondly, to work with programme designers to develop a new ‘post- Brexit’ programme. Universities are now chasing IEG to add practical elements alongside the theoretical courses. If postgraduates subsequently set up highly creative and successful businesses this will attract new students to universities, who could then be more selective and thereby contribute significantly to the post-Brexit economy.
- Thirdly, to use the first part of IEG as a solid foundation from which to keep on developing the project and beneficiaries through the final stages. Good work.

With this in mind, the final report will also focus on impacts; beneficiary feedback and case studies; the impact of Brexit and other contextual factors; and any other future projects indicated by the findings of Inspiring Enterprise and Growth.