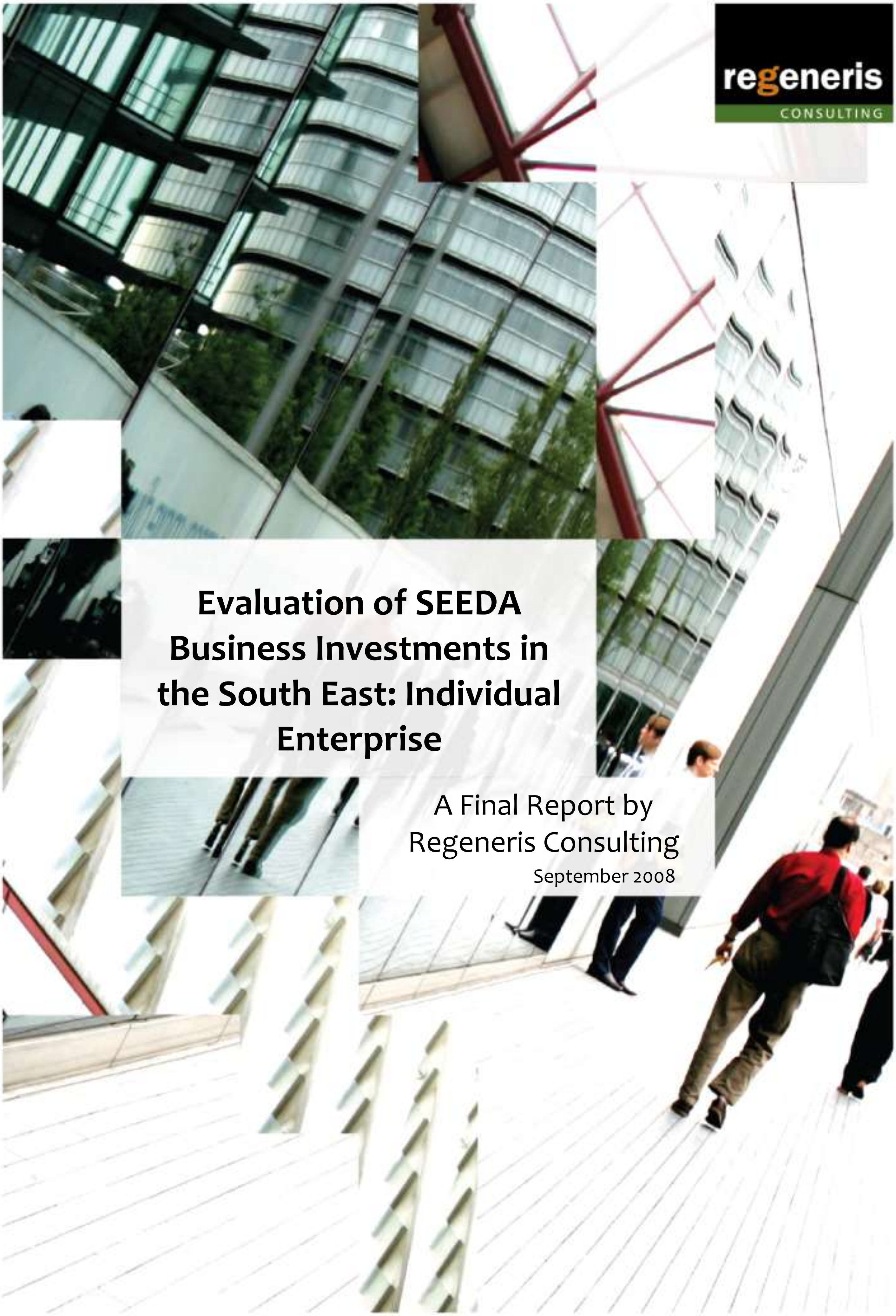

Evaluation of SEEDA Business Investments in the South East: Individual Enterprise

A Final Report by
Regeneris Consulting

September 2008

South East of England
Development Agency

Evaluation of SEEDA Business Investments in the South East: Individual Enterprise

Contents

Executive Summary

Purpose & Scope of Evaluation

i. This study is part of a wider programme of evaluation undertaken by Regional Development Agencies (RDAs) to report on the impact of their interventions during the period 2002/3 to 2006/7. It focuses on Individual Enterprise and is one of three undertaken by Regeneris Consulting and explores:

- Enterprise Gateways
- Enterprise Hubs
- Broadband and ICT Advice.

ii. This is a programme-level evaluation, exploring investment themes rather than specific projects. It endeavours to develop a rounded picture of each theme and has not been designed as a replacement for a more detailed project-level assessment. Although the evaluation explores the impact of SEEDA's investment up to the end of 2006/7, there are undoubtedly further impacts accruing to these investments which have yet to manifest themselves in the economy. The evaluation has been based on a review of a sample of projects and a sample of business beneficiaries. Conclusions drawn from the fieldwork should be interpreted with the possible margins of error inherent in any sampling-based exercise.

iii. The evaluation has been designed and undertaken in order to comply with the principles set out in the Impact Evaluation Framework (IEF) to guide how RDAs demonstrate their impact on regional conditions and will feed into the *Evaluation of the Impact of RDA Spending* report commissioned by BERR. The exercise focused on four central elements of the IEF:

- to review conditions and strategies in the South East
- to gauge the relevance of interventions to the challenges facing the regional economy
- to provide a quantitative assessment of net economic impact, as a measure of effectiveness of the interventions reviewed
- to assess efficiency by considering value-for-money indicators on unit costs to the public purse of the interventions reviewed.

iv. Where possible, the evaluation endeavours to:

- generate lessons and advice to SEEDA on the utility and sustainability of the interventions to help shape future rounds of investment
- and, to identify examples of strategic added value which have been secured through SEEDA's involvement in policy development.

Strategic Context for Interventions

Enterprise Gateways

v. Over the period of this evaluation, SEEDA established 16 Enterprise Gateways to encourage enterprise and self-employment amongst under-represented groups. The programme has evolved over time with an initial focus that included some physical workspace in the early stages of the programme. As the programme progressed, the provision of workspace was considered to be less important and a greater emphasis was given to virtual support networks provided by an Enterprise Gateway Director working with partners locally (such as community groups, colleges and schools) to meet the needs of businesses through advice, information, networking and capacity building. The programme is a response to inequalities across the region and is an acknowledgement that certain groups are under-represented within the enterprise and business start-up arena. According to the 2002 RES, for example, there were 73 new businesses registered per 10,000 adult population in Windsor and Maidenhead, compared with only 31 in each of Portsmouth, Southampton and the Isle of Wight. The programme's priorities are identified in the RES (2002-2012 and 2006-2016), Corporate Plans (2002, 2003 and 2005) and the Enterprise Gateway Network Plan (2004).

Enterprise Hubs

vi. SEEDA has invested in 22 local Enterprise Hubs across the region to support fast-growing entrepreneurial companies and to facilitate the exploitation of technology from the knowledge base. The model has been refined over the period, moving from a property based incubation programme to a network-based commercialisation programme. Unlike the Enterprise Gateway programme, which focused on areas of economic weakness across the region, the Hub programme was developed to invest in the success of the South East, building on experience from other similar initiatives across the world. Investment has reflected priorities set out in the RES (2002-2012 and 2006-2016), Corporate Plans (2002, 2003 and 2005) and the Enterprise Hub Business Plan (2004).

Broadband and ICT

vii. SEEDA has invested in programmes to address the low levels of broadband availability and broadband take-up in parts of the South East (particularly rural areas). A broad range of investments have been carried out including grants to SMEs for satellite broadband and to partners to enable broadband provision in geographical areas served by non-ADSL enabled exchanges. Nine Broadband Partnerships were also established to provide awareness raising, advice and support on top of grants. These investments have reflected priorities set out in the RES (2002-2012 and 2006-2016) and Corporate Plan (2002, 2003 and 2005).

Analysis of SEEDAs Investments

viii. SEEDA invested £18.2 million in the Individual Enterprise Programme between April 2002 and March 2007. Investment in Broadband and ICT projects has been largely constant across this period though there have been increasing levels of investment in Enterprise Gateway and Enterprise Hub programmes towards the end of this period, reflecting SEEDAs intention to invest in an increasing network of Hubs and Gateways across the South East. A sample of 23 projects has been reviewed as part of this evaluation, representing £6.96 million spend (38% of the total).

Table 1: SEEDA Spend By Year (£000s)

	2002/3	2003/4	2004/5	2005/6	2006/7	Total
Enterprise Gateways	71	137	648	896	1,548	3,300
Enterprise Hubs	523	406	1,519	2,240	2,942	7,631
Broadband and ICT	976	1,589	2,133	1,256	1,361	7,315
Total	**1,570**	**2,133**	**4,301**	**4,392**	**5,851**	**18,247**

Source: Aggresso (SEEDA).

Market Failure

ix. In the main, projects have been developed to address imperfect information though other issues have also been cited.

Table 2 Summary of Potential Rationale for SEEDA's Interventions

	Market Failure				Equity
	Public Goods	External-ities	Imperfect Information	Market power	
Enterprise Gateways			√√		√√√
	Equity. The investments have sought to tackle under-performance in areas which are lagging behind economically and aim to foster a more equitable spread of enterprise and business growth across the region by encouraging enterprise.				
Enterprise Hubs			√√√		
	Imperfect Information. Poor awareness of the need for and technical requirements of innovation leads to sub-optimal decision making and results in businesses not achieving their true potential.				
Broadband and ICT			√√√		√√
	Imperfect Information. Businesses aren't aware of the benefits of broadband and are not exploiting these new technologies to their full potential. The partial coverage of Phase 1 ADSL gave rise to equity concerns in non-served areas.				

Note: For strength of market failure case, 1 tick = weak case, 2 ticks = partial case and 3 ticks = compelling case. No ticks = no case.
Source: Project Reviews

Impact on Businesses Supported

x. A large proportion of businesses surveyed (48%) across Individual Enterprise projects reported that their performance has stayed the same since receipt of assistance. For Enterprise Hub projects, however, around three fifths indicated that the support they received has improved their performance, which is likely to reflect a more targeted approach which has been adopted with more intensive support being provided to firms with the greatest potential.

xi. Enterprise Gateways have been most successful at improving confidence levels, which is in line with the overall rationale for the projects. The Enterprise Hub programmes have also been successful at increasing confidence levels, skills development and helping the business to grow. Broadband and ICT projects have been successful at helping firms run their business more efficiently.

xii. Many firms indicated that they would not be prepared to pay for the services received, which could suggest that they are only taking advantage of the service because it is free and not because they value the service. Nevertheless, a high proportion of firms felt that the support they received was in line with expectations, which suggests that they were well informed about the support they were to receive and 84% were either very satisfied or satisfied with the support.

Enterprise Gateways

xiii. Enterprise Gateway projects have exceeded their targets for businesses created and supported. They have not met their targets for jobs created though this is likely to reflect the types of entrepreneurs which are being targeted (from disadvantaged groups), which are likely to have lower aspirations for growth and require a longer timeframe to grow and, as a result, these targets appear to be high.

xiv. According to key performance indicators, in 2006, the Enterprise Gateway programme as a whole was reported to have helped 1,996 people to consider employment as an option and 1,621 people to develop their business idea.

Enterprise Hubs

xv. Enterprise Hub projects have exceeded their targets for businesses created and supported. They have not met their targets for jobs created though it could be argued that the client group (high-growth firms) is likely to be more motivated by wealth creation (than job creation). Key performance indicators have been used to measure the performance of Enterprise Hub programmes. In the first nine months of 2005/06, for example, the Hub Network had helped its clients raise £12.1 million of investment funding for their ideas.

Broadband and ICT Advice

xvi. Broadband and ICT Projects were only contracted to support businesses (not create jobs or businesses). They have not met their targets against this indicator; however, this is largely due to one project which did not seem to accurately record their outputs.

Impact on the South East Economy[1]

xvii. The evaluation estimates that the cumulative total achievement of the Enterprise Gateway programme is net additional gross value added of between £4.8 and £5.1 million. In GVA terms, the Gateways have performed reasonably, generating an estimated £1.50 for every £1 invested by SEEDA. Cost per net additional job is a reasonable £18k,

[1] Gross and Net impacts have mainly been generated using survey responses from businesses supported by SEEDA investments. The technical approach adopted and the survey questionnaire can been seen in the associated appendices to this report. Multipliers were calculated using a cautious 1.3 uplift factor taken from EP Guidance for “limited local supply linkages and induced or income effects”.

Table 3: Cumulative Impacts for Enterprise Gateways		
Relevant spend covered (£m)	£3.3 million	
	Jobs	GVA
Gross Impacts	547 – 587	£23.9 - £25.7 m
Overall Additionality Ratio	14%	20%
Net Impacts	176 - 189	£4.8 - £5.1 m
Return on Investment	£18k per addl job	£1.50 per £1

xviii. The evaluation estimates that the cumulative total achievement of the Enterprise Hub programme is net additional gross value added of between £75.5 and £88.4 million. The return on investment in terms of GVA is just under £11 (per £1 invested by SEEDA), which is an excellent return on investment, as is the performance on job creation running at £4.4k per additional net job.

Table 4: Cumulative Impacts for Enterprise Hubs		
Relevant spend covered (£m)	£7.6 million	
	Jobs	GVA
Gross Impacts	6,777 – 7,935	£240 - £281m
Overall Additionality Ratio	43%	31%
Net Impacts	1,586 -1,857	£75.5 - £88.4m
Return on Investment	£4.4k per Addl Job	£10.7 per £1

xix. The evaluation estimates that the cumulative total achievement of the Broadband and ICT programme is net additional gross value added of between £11 and £12 million. Returns on investment generated so far are £1.60 of GVA per £1 invested by SEEDA and £21.4k per additional job. These are reasonable but not outstanding.

Table 5: Cumulative Impacts for Broadband and ICT		
Relevant spend covered (£m)	£7.3 million	
	Jobs	GVA
Gross Impacts	1,467 – 1,595	£43.1 - £46.8m
Overall Additionality Ratio	22%%	26%
Net Impacts	327 - 355	£11.0-£12.0m
Return on Investment	£21.4k per Addl Job	£1.60 per £1

SEEDA's Impact on Changing Conditions

xx. The South East is a relatively large region and SEEDA has only a small amount of investment with which to generate an impact. In order to put this into context, expenditure on Individual Enterprise projects between 2002 and 2007 was £18.2 million and over a similar period, private sector investment in the region has totalled £85,588 million[2].

xxi. Taking cumulative impacts to date, individual enterprise projects have generated only a small additional uplift to the regional economy as demonstrated in the table below, for example Enterprise Hubs, the biggest contributor of the three is thought to be responsible for just 0.17% of the region's GVA growth.

[2] Data on capital formation is not available regionally. Therefore, the figure has been estimated using data on Gross Fixed Capital Formation by the Private Sector from the ONS United Kingdom National Accounts Blue Book 2007. South East Figures have been derived by apportioning the national figures according to the South East's share of UK GVA.

Table 6: Setting Programme Impacts into Context of Regional GVA performance				
	GVA Uplift		**Jobs Increases**	
Theme	**Cumulative Increase in SE (£millions)**	**Proportion of GVA Increase Attributable to SEEDA**	**Total Increases in SE**	**Percentage of Jobs Increase Attributable to SEEDA**
Enterprise Gateway	£44,587	0.01%	54,000	0.1%
Enterprise Hubs		0.17%		5.8%
Broadband and ICT		0.02%		0.6%
Source: Regeneris Consulting calculations of impact and Headline GVA at current basic prices (National Statistics) Regional GVA available to 2006/07. The average uplift in regional GVA 1997/8 to 2005/06 has been used for 2006/07 and 2007/08. Increase in jobs in the region has been calculated using Annual Business Inquiry (ONS) 1998 - 2006. For 2006/07 and 2007/08 the average annual increase has been used to allow an overall figure for regional growth in employment during the relevant period to be generated.				

Strategic Added Value

xxii. Each of the three themes has demonstrated some good examples of Strategic Added Value (SAV) and these are summarised below.

Table 7 Strategic Added Value			
	Enterprise Gateways	**Enterprise Hubs**	**Broadband and ICT**
Strategic Leadership	SEEDA has demonstrated leadership by investing in Enterprise Gateways in parts of the South East which are under-performing to encourage enterprise.	SEEDA has invested in response to a recognised need that there are successful entrepreneurs who do not have the support to make their success a reality.	SEEDA has made investments in response to evidence of low levels of broadband availability/take-up in parts of the South East which was affecting business competitiveness.
Strategic Influence	The Enterprise Gateway programme has encouraged Business Link to focus on under-performing communities by encouraging them to submit proposals for Gateways in areas of need. Previously Business Links services were not focused on this target group.	The Enterprise Hub programme appears to have influenced the way in which organisations perceive high-growth firms and, as a result, local agendas/organisations (such as Local Authorities, Chambers of Commerce) appear to be more aware of this target group and their needs. SEEDA has achieved this through ensuring hubs are managed by local steering groups with a wide range of partners.	Some of the projects demonstrated that they had worked closely with BT at a senior level to influence them to enable exchanges sooner than they would have done without the partnership.

Table 7 Strategic Added Value

Leverage	SEEDA invested £85,000 per Gateway per year and the remaining funding came from partners. Data from the project reviews, however, suggests that partners only contributed 30% of the total cost of the programme, but this is likely to underestimate leverage. Project managers often provided examples of leverage such as community halls provided free of charge for meetings and events, but they were unable to quantify this.	SEEDA invested £85,000 per year per Hub and the remainder came from partners. Information from the project reviews suggests that only 20% of funding was provided by partners, but this is likely to underestimate partner contributions. The Hubs have also demonstrated success at levering in funding for businesses as a result of their support. In the first nine months of 2005/06 the Hub Network had helped its clients raise £12.1 million of investment funding for their ideas	According to the project reviews, SEEDA funded 60% of the total for the Broadband and ICT projects. Examples including BT sponsoring events or promotions, the public sector providing rooms for advice sessions, marketing and specialist advisers/trainers.
Synergy	SEEDA encouraged and invested in developing case studies to share best practice amongst the Enterprise Gateways. Best practice was shared across the network through the establishment of a regional forum of Gateway Directors.	SEEDA developed the Enterprise Hub network and this appears to have been successful at enabling individual projects to share best practice with the majority of project managers indicating this was beneficial.	SEEDA established a Regional Broadband Forum which involved each of the nine Broadband Partnerships and enabled the sharing of ideas and best practice amongst the partnerships.
Engagement	The programme was managed by Business Link and a steering group comprised local representatives such as the Council as well as universities (in some cases), the Chamber of Commerce and economic partnerships. Project managers reported good cross-referral relationships with organisations such as the Employment Service, local training providers, community groups and charities. Bespoke marketing and PR was also used to encourage engagement with key market sectors.	The projects appear to have been very successful at engaging with other organisations including Finance South East, HE establishments, Business Link, UKTI, Sector Consortia and the private sector.	The Broadband Partnerships generally comprised a range of partners including the Council, Economic Partnerships, Business Link and the Chamber of Commerce.

Key Reflections & Recommendations

Enterprise Gateway

xxiii. The projects have generated a reasonable return on investment in net GVA terms. Job creation and contribution towards GVA were not major drivers behind the development of this programme, which focuses on under-performing communities. Their impact on the wider issues faced by business start-ups such as helping them to grow and accessing new markets has been less apparent However, the projects appear to have had some success in improving beneficiary confidence, with 50% of beneficiaries reporting a significant impact following the intervention. They have also helped to build the target group's capacity to access mainstream services, with nearly three quarters of beneficiaries indicating that they are more likely to access mainstream services following receipt of support.

xxiv. During its life-span SEEDA has refined the Gateways to address overlap with mainstream services, culminating in the development and implementation of a new model of operation in September 2007. The new model is based on more detailed research to define its market focus and aims to enhance the Business Link service and its ability to engage with under-represented and hard-to-reach groups. This should address a number of the issues identified in this evaluation such as defining the target group, i.e. under-performing communities, to ensure that these can be targeted and understood and tackling issues around overlap with mainstream services, as well as ensuring that SEEDA's investments are driven by a clear business case.

Enterprise Hubs

xxv. The Enterprise Hub projects have resulted in a good impact on the economy and have offered excellent value for money. Its success could be attributed to the targeted approach, which focuses on growth firms seeking to commercialise new ideas. The way in which the programme has been designed to provide intensive support to a small proportion of high-growth firms, as well as overarching support (through networks and workshops) to a large number of firms has assisted in this regard.

xxvi. Lessons from the Enterprise Hub programme (such as this targeted approach) have been used to inform the development of Place Based Innovation Teams, which will be implemented after 2009. The programme will be delivered through a regional network of Innovation Teams who will provide intensive business expertise services to support high-growth businesses. The Enterprise Hub model does appear to be a successful approach to follow, though care should be taken to ensure that the positive aspects of the programme (including strict entry criteria on growth firms, different membership tiers offering varying types of support and a strong network of support) are continued into the future. The success of the programme does also suggest that there could be a case for scaling-up the volume of investment and number of assists in the future.

Broadband and ICT

xxvii. The projects appear to represent reasonably good value for money and have generated a positive return on investment. This theme has also been successful in making strategic contributions to the roll-out of broadband infrastructure, with the Broadband Partnership programme influencing BT to enable exchanges sooner than they would have done otherwise. Projects have put in place some lasting infrastructure, which will continue to serve the region, as well as boosting the appetite for ICT among businesses which should also have lasting effects. During the timeframe of this evaluation, the primary focus of SEEDA's investment has been on developing infrastructure and there has been less investment in maximising the return of ICT through exploitation projects.

xxviii. The 2006 RES states that the future focus should be on developing next generation broadband infrastructure. There is no separate dedicated strategic plan for Broadband and ICT investments. Such a framework may be beneficial in focusing future investment in line with evolving market failures and for maximum impact.

Recommendations

xxix. Based on our assessment, the following represents the main recommendations:

- **Provide more targeted investment**. SEEDA's budget is relatively small in the context of the South East economy and, as a result, fewer more focused investments are likely to result in the greatest impact. This appears to be taking place with investment in Place Based Innovation Teams. It should be borne in mind, however, that a more targeted approach for the Enterprise Gateway programme could result in lower returns but would ensure that it really works with the hardest to reach clients.

- **Provide better leadership in investment decisions**. There were instances where investment was made in projects which had a poor rationale and fit with the programmes objectives. SEEDA should be clear about whether it is investing in areas of advantage or areas of need and provide a clear basis for project-level investments. Again, this should be addressed with the development of the Place Based Innovation Teams.

- **Provide clear strategic direction for future investment for Broadband and ICT Projects.** There is no clear strategic plan for investment in Broadband and ICT projects (though the 2006 RES does state a focus on next Generation Broadband). Such a framework would be of benefit in developing future plans and identifying opportunities for greater leverage.

- **Ensure that there is a strong rationale for investment.** It is now clear that the market has an evolving assessment of the infrastructure it will deliver (although may not always act as quickly as RDAs might wish) Moving forward, SEEDA needs to further review the balance of emphasis between investing in infrastructure, as opposed to encouraging businesses to maximise return on infrastructure that is in place.

- **Ensure projects are designed to complement and enhance existing activities**. Across the South East, there is already a vast array of individual enterprise initiatives. Greater linkages with existing provision would result in a more coordinated approach, would maximise RDA expenditure and can lead to economies of scale. The BSSP would be expected to provide greater rationalisation of support.

- **Develop more effective and appropriate monitoring frameworks for projects**. Whilst Enterprise Hubs have been more successful in this regard as they have developed their own key performance indicators, other projects have demonstrated a more casual approach to performance management and a broad-brush approach to setting targets has been taken.

1. Introduction & Background

Scope & Purpose of Evaluation

1.1 This study is part of a wider programme of evaluation undertaken by RDAs to report on the impact of their interventions during the period 2002/3 to 2006/7. It focuses on *Individual Enterprise* and is one of three undertaken by Regeneris Consulting, looking at different aspects of SEEDA's involvement in business development and competitiveness (the other two reports are *Business Competitiveness* and *Innovation Infrastructure*). The evaluation explores three themes which make-up SEEDA's commitment to Individual Enterprise Support[3]:

- Enterprise Gateways
- Enterprise Hubs
- Broadband and ICT[4].

1.2 This is a programme-level evaluation, exploring investment themes rather than specific projects. This evaluation will feed into the *Evaluation of the Impact of RDA Spending* report, commissioned by BERR and subcontracted to Regeneris Consulting by PricewaterhouseCoopers LLP. It endeavours to develop a rounded picture of each theme and has not been designed as a replacement for a more detailed project-level assessment. Although the evaluation explores the impact of SEEDA's investment up to the end of 2006/7, there are undoubtedly further impacts accruing to these investments which have yet to manifest themselves in the economy. The evaluation has been designed and undertaken in order to comply with the principles set out in the Impact Evaluation Framework[5] to guide how RDAs demonstrate their impact on regional conditions. The exercise focused on four central elements of the IEF:

- to review conditions and strategies in the South East
- to gauge the relevance of interventions to the challenges facing the regional economy
- to provide a quantitative assessment of net economic impact, as a measure of effectiveness of the interventions reviewed
- to assess efficiency by considering value-for-money indicators on unit costs to the

[3] These themes have been constructed for the purposes of this evaluation exercise to match the wider national programme of assessment being undertaken. SEEDA has its own grouping of investments and this evaluation draws from TH03 Business Support, TH02 Enterprise Gateways. TH02 Enterprise Hubs, TH10 IT Projects and TH10 Wired Region (formerly Broadband Capital)

[4] Access to Finance has been removed from this evaluation as a single theme due to poor coverage and representativeness though business experience of financial assistance has been referred to in this evaluation.

[5] *Evaluating the Impact of England's Regional Development Agencies: developing a Methodology and Evaluation Framework* – February 2006 - http://www.berr.gov.uk/files/file21900.pdf

public purse of the interventions reviewed.

1.3 Where possible, the evaluation endeavours to:

- generate lessons and advice to SEEDA on the utility and sustainability of the interventions to help shape future rounds of investment
- and, to identify examples of strategic added value which have been secured through SEEDA's involvement in policy development.

1.4 It should of course be borne in mind that IEF criteria were not in place when the projects under review were designed and initially began operating.

Approach & Work Undertaken

1.5 The evaluations have been built up from a series of fieldwork tasks:

- An initial round of **scoping interviews** with SEEDA staff to understand regional strategic priorities, the South East context and the approach adopted by SEEDA to intervening in each of the theme areas. These sessions also helped identify the short-list sample of projects for detailed review.
- **Desk-based analysis** exploring the region's stated strategic priorities (in the current and previous RES, Corporate Plans and other documents) combined with an assessment of the overall scale of spend and performance of investments.
- A series of **project reviews** with the short-listed sample of projects to understand how interventions had been managed and delivered on the ground, and to assess how they have contributed to regional economic priorities.
- An extensive telephone **survey of businesses** assisted by the short-listed projects to gauge the perceptions of business people and the impact services have had on the performance of individual companies.
- A brief round of **stakeholder interviews** with SEEDA partners to develop an understanding of the appropriateness of strategic priorities, assess how closely interventions fit with needs and opportunities, and better understand how the region has progressed over the relevant period.

1.6 This report sets out an analysis of the fieldwork findings. Technical details on the scale of the fieldwork, the research tools deployed and supplementary findings (including some of the raw data) can be found in the Appendices.

Strategic Context

Enterprise Gateways

1.7 At the time of these investments, the South East was (and remains) a buoyant economy, outperforming other regions across a range of economic indicators. Nevertheless, there remained inequalities across the region. According to the 2002 RES, for example, there were

73 new businesses registered per 10,000 adult population in Windsor and Maidenhead, compared with only 31 in each of Portsmouth, Southampton and the Isle of Wight. Whilst employment rates in West Berkshire (86%) and Bracknell Forest (85%) were high at the time of the 2002 RES, the employment rate in the Isle of Wight, Brighton and Hove and Southampton was only 71%. Parts of the South East exhibited high levels of deprivation, with SEEDA targeting those 119 wards in the bottom 20%, according to the Indices of Multiple Deprivation (IMD) for 2001. There were also high concentrations of under-represented groups in parts of the region, with 30% of the population in Slough from BME groups (in 2001). At the time, Business Link did not provide targeted support to those hardest to reach groups and the Enterprise Gateway network provided a gap in this provision with a focus on underperforming areas.

Enterprise Hubs

1.8 As stated above, at the time of these investments, the South East was (and remains) a buoyant economy, outperforming other regions across a range of economic indicators. For the South East as a whole, business start-up rates were high (5.47 start-ups per 1,000 working age population) with a survival rate of 91.4%. It is not possible to quantify the level of high-performing, innovative start-up firms seeking to commercialise ideas (which this programme is targeting). Nevertheless, indicators such as productivity (measured by GVA per head), which was £18,079 in 2002 and investment in R&D (£3,124 million) suggests that there are a high number of innovative start-ups across the region. At the time, there was recognition that these high-growth businesses were important in generating economic wealth across the South East. Unlike the Enterprise Gateway programme, which focused on areas of economic weakness across the region, the Hub programme was developed to invest in the success of the region using the experience of other similar initiatives across the world.

Broadband and ICT

1.9 The context at the start of the investment programmes was one of low levels of broadband availability and low levels of broadband take-up. The Corporate Plan indicated that in 2002/3 only 390 individuals and businesses in the South East were receiving broadband. Furthermore, there were large variations across the region, with only 20% of exchanges in Sussex enabled in 2004 due to insufficient demand. During the timeframe of the evaluation, there have been changes to the context with demand and availability increasing and, as a result, the focus has changed towards improving the use of ICT and broadband. In 2006, for example, the proportion of businesses trading online in Sussex was around 20%, which is below the national average of 30%.

Strategic Priorities for Individual Enterprise

Enterprise Gateways

1.10 The **Regional Economic Strategy (RES) for South East England 2002-2012** identified that in order to increase the start-up, survival and growth rates of businesses, the Enterprise Gateways network (together with the Enterprise Hubs) would be a priority and set a target to establish 20 Gateways by 2007. It was described as a new initiative to provide business incubation networks, nurturing entrepreneurs and young companies. Priority would be given to areas where entrepreneurship and business skills are low. This included targeting some specific market/groups, including social enterprises, rural enterprises and under-represented groups. The **Regional Economic Strategy 2006-2016** confirmed support for the Gateway programme, stating an aspiration to expand the Enterprise Gateway Network from nine to 20 by 2007.

1.11 The **Corporate Plans (2002-2004, 2003-2005 and 2005-08)** all confirmed an aspiration to develop a network of 20 Gateways by 2007. The Corporate Plan for 2005-08 indicates that there will be a continuing integration of Enterprise Gateway activity into the mainstream Business Link support.

1.12 The **Enterprise Gateway Network Plan (2004)** set out a mission to "....help South East England's underperforming communities realise their potential through enterprise" and had four objectives:

- Help change the culture of the region's underperforming communities so that more people believe that starting a business is a realistic option for them and their families
- Achieve business start-up and survival rates in its target communities which are at least equivalent to the regional average
- Increase the take-up of mainstream business support services by people in its target communities
- Build entrepreneurial communities where entrepreneurs actively trade with, learn from and support each other and are therefore less dependent on public sector interventions.

Enterprise Hubs

1.13 The **Regional Economic Strategy (RES) for South East England 2002-2012** identified the Enterprise Hub network as a priority to support enterprise and to increase start-up, survival and growth rates. There were plans for 20 Enterprise Hubs to be established by 2007. The hubs have a particular role in facilitating the transfer of technology and knowhow from the region's universities and research institutes and they are a focus for cluster development in leading-edge products and technologies. The 2006-2016 RES states that in order to achieve Global Competitiveness, SEEDA will develop, support and consolidate the Regional Enterprise Hub network (recognising lessons learned during the roll-out of the programme to date).

1.14 The **Corporate Plan 2002-2004** states that SEEDA will support the Enterprise Hub network during the period of the Corporate Plan. It is described as evolving as a model of best practice in providing support for high-tech fast-growing entrepreneurial companies and in facilitating the exploitation of technology from the knowledge base. Both the 2002 and 2003 Corporate Plans support the expansion of the Enterprise Hub programme with an aspiration to develop a network of 20 by 2007. In the 2005 Corporate Plan this figure rises to 22 (by 2007) reflecting the increased weight afforded to the programme to deliver SEEDA's objectives.

1.15 The **2004 Enterprise Hub Business Plan** defined the Enterprise Hub Network as a

Commercialisation Programme for entrepreneurs, start-up and early stage companies seeking to commercialise a technology or knowledge-based idea. Its mission was to enable entrepreneurs, companies and researchers to turn South East England's world-class knowledge base into successful businesses which create wealth for the benefit of the region's citizens. In order to qualify as an Enterprise Hub Network member, the entrepreneur or company must have been: seeking to commercialise a technology or knowledge-based innovation; have a potential market which is at least national and probably international; and, have the ambition and potential to grow. The following KPI targets were set during the timeframe of the project:

Table 1-1: KPI Targets for Enterprise Hubs

	2004/05	2005/06	2006/07
Number of Hub Network Members: - Portfolio members - Network members	1,120 120 1,000	1,700 200 1,500	2,300 300 2,000
No of equity, loan or grant investments secured by portfolio members	12	30	60
Growth in the value of the company – 'portfolio' members (£'000)	To be determined		
% satisfied with value proposition - 'portfolio' members - 'network' members	To be determined		

Source: SEEDA Enterprise Hub Network Business Plan, 1 March 2004.

Broadband and ICT

1.16 The fourth objective of the **Regional Economic Strategy (RES) for South East England 2002-2012** was **effective infrastructure.** By 2012, the region was committed to making reasonable progress towards infrastructure that matches the standards of the best in North West Europe. RES Priority 14 was maximising access to and take-up of broadband facilities. Key actions included 1) stimulating demand for broadband 2) promote the development of 'remote office' facilities 3) promote and develop regional and local portals 4) develop region's broadband infrastructure.

1.17 In the **2006-2016 RES**, developing ICT and broadband are even more apparent: the creation of 100% Next Generation Broadband Coverage is identified as a Transformational Action to improve business efficiency and transform the way people work and learn.

1.18 The **2002-2004 Corporate Plan** identifies that the Wired Region initiative will enable people and businesses to prosper in the global information society and knowledge economy. The initiative focuses on developing broadband infrastructure, providing for future business growth and shared web-enabled knowledge systems. A key area of focus will be on Broadband roll-out, i.e. promoting access to and usage of broadband facilities throughout the region. The **2003-2005 Corporate Plan** sets out targets for individuals and businesses receiving broadband access between 2003-2006 as follows:

- 2003-2004 – 2,800

- 2004-2005 – 4,100
- 2005-2006 – 3,300.

1.19 The **2005-2008 Corporate Plan** indicates that whilst the South East is performing well against other regions in the UK in terms of broadband take-up, they are performing less well against international standards. The focus is therefore on improving take-up levels and improving productive use of the internet through, for example, broadband partnerships.

Overview of Approach

Enterprise Gateways

1.20 SEEDA's approach to investment has been to establish a network of Enterprise Gateways across the South East (16 were delivered with 20 originally planned up to 2007) to encourage enterprise and self-employment amongst under-represented groups. The primary motivation for investment was originally based on tackling need that is disadvantage, as measured by the IMD and the programme targeted under-represented groups such as BME communities and women. On one occasion, investment was also directed at supporting underperforming sectors with the Chilterns Enterprise Gateway supporting the furniture sector, which was in decline. A number of the Gateways have been located in rural or coastal areas and they have had a social focus targeting specific groups. The programme has changed over time, with an initial focus on physical workspace in the early stages of the programme though this was revised once it was recognised that provision wasn't a priority for the target group.

1.21 SEEDA has acted as market maker, providing in most cases a small investment (of around £85,000 per annum) to cover the cost of an Enterprise Gateway Director who works with partners locally (such as local community groups, colleges and schools) to meet the needs of businesses through advice, information, networking and capacity building. The approach was based on the Enterprise Hub model with support provided at a local level and with a business champion and a steering group of community representatives. SEEDA provided financial support to Business Link providers to run and operate the Enterprise Gateways.

1.22 The South East Business Link providers were invited to submit proposals in partnership with key local partners to develop Enterprise Gateways in their area. Business Plans were submitted to SEEDA, providing evidence of local need and gaps in provision and these were then appraised by SEEDA. In this way, the model encouraged innovation and enterprising approaches.

Enterprise Hubs

1.23 SEEDA invested in 22 local Enterprise Hubs across the region. The Programme focuses on a small number of entrepreneurs who have the potential to quickly grow into businesses, seeking to commercialise a technology or knowledge-based innovation. Again, SEEDA has seen its role as being as a market maker, making a small investment of £85,000 per annum towards an Enterprise Hub Director who provides advice, information, networking and signposting to other support (such as finance and premises). The support on offer is tailored and flexible to the needs of the client and in some cases support is provided for two to three years, reflecting the fact that early stage companies often require intensive assistance to commercialise ideas.

1.24 Over time, the SEEDA model has been refined, moving from a property based incubation programme to a network-based commercialisation programme. The original plan was to provide region-wide coverage with up to 30 Enterprise Hubs and this was subsequently reduced to 20 once the Hubs were up and running.

1.25 Local public-private partnerships were invited from across the region to set up and run Enterprise Hubs in their area. The need varied for projects with some investment focused on building on advantage and others on tackling need. This mixed approach to investment has been acknowledged by SEEDA and the Place Based Innovation Teams, which will be implemented in 2009 (replacing the Hubs and Innovation Advisory Service), will focus on building advantage.

Broadband and ICT

1.26 SEEDA's investments have focused on increasing the availability and take-up of broadband in areas of need (particularly isolated or rural areas). Once availability and take-up had increased, SEEDA has invested funding in raising awareness of the benefits of utilising broadband and to encourage more advanced use of broadband. Apart from two key projects, investment appears to be made in a fairly large number of relatively small projects. Key areas of investment include:

- Providing grants to SMEs for satellite broadband or grants to partners to enable broadband provision in geographical areas served by non-ADSL-enabled exchanges

- Broadband Partnerships, with nine established across the region to provide awareness raising, advice and support as well as grants

- Aggregating public sector broadband demand to result in increased availability and affordability of broadband

- A range of other projects such as E-Technologies Roadshows, Hampshire Broadband Teleworking Pilot, Consultants to provide commercial telecommunications expertise.

2. Analysis of SEEDA's Investments

Total Programme Commitments By Theme

2.1 SEEDA has spent £99.4million in total on business interventions within the relevant period across all of the themes. Once already evaluated projects have been removed from these themes, the population of investment in scope of the three evaluations is £64.4million of which this report focuses on £18.2million.

2.2 During the evaluation period 2002/03 to 2006/07, SEEDA has invested a much greater sum of its resources into Broadband and ICT Projects and its Enterprise Hub Programme. Spend on Broadband and ICT Projects has been relatively consistent and appears to reflect priorities afforded to the projects within the Corporate Plans over the evaluation period (2002, 2003 and 2005).For Enterprise Gateway and Enterprise Hub programmes, there has been a growth in spend towards the end of the evaluation period. This reflects an increasing number of Gateway and Hub projects being delivered across the region, which is in line with Corporate Plan (2002, 2003 and 2005) priorities for 20 Enterprise Gateways by 2007 and between 20 and 22 Hubs by 2007.

Table 2-1: SEEDA Spend By Year (£000s)

	2002/3	2003/4	2004/5	2005/6	2006/7	Total
Enterprise Gateways	71	137	648	896	1,548	3,300
Enterprise Hubs	523	406	1,519	2,240	2,942	7,631
Broadband and ICT	976	1,589	2,133	1,256	1,361	7,315
Total	1,570	2,133	4,301	4,392	5,851	18,247

Source: Aggresso (SEEDA).

Scale of Achievements

2.3 The table below summarises the scale of the achievements across the Individual Enterprise Programme. Data is not available prior to 2004/05. This demonstrates the success of the Enterprise Gateway and Enterprise Hub programmes in assisting businesses to improve their performance and also in business creation and skills development. Broadband and ICT Projects have been successful in job creation and in assisting businesses to improve their performance.

Table 2-2: SEEDA Achievements per Year				
	2004/5	2005/6	2006/7	Total
New jobs created/safeguarded				
Enterprise Gateways	17	11	125	153
Enterprise Hubs	161	45	70	276
Broadband and ICT	16	19	510	545
Employment Support				
Enterprise Gateways	-	7	268	275
Enterprise Hubs	-	149	157	306
Broadband and ICT	-	0	29	29
New businesses created				
Enterprise Gateways	103	196	19	318
Enterprise Hubs	154	80	18	252
Broadband and ICT	0	18	0	18
Number of businesses assisted to improve their performance				
Enterprise Gateways	729	1,844	859	3,432
Enterprise Hubs	781	2,541	1,678	5,000
Broadband and ICT	0	411	683	1,094
Skills Development				
Enterprise Gateways	338	83	615	1,036
Enterprise Hubs	253	466	611	1,330
Broadband and ICT	311	0	80	391
Source: SEEDA.				

The Sample of Projects Reviewed

2.4 We have evaluated a sample of 23 projects under the three themes, representing a spend of £7 million which equates to 38% of the total spend for Individual Enterprise Projects. Our approach to arriving at this sample is explained in the Technical Appendices.

Table 2-3: Sample Shortlist		
Theme	**Number of Projects**	**Total Spend in Relevant Period - Aggresso (£000s)**
Enterprise Gateways	8	1,355
Enterprise Hubs	9	2,374
ICT	6	3,231
Total	23	6,960
Source: Aggresso (SEEDA).		

Project Descriptions

Enterprise Gateways

Project Name	Description
SE Hampshire Enterprise Gateway	Enterprise Gateways were established in 2003 to coordinate enterprise support services in communities with an underperforming economy. SEEDA funds an Enterprise Gateway Director and they provide mentoring and support themselves and where appropriate signpost businesses to alternative organisations. There were 16 Enterprise Gateways in the Enterprise Gateway Network and project reviews have been carried out for eight of these.
Southampton Enterprise Gateway	
Milton Keynes Enterprise Gateway	
Romney Enterprise Gateway	
Newhaven Enterprise Gateway	
Adur Enterprise Gateway	
Slough Enterprise Gateway	
Reading Enterprise Gateway	

Enterprise Hubs

Project Name	Description
Aylesbury Vale Enterprise Hub	The Enterprise Hubs deliver a commercialisation programme for entrepreneurs, start-up and early stage businesses seeking to commercialise a technology or knowledge-based idea. Businesses must qualify to become a 'network' member and in doing so receives light touch support such as signposting and networking opportunities. 'Portfolio' members receive intensive support and this is focused on a small number of firms offering the greatest potential for growth. There were 22 Enterprise Hubs across the South East and project reviews have been carried out for nine of these.
Newbury Enterprise Hub	
Hastings and Bexhill Enterprise Hub	
Eastbourne Enterprise Hub	
Oxfordshire Enterprise Hub	
Isle of Wight Enterprise Hub	
Canterbury Enterprise Hub	
Sittingbourne Enterprise Hub	
Surrey Enterprise Hub	

Broadband and ICT

Project Name	Description
South East England Broadband Enablement (SEEBE)	SEEDA provides grants to local authorities to enable broadband provision in geographical areas served by non-ADSL-enabled exchanges.
Wired Region Satellite Broadband Programme	SEEDA provided grants to businesses to subsidise the cost of satellite broadband connections in non-ADSL-enabled areas.
Regional Aggregation Board	Regional Aggregation Bodies (RABs) were developed across each of the nine RDA regions. Their purpose was to aggregate public sector broadband demand from customers using NHS and DfES demand as "anchor tenants", in order to achieve value for money for customers and lever increased availability/affordability of broadband services for the wider community.
Hampshire Broadband Partnership	SEEDA provided funding to support nine Broadband Partnership programmes across the region. These provided grants, awareness raising activities and advice to accelerate broadband availability, stimulate broadband take-up and use and encourage broadband exploitation.
East Sussex Broadband Partnership	
West Sussex Broadband Partnership	

Sample Spend

2.5 The sample suggests that projects within three of the themes have been delivered to budget (and in fact under-spent). However, the Enterprise Hub Programme has overspent and this is due to overspend by one project within the programme, which is thought to be due to additional funding being made available to carry out a feasibility study and prepare a business plan.

Table 2-4 Sample Spend (2002/03 to 2006/07)

	Enterprise Gateways	Enterprise Hubs	Broadband and ICT	Grand Total
Total SEEDA Costs - Contracted	£1,581,225	£1,948,716	£2,729,366	£6,259,307
Total SEEDA Costs - Actual	£1,428,393	£2,069,851	£2,150,929	£5,649,173
Balance	-£152,832	£121,135	-£578,437	-£610,134
Actual as % of Contracted	87.4%	99.2%	80.0%	89.3%

Source: Regeneris Project Review Database.
NB: actual as % of contracted figure presents the *average* of the actual spend against contracted spend for all projects within each theme.

Contributions to Targets

2.6 Enterprise Gateway projects have significantly underperformed in terms of their Job Creation targets. The types of entrepreneurs which are being targeted (from disadvantaged groups) are likely to have lower aspirations for growth and require a longer timeframe to grow and, as a result, these targets appear to be high. The Enterprise Hubs have also fallen slightly short of their job creation targets; it could be argued that their client group aren't driven by job creation but wealth creation. Nevertheless, the targets are lower than the Gateway projects and have much higher unit costs. Across each of the outputs, the range between the minimum and maximum unit costs is significant for the Enterprise Hubs and Enterprise Gateway projects. This is likely to reflect a variation in the quality and effectiveness of delivery across the projects.

Table 2-5 Job Creation Targets

	Enterprise Gateways	Enterprise Hubs	Broadband and ICT	Grand Total
Contracted	406	150	-	556
Actual	146	126	-	272
Balance	-260	-24	-	-284
Actual as % of Contracted	44%	86%	-	62%
Average unit costs	£11,680	£21,731	-	£16,370
Range of units costs	£6,250 - £25,570	£6,176 -£72,056	-	£6,176 -£72,056

Source: Regeneris Project Review Database.
Job Creation units costs are based on total actual SEEDA costs per theme divided by gross outputs for each project reviewed.
NB Job creation was not included as a required output as part of the contractual agreements for Broadband and ICT Projects.
NB: Actual as % of contracted figure presents the *average* of the actual targets achieved against targets contracted for all projects within each theme.

2.7 Both Enterprise Hubs and Enterprise Gateways have significantly exceeded their targets for

Business Creation, which must be seen as a positive. This suggests that they have been successful in targeting and engaging with their target groups. There are significantly higher numbers of businesses created than jobs created, which indicates that the majority are self-employed and do not recruit additional staff. We would expect the job creation figures to increase over a longer timeframe, as businesses grow.

Table 2-6 Business Creation Targets

	Enterprise Gateways	Enterprise Hubs	Broadband and ICT	Grand Total
Contracted	182	168	-	350
Actual	410	400	-	810
Balance	228	232	-	460
Actual as % of Contracted	191%	161%	-	178%
Average unit cost	£15,581	£41,721	-	£30,285
Range of unit costs	£1,759 - £77,300	£2,167-£238,500	-	£1,759-£238,500

Source: Regeneris Project Review Database..

Business Creation unit costs are based on total actual SEEDA costs divided by gross outputs for each project reviewed.

NB: Business creation was not included as a required output as part of the contractual agreements for Broadband and ICT Projects.

NB: Actual as % of contracted figure presents the average of the actual targets achieved against targets contracted for all projects within each theme.

2.8 Enterprise Gateways and Enterprise Hub projects have both significantly exceeded their targets for businesses assisted. Broadband and ICT Projects have not met their targets for businesses assisted; however, this is largely due to one project which did not seem to accurately record their outputs. This provided grants to businesses seeking to connect to broadband and as other projects demonstrated strong demand for this type of support it would be expected that the actual outputs would have been a lot higher but haven't been recorded (and so more in line with targets).

Table 2-7 Business Support Targets

	Enterprise Gateways	Enterprise Hubs	ICT	Grand Total
Contracted	343	762	1,847	2,952
Actual	1,426	1,718	1,388	4,532
Balance	1,083	956	-459	1,580
Actual as % of Contracted	387%	232%	69%	229%
Average unit costs	£2,752	£7,152	£613	£4,386
Range of unit costs	£348 - £6,681	£502 - £41,688	£253 - £1,252	£253-£41,688

Source: Regeneris Project Review Database.

Business Support unit costs are based on total actual SEEDA costs divided by gross outputs for each project reviewed.

NB: Actual as % of contracted figure presents the average of the actual targets achieved against targets contracted for all projects within each theme.

Other Key Performance Indicators

Enterprise Gateways

2.9 Key Performance Indicators were set for the Enterprise Gateway Network. The progress against these in 2006 is summarised below (note that we do not have data for the sample itself and the information below is for the whole programme):

- 1,996 people helped to consider enterprise as an employment option
- 1,621 people helped to develop their business idea.

2.10 Table 2-8 below provides more detailed information on additional outputs achieved by the Enterprise Gateway programme. This shows that the Enterprise Gateways have achieved a broader set of outcomes than those considered earlier. According to Tier 3 targets (2002-2006), they have provided learning opportunities for 2,421 people, sustained 65 firms for 12 months and provided high-level skills training for 413 adults. According to the Tasking Framework (2006-2007), they have created/ safeguarded 202 jobs, assisted 99 people into better quality employment and helped 827 people with skills development (including 80 with management skills).

Enterprise Hubs

2.11 SEEDA has been responsible for developing its own Key Performance Indicators for the Enterprise Hub projects against which to measure its progress. The KPIs for 2004-2007 are show in Table 1.1 above.

2.12 Comprehensive information about how these are being met across the projects reviewed in the sample has not been available. Nevertheless, the Enterprise Hub Network Business Plan 2006-09 suggests that in December 2005, the Enterprise Hubs were:

- Providing enterprise support to 235 Portfolio clients
- Adding value to 606 Network clients
- In regular contact with a further 2,316 associate clients
- Penetrated an estimated 10% of the Enterprise Hub Network target market.

2.13 Furthermore, in the first nine months of 2005/06 the Hub Network had helped its clients raise £12.1 million of investment funding for their ideas.

2.14 Table 2-8 above provides a broader indication of the outputs which the Enterprise Hub programme has been successful in achieving and this shows that they have supported 1,625 businesses in cluster, technology or learning networks and assisted 1,062 businesses into incubator facilities (between 2002 and 2006 according to the Tier 3 targets). Between 2006 and 2007, 669 businesses were sustained for 12 months and 72 jobs were created/safeguarded (according to the Tasking Framework Targets).

Broadband and ICT

2.15 There is some evidence that the Broadband and ICT Projects have helped to speed up the availability of broadband across the South East. Some of the projects demonstrated influencing BT to enable exchanges in areas which they had previously considered to be unviable. The extent of this is not possible to measure.

Table 2-8 Additional Outputs

Tier 3 Targets (April 2002 to March 2006)	New jobs created	No of learning opportunities	New businesses created / attracted	New businesses sustained for 12mths	Businesses located in or using incubator facilities	No of businesses in move on premises	No or businesses receiving specialist advice	Businesses active in cluster, technology or learning networks	Individuals receiving ICT training	Adults receiving high-level skills training	Broadband access
Enterprise Hubs	345	1,014	470	305	1,062	221	2,968	1,625	86	112	225
Enterprise Gateways	38	2,421	253	65	102	9	1,021	162	23	413	45
Tasking Framework Targets (April 2006 to March 2007)	Jobs created / safeguarded	Employment Support	People in target group assisted into sustained jobs	People assisted into better quality employment	Businesses created and surviving after 12 months	New business start-ups	New businesses sustained for 12 months	Businesses using SEEDA funded incubators	Businesses assisted with management skills needs	Businesses assisted to make better use of ICT	People assisted with skills development
Enterprise Hubs	72	0	0	0	7	88	669	0	0	0	0
Enterprise Gateways	202	271	20	99	34	186	58	14	80	23	827

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Project Objectives

Enterprise Gateways

2.16 Enterprise Gateways were primarily designed to achieve (i) improved business birth-rates and business creation, and (ii) encourage people to go into business. A smaller proportion felt that their priority was to improve self-employment rates. All of these suggest that the individual Gateways generally have clearly defined priorities and a reasonable understanding of the overall objectives of the Gateway Programme.

Enterprise Hubs

2.17 The Enterprise Hubs were primarily designed to support high-growth firms and achieve (i) an increased percentage of businesses introducing new products, services and processes (ii) improved business performance and (iii) improved business birth-rates and business creation. They were also designed to increase the number of innovation active businesses.

Broadband and ICT

2.18 Broadband and ICT projects were consistently designed to achieve a single objective, which is improved business performance. This suggests that they had an understanding of their primary goal. Other secondary objectives such as (i) increasing the number of businesses having introduced new products, services and processes (ii) improved productivity and export sales, (iii) improved business birth-rates and creation were also in project sights.

Project Investment

2.19 Broadband and ICT projects were successful at levering in considerable levels of in-kind funding. The premise behind the Enterprise Gateway and Enterprise Hub projects was that SEEDA would make small levels of investment and receive contributions from other private- and public-sector organisations. This data suggests that the Hubs and Gateways have been fairly successful in this regard. It is likely these figures underestimate other contributions since the quality of the information provided on other funding sources varied between projects.

Table 2-9 Project Spend

	Enterprise Gateways	Enterprise Hubs	Broadband and ICT	Grand Total
SEEDA Costs	£1,428,393	£2,069,851	£2,150,929	£5,649,173[6]
Private Costs	£41,098	£45,780	£200,000	£286,878
Other Public Costs	£548,100	£392,932	£78,600	£1,019,632
Contributions In-Kind	£17,000	£79,201	£1,131,500	£1,227,701
Total Costs	£2,034,591	£2,587,764	£3,561,029	£8,183,384

Source: Regeneris Project Review Database.

[6] The figures for SEEDA's expenditure are different to those included in Table 2-3 as they rely on two different sources of information. Table 2-3 uses data from Aggresso and Table 2-9 uses data from the Project Reviews. The differences are likely to be attributable to record keeping and issues over timeframe. For the purposes of calculating return on investment, data from Aggresso has been used.

The Support Provided

2.20 The Enterprise Gateway Programmes and, more so, the Enterprise Hub programme provided a broad range of services to start-ups and pre start-ups. Enterprise Gateways focus on the provision of start-up advice, information diagnostic and brokerage (IDB) services and networking opportunities. The majority of Enterprise Hubs indicated that they provide financial support (via FSE), signposting to premises, a range of advice (including mentoring, innovation advice and R&D support), information (including IDB) and networking opportunities. This reflects their role in ensuring that business needs are met either through their own service or through sign-posting to other services.

2.21 The types of assistance received is broadly in line with services offered; however, a high percentage of Broadband and ICT Project clients claim to have received financial assistance. This is likely to reflect the availability of grants for broadband connection or e-enablement, which were offered through a number of projects. The figures demonstrate that Enterprise Hub clients used a broad range of services but in the main specific advice or guidance.

Table 2-10: Type of assistance received by participants in telephone survey

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No	%	No	%	No	%	No.	%
Financial assistance	28	5%	35	24%	349	84%	412	35%
Assistance with business premises	10	2%	13	9%	3	1%	26	2%
Specific advice or guidance	416	69%	90	62%	60	14%	566	49%
General information	163	27%	23	16%	22	5%	208	18%
Networking / supply chain access	72	12%	28	19%	8	2%	108	9%
Total	602	-	146	-	414	-	1,162	-

Source: Regeneris Consulting Survey of beneficiaries Q16.
Note: At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.5%, Enterprise Hubs +/- 7.8%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 1.9%.

2.22 A relatively high proportion of Enterprise Hub beneficiaries have received more than one type of assistance. A low proportion of beneficiaries of ICT advice received multiple types of assistance, suggesting that businesses have received grants but not the associated support and advice. This does raise the question of how effective projects have been in supplying a rounded service to clients.

Table 2-11: Number of types of assistance received

Number of types of assistance received	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No	**%**	**No**	**%**	**No**	**%**	**No.**	**%**
One	538	78%	113	60%	391	88%	1,042	79%
Two	92	13%	50	26%	40	9%	182	14%
Three	42	6%	21	11%	6	1%	69	5%
Four	12	2%	-	0%	-	0%	12	1%
Five	5	1%	5	3%	5	1%	15	1%
Total	**689**	**100%**	**189**	**100%**	**442**	**100%**	**1,320**	**100%**

Source: Regeneris Consulting Survey of beneficiaries Q16.
Note: At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.5%, Enterprise Hubs +/- 7.8%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 1.9%.

The Beneficiaries

Targeting of Beneficiaries

Enterprise Gateways

2.23 Enterprise Gateway programmes focus on both pre-starts and start-up firms; however, we would have expected more of a focus on pre-starts given the emphasis on raising aspirations for entrepreneurship amongst disadvantaged groups. SEEDA has recognised the duplication between Gateways and the core Business Link offer and has established a clear distinction which firmly focuses Gateways on pre-starts amongst under-represented groups (though this occurred after March 2007). Enterprise Gateways also target under-represented groups (such as females and BME groups) and deprived areas.

Enterprise Hubs

2.24 Discussions with Hub staff suggested that target beneficiaries are in line with those of the Enterprise Hub programme as a whole. In the main, the projects appeared to be targeted at pre-start, start-ups and growth firms (with the latter being the main criteria/focus). Some Hubs suggested that there was a focus on specific sectors even though the programme embraces businesses from any market sector. Data on the actual beneficiaries suggests that only 9% of businesses have not yet started trading. There is a broad focus in terms of sectors but a high percentage of firms in business services, computing and manufacturing (we would expect high-end manufacturing given the programmes focus). Micro firms (1-10) in particular appear to have benefited from the programme.

Broadband and ICT

2.25 Broadband and ICT projects were targeted at all businesses of any size and sector and sometimes the wider community. Due to the nature of the project, there was a greater focus on rural areas and coastal areas, which face particular issues accessing broadband. Contracts did specify a focus on deprived areas, micro businesses and home-workers; however, in the main, projects did not appear to specifically focus on these groups. Data on the target beneficiaries does indicate that a broad focus was taken by the projects, although there is a higher proportion of micro firms and sole traders.

Numbers of Beneficiaries

2.26 A significant amount of confusion was encountered in reaching a definitive figure for the number of beneficiaries of each of the projects reviewed. The number of contact details sent by projects for the telephone survey was, in many cases, significantly different from the number of outputs claimed for businesses or individuals assisted.

Table 2-12 Definitive Numbers of Project beneficiaries

Theme	Number of contacts received	Definitive number of assists	% difference between assists and contacts
Enterprise Gateways	4,286	2,811	-34%
Enterprise Hubs	409	1,836	349%
Broadband and ICT	2,113	1,358	-36%
All Indiv Ent Themes	**6,808**	**6,005**	-12%

Source: Regeneris Consulting Analysis of Project Reviews and Beneficiary Survey.

2.27 Where the discrepancy between the outputs claimed and the number of beneficiary contacts received was large, the project delivery body was asked to clarify how many businesses had been assisted by the project. In a number of cases, this was not possible and project reviewers have had to reach a reasoned judgement as to the definitive number of beneficiaries of each project, based on the information that had been provided.

2.28 The key difficulties encountered in coming to a definitive number of beneficiaries for each of the projects were:

- Most projects were tasked with achieving Tier Three outputs at their inception, which were quite specific in their nature. When the RDA tasking framework outputs came into force in 2004 there was no direct read across between the original and the new outputs and there does not appear to be any consistency in the way that the Tier Three outputs reported to SEEDA have been translated into Tasking Framework outputs by SEEDA contract managers.

- Many projects have been working to local KPIs which are not used by other projects and do not allow a consistent comparative assessment. Again, the read across between these and Tasking Framework outputs is not clear and has not been dealt with consistently.

2.29 Each project was asked to provide us with a full list of contact details for their beneficiaries to enable. These have been used to carry out the survey, ensuring that sufficient numbers of firms are contacted across each theme to ensure that the sample is representative. Further information is included in the Technical Appendix.

Summary Assessment of Projects

The Table below summarises the potential rationale for SEEDA's interventions, with further information provided under each of the theme headings.

<table>
<tr><th colspan="6">Table 2-13 Summary of Potential Rationale for SEEDA's Interventions</th></tr>
<tr><td rowspan="2"></td><td colspan="4">Market Failure</td><td rowspan="2">Equity</td></tr>
<tr><td>Public Goods</td><td>External-ities</td><td>Imperfect Information</td><td>Market power</td></tr>
<tr><td rowspan="2">Enterprise Gateways</td><td></td><td></td><td>√√</td><td></td><td>√√√</td></tr>
<tr><td colspan="5">Equity. The investments have sought to tackle under-performance in areas which are lagging behind economically and aim to foster a more equitable spread of enterprise and business growth across the region by encouraging enterprise.</td></tr>
<tr><td rowspan="2">Enterprise Hubs</td><td></td><td></td><td>√√√</td><td></td><td></td></tr>
<tr><td colspan="5">Imperfect Information. Poor awareness of the need for and technical requirements of innovation leads to sub-optimal decision-making and results in businesses not achieving their true potential.</td></tr>
<tr><td rowspan="2">Broadband and ICT</td><td></td><td></td><td>√√√</td><td></td><td>√√</td></tr>
<tr><td colspan="5">Imperfect Information. Businesses aren't aware of the benefits of broadband and are not exploiting these new technologies to their full potential. The partial coverage of Phase 1 ADSL gave rise to equity concerns in non-served areas.</td></tr>
<tr><td colspan="6">Note: For strength of market failure case, 1 tick = weak case, 2ticks = partial case and 3 ticks = compelling case. No ticks = no case.
Source: Project Reviews.</td></tr>
</table>

Enterprise Gateways

Rationale and Market Failure

2.30 There is a clear logic chain between regional conditions, priorities outlined in strategic documents and the Enterprise Gateway programme as a whole. However, some Enterprise Gateways demonstrated a stronger business case for investment than others; in some cases, the proportion of the population from under-represented groups does not appear to be particularly high. It has not been possible to fully explore this issue as, until recently SEEDA has not provided guidance on indicators which should be used or benchmarks to warrant investment. The new Gateway model (implemented after March 2007) has sought to address this issue.

2.31 The lack of targeted business support for under-represented groups has been used as an equity argument to justify intervention. Whilst this is not strictly speaking a market failure argument, it does give SEEDA justifiable grounds for intervention. Imperfect Information was also cited by project managers; in essence, people are not aware of the potential benefits of starting up in business or did not have the confidence to do so. This is further supported by a sense that people were not aware of the support on offer via mainstream providers such as Business Link. The projects encouraged a culture of entrepreneurship and then facilitated individuals to start up in business or become self-employed.

2.32 There are some examples where mainstream services such as Business Link and Enterprise Agencies felt there was some overlap and competition with the Gateway Services. This could suggest that the Gateway services have not been well-articulated to some organisations or could point to an actual overlap with some mainstream services (it is likely the latter was the case in some instances). It should be noted that SEEDA identified this as an issue and made changes to the Gateway programme to resolve this (though this happened after March 2007).

Assisting Target Beneficiaries

2.33 The Enterprise Gateway projects were provided with the flexibility to tailor programmes to local needs, which allowed them to engage with the community and provide outreach. Meetings were held locally at times to suit people's needs and in familiar surroundings that people do not find intimidating. In Reading, for example, an enterprise event was held in a Hindu Temple and on another occasion a coffee morning was held in a local church hall for single parents, giving them the chance to talk about ways in which they can earn extra money through enterprise. Many were successful in this regard and the Farringdon and Slough Gateway projects were awarded the Prowess Flagship awards, a national quality standard for women-friendly business support. The Newhaven Enterprise Gateway was also recognised by UKBI in their annual awards for best practice in Business Incubation.

Efficiency of Delivery

2.34 The average unit cost per business assisted is approximately £4,000 (Table 2-7); however, the actual cost varied significantly amongst projects (between £350 and £13,500), which does suggest that some projects were less efficient than others. It could also reflect the target group (under-represented groups) with some needing more support than others.

Strategic Impact

2.35 In order to encourage collaboration at a regional level, SEEDA organised quarterly regional meetings with Gateway Directors to share best practice and an annual joint meeting was held with the Hub Directors. At the quarterly meetings, key regional partners such as the Prince's Trust and Enterprise Agencies were invited along, to encourage regional working. Nevertheless, the Enterprise Gateway programme appears to have been more successful at engagement at a local level (with effective referrals between local partners and good examples of outreach).

Enterprise Hub

Rationale and Market Failure

2.36 There is generally a clear logic chain between evidence of need, priorities outlined in key strategic documents such as the RES and SEEDA's investments in the Enterprise Hub programme. However, for some of SEEDA's investments it is not clear whether they are investing in areas of need or success. The rationales for the hubs in Hastings and Bexhill, Eastbourne and the Isle of Wight were based on evidence of need rooted in economic challenges such as a weak economic base and low business start-up rates. However, since the focus of the Hubs is on high-growth businesses it could be argued that the greatest need and rationale for investment would be in areas where there is an existing knowledge base, higher business start-up rates and more growth firms. Some investments (but not all) were made on this basis, e.g. in Oxfordshire and Surrey. This has since been recognised by SEEDA and after 2009 a refined programme will focus on advantage and not need.

2.37 The lack of a commercialisation programme aimed at supporting high-growth firms was cited as a market failure by project managers. **Imperfect information** was also used to justify the hubs; target beneficiaries lack information about markets and about how to commercialise new ideas and develop the required contacts. Projects appear to be well designed to address this need, as they are able to provide a wide range of support either through the Enterprise Hub Directors themselves, or through their good links with other services (such as FSE, Sector Consortia).

Assisting Target Beneficiaries

2.38 The projects appear to be effective in targeting key beneficiaries largely because of the capability of the Enterprise Hub Director who were quite often experienced and knowledgeable in their own right. However, their broad remit sometimes leaves them feeling stretched. The three tiers of membership for businesses appears to be effective at providing support to meet business needs and allows a greater amount of resources to be focused on those firms which are most likely to grow and produce the greatest returns.

Efficiency of Delivery

2.39 The average unit cost per business assisted is approximately £7,000 (Table 2-7); however the actual cost varied significantly amongst projects, which does suggest that some projects could be less efficient than others. It is also likely to reflect the fact that more intensive support was given to some firms (and therefore the unit cost would be higher) whilst others received 'light touch' support such as workshops and networking opportunities.

Strategic Impact

2.40 Enterprise Hubs' focus on providing support to high value-added firms is likely to have a positive strategic impact on the region. SEEDA has designed the Enterprise Hub network to ensure that there is a clear focus on high value-added firms. The eligibility criteria stated that entrepreneurs or companies must a) have the ambition and potential to grow b) have a potential market which is at least national and probably international c) be seeking to commercialise a technology or knowledge-based innovation d) be highly innovative and able to demonstrate entrepreneurial business flair. Performance is measured using a number of KPIs, one of which is growth in the value of the company.

Broadband and ICT

Rationale and Market Failure

2.41 There are clear logic chains between regional conditions, strategic priorities outlined in key strategic documents such as the RES and SEEDA's investments in Broadband and ICT projects. Research clearly showed that parts of the South East did not have access to broadband, that take-up levels were low among some businesses, even when it was available, and that those who were using broadband (e.g. by trading online) may not have been maximising its potential.

2.42 When the exchange enablement schemes were being developed, it was widely thought that BT had concluded broadband was not commercially viable in some areas of the South East. Although this may represent an equity case for intervention (i.e. to ensure universal coverage) it does not constitute a market failure case and subsequently much of the country has been enabled. Imperfect information could provide further grounds for intervention, as businesses were also thought to undervalue broadband or appreciate how to use it effectively. Grants to connect to broadband or purchase satellite broadband facilities may have benefited some businesses in rural areas, but it could be argued that greater returns (at lower cost) may have been generated by stimulating demand through awareness-raising activities. At the time, the grants programme was seen by SEEDA and partners as a demand stimulation programme, which made SMEs more aware of broadband. Broadband Partnerships did lobby BT to provide broadband in isolated areas and helped to reduce the threshold of demand required to enable exchanges.

2.43 Where projects were addressing information failures, they did this well by using a variety of means such as roadshows, events, workshops and seminars. Once greater demand had been established for broadband, the projects seemed to respond by shifting their focus onto improving business use of broadband and ICT. The specialist nature of the Advisory Services suggests that they did not to compete with other more generalist services such as those provided by Business Link.

Assisting Target Beneficiaries

2.44 Some (not all) partners did demonstrate innovative approaches to targeting and assisting beneficiaries, for example training business intermediaries (e.g. local accountants) on the benefits of broadband.

Efficiency of Delivery

2.45 For many of the projects, the majority of SEEDA funding was spent on delivery with no or little funding covering administration or overhead costs, which suggests that in the main projects were efficient. However, one project made significant investment (in staff) to get the project 'off the ground' before ensuring that the project was deliverable. This project was not cost effective since it did not achieve any of its objectives. However, it was a national project and SEEDA had little influence on its design and, as such, SEEDA cannot be held primarily responsible for this project's failure.

Strategic Impact

2.46 The projects did provide some examples where they influenced BT to enable exchanges in areas which were initially assessed as unviable (such as Arundel, Pulborough and Cowfold exchanges in West Sussex) so did increase the rate at which broadband has been available in some parts of the South East.

3. Impact on Businesses Supported

Business Trends and Ambitions

3.1 For a large proportion of supported businesses, their performance has remained the same since receipt of assistance. The Enterprise Hub programme was the most successful of the three themes in securing significant changes in business's standing. This may reflect their targeted approach and more intensive support being focused on firms with the greatest potential. Nevertheless, a high proportion of firms surveyed in each theme suggest that their standing is the same as previously.

Table 3-1: Change in Company's Competitive Standing Since Receiving Support

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Improved	244	41%	83	57%	138	33%	465	40%
Worsened	60	10%	8	5%	71	17%	139	12%
Stayed the same	298	50%	55	38%	205	50%	558	48%
Total	602	100%	146	100%	414	100%	1,162	100%

Source: Regeneris Consulting Survey of beneficiaries Q14 and 71a. Respondents were asked to indicate which of a number of categories of performance their business fell into before and after the support was received. This table tracks the change in business performance indicated by responses to these questions.
Note: At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 5.6%, Enterprise Hubs +/- 9.2%, ICT Advice +/- 4.5%, All Individual Enterprise Themes +/- 3.4%.

3.2 Not surprisingly, a high proportion of Enterprise Hub clients wish to grow the business significantly whilst many fewer Enterprise Gateway clients were not as ambitious, reflecting the disadvantaged groups which they are targeting. The broad nature of the ICT assistance is borne out in an even spread of ambitions across their client base.

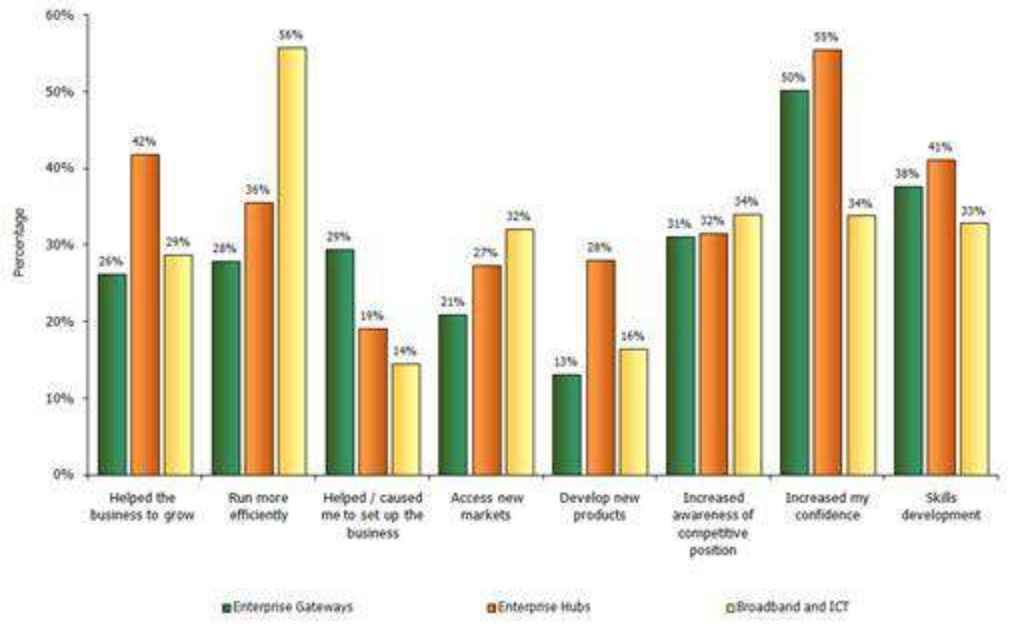
Table 3-2: Growth Ambitions of Company

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Focused on ensuring survival	98	16%	10	7%	55	13%	163	14%
Do not wish to grow beyond current size	113	19%	3	2%	96	23%	212	18%
Wish to grow the business a little	162	27%	26	18%	160	39%	348	30%
Wish to grow the business significantly	229	38%	107	73%	103	25%	439	38%
Total	**602**	**100%**	**146**	**100%**	**414**	**100%**	**1,162**	**100%**

Source: Regeneris Consulting Survey of beneficiaries Q15.
At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.5%, Enterprise Hubs +/- 7.8%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 1.9%.

Changes to the business

Figure 3-1 Companies Reporting a Fairly Significant or Significant Impact on Aspects of Business



Source: Regeneris Consulting Survey of Beneficiaries Q72.

3.3 Figure 3-1 suggests that the projects have resulted in a fairly significant or significant impact on the company for some of the eight criteria. Part of the rationale behind Enterprise Gateways was to increase confidence levels and the service has had a significant impact on in this regard for half of the firms surveyed. The Enterprise Hub programmes have also been successful at increasing confidence levels, skills development and helping the business to grow. Broadband and ICT projects successes have been on helping firms run their business more efficiently. All themes have less significant impacts on the setting up of businesses and on developing new products.

Table 3-3: New Markets Opened Up After Receiving Support

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
In the South East	158	26%	35	24%	175	42%	368	32%
In the rest of the UK	45	7%	33	23%	117	28%	195	17%
Overseas	23	4%	35	24%	72	17%	130	11%
No new markets opened up	400	66%	79	54%	191	46%	670	58%
Total	**626**	-	**182**	-	**555**	-	**1,363**	-

Source: Regeneris Consulting Survey of beneficiaries Q71.
At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.7%, Enterprise Hubs +/- 8.0%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 2.7%.

3.4 Only half of all beneficiaries have opened up any new markets since receiving support. Those that have, tend to have been most successful in opening new markets in the SE, although

Hubs can claim greater success in wider UK and overseas markets. Having said that, the success rate for Hubs could have been even higher, given the emphasis on growth business. As one might expect, Enterprise Gateway's greatest success has been in opening up local rather than wider markets.

3.5 Many firms indicated they would not be prepared to pay any more (or if were free, anything at all) for the services they received, which suggests that there are low levels of value attributed to the assistance, although it may also reflect an inability to pay, especially among Gateway customers. There remains a concern that some businesses have only taken advantage of the service because it is free, rather than because they value its benefits.

Table 3-4: Businesses Prepared to Pay for the Service Received

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT Advice		All Individual Enterprise Themes	
	No.	%	No.	%	No.	%	No.	%
No more	284	47%	87	60%	227	55%	598	51%
0-10% more	134	22%	19	13%	59	14%	212	18%
11-25% more	31	5%	9	6%	17	4%	57	5%
25-50% more	15	2%	4	3%	9	2%	28	2%
More than 50% more	6	1%	2	1%	11	3%	19	2%
Other	4	1%	0	0%	1	0%	5	0%
Don't know	128	21%	25	17%	90	22%	243	21%
Total	**602**	**100%**	**146**	**100%**	**414**	**100%**	**1,162**	**100%**

Source: Regeneris Consulting Survey of beneficiaries Q76.
At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.5%, Enterprise Hubs +/- 7.9%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 2.6%.

3.6 The survey found that 85% of respondents across all themes felt that the support they received either exceeded or was in line with their expectations. Although this could suggest low initial expectations, given the number of businesses changing the way they operate (and subsequent satisfaction ratings), it does suggest that beneficiaries were well-informed about the support which they were about to receive.

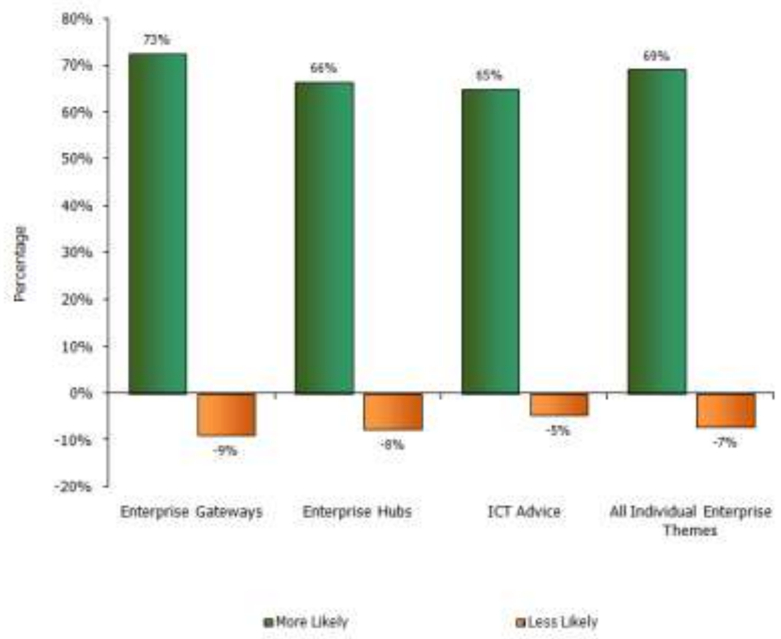
Table 3-5: Match-up of Experience and Expectations

	Enterprise Gateways		Enterprise Hubs		Broadband and ICT		All Individual Enterprise Themes	
	No.	%	No.	%	No.	%	No.	%
Greatly exceeded	131	22%	33	23%	46	11%	210	18%
Slightly exceeded	115	19%	26	18%	58	14%	199	17%
Largely in line with	250	42%	63	43%	269	65%	582	50%
Fell slightly short	49	8%	7	5%	14	3%	70	6%
Fell well short	39	6%	12	8%	15	4%	66	6%
Don't know	18	3%	5	3%	12	3%	35	3%
Total	**602**	**100%**	**146**	**100%**	**414**	**100%**	**1162**	**100%**

Source: Regeneris Consulting Survey of beneficiaries Q77.
At a 95% confidence level, the data in this table has the following margins of error: Enterprise Gateways +/- 3.5%, Enterprise Hubs +/- 7.9%, ICT Advice +/- 4.2%, All Individual Enterprise Themes +/- 2.6%.

3.7 A high percentage of firms stated that they were now more likely to seek external support in the future, indicating that the assistance they received has given them an appreciation of the potential of business support to grow their business. This is particularly the case for Enterprise Gateway clients and is a positive sign that their clients might now feel more comfortable accessing mainstream support (part of the rationale behind the project).

Figure 3-2: Change in Likelihood of Seeking External Support After Receiving Assistance

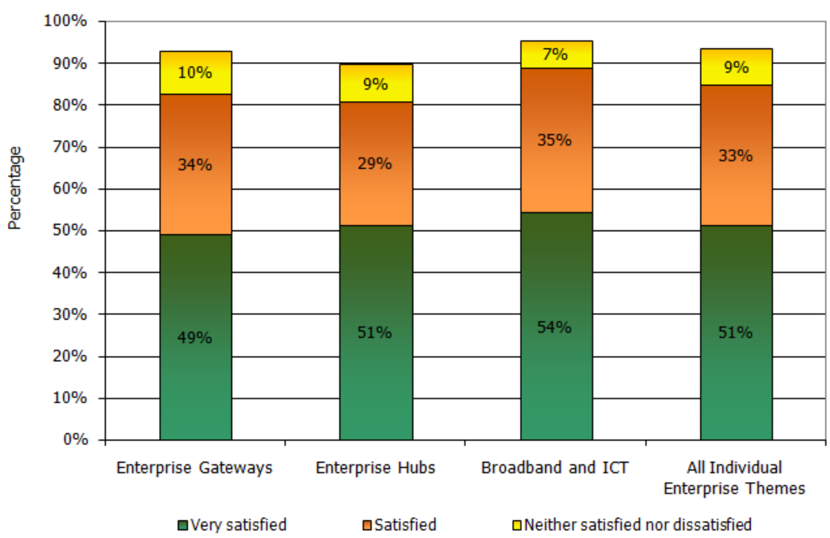


Source: Regeneris Consulting Survey of Beneficiaries Q78.

Perceptions of the Service

3.8 Businesses were questioned on their perceptions of the service they received and, overall, they gave positive feedback on satisfaction levels, with 84% of all firms either very satisfied or satisfied with the support they received for all Individual Enterprise projects.

Figure 3-3 Overall Satisfaction with Service Received



Source: Regeneris Consulting Survey of Beneficiaries Q79.

What Might Have Otherwise Happened? The Counterfactual

Enterprise Gateways

3.9 Enterprise Gateways were specifically designed by SEEDA to address the fact that Business Link services were not providing targeted support for under-represented groups. Businesses were asked whether they would have received advice and support elsewhere if the service had not been available: the results are fairly polarised, with 41% saying that they would have got support elsewhere and 32% indicating that they would have received no support or advice. The Gateway service does appear to have been an important access route to financial support, with half of the respondents reporting that they would not have found alternative financial support without the service. All of the project managers, except one (out of seven) who were consulted believed the Gateway project would not have been able to go ahead without investment from SEEDA.

Enterprise Hubs

3.10 The Enterprise Hub programme was designed by SEEDA to fill a perceived gap in specific support services targeted on high-growth companies. According to the beneficiary survey, half of the Hub clients felt that they would not have received financial support if the Enterprise Hub programme had not been available; this is likely to reflect the strong links which the programme has with Finance South East. Only one (out of eight) of the project managers consulted with believed that a programme of support similar to that provided by Hubs would have gone ahead without SEEDA investment.

Broadband and ICT

3.11 Some of the Broadband and ICT projects provided grants to enable broadband provision in geographical areas served by non-ADSL-enabled exchanges. According to the beneficiary survey, 56% of respondents would have found alternative finance and a further 24% would have also proceeded with their investment in broadband, though with a significant delay. This suggests that the projects have been successful in assisting some businesses to invest in broadband sooner than they would have done. Timing is an important factor in IT, given the fast-moving nature of the technologies and their potentials. Interventions are needed which accelerate the adoption process if the UK is to close the gap to the leading ICT adopting nations.

3.12 Responses to the question of whether firms would have received advice and support elsewhere are largely polarised, with 42% saying that they would have got support elsewhere and 35% indicating that they would have received no support or advice. The majority of project managers felt that the Broadband and ICT projects would not have been able to go ahead without SEEDA investment. Only two out of seven suggested that something would have been delivered on a smaller scale (indicating that they would have tried to get funding from elsewhere).

Qualitative Impacts on Businesses

Enterprise Gateways

3.13 The Enterprise Gateways reported helping to build confidence, empowerment and enthusiasm amongst disadvantaged groups. In some cases, it is likely that the support may not have resulted in impacts on businesses or jobs creation but instead have achieved broader impacts. Although social impacts are often difficult to quantify, the beneficiary survey does suggest that the Enterprise Gateway programme did contribute positively in this regard with 50% reporting increased confidence following receipt of support.

Enterprise Hubs

3.14 The Enterprise Hub programme's annual customer satisfaction surveys reports satisfaction levels as a high as 85-90%, which is slightly above that generated by the evaluation survey. The Hubs also suggested that they have had an impact on areas which cannot be measured, such as improving attitudes towards innovation, improving confidence and improving processes, all of which are reasonable assumptions. The beneficiary survey indicates that 55% of firms reported improved confidence following the support they received from the Enterprise Hubs, which suggests that the projects have impacted positively in this aspect.

Broadband and ICT

3.15 Many of the ICT projects were required to produce case studies to demonstrate the positive impact they had on businesses. These were used as promotional materials, to advocate the benefits of broadband to other businesses. Project managers felt the programmes impacted on businesses as follows: improved ICT skills as a result of the workshops (33% of beneficiaries in the survey suggested that projects resulted in skills development) and supporting socially excluded groups. It is likely the projects would have supported those people suffering from social isolation, given the rural areas which are likely to have had limited access to broadband. Others suggested that projects assisted firms to develop their own websites and trade online, which would have increased their markets both nationally and internationally. The beneficiary survey did suggest that Broadband and ICT projects did have some effect on access to new markets for 32% of firms (the highest for all themes across Individual Enterprise projects).

4. Impact on the South East Economy

Gross Impacts of the Project Sample To Date

Gross Impacts

4.1 The table below provides an aggregated analysis of the telephone survey responses to demonstrate the likely gross achievements of the businesses supported by the sample of projects reviewed. Based on the results of the survey, aggregated-up to reflect total project spend and achievements, the businesses assisted under the themes have created a total of some 2,580 jobs since they received support and generated GVA of around £58 million. The Enterprise Hubs perform well and account for a large part of the achieved impacts.

Table 4-1: Gross Impacts in Sampled Projects

	Gross Additional Jobs (no.)	Gross Additional Turnover (£millions)	Gross GVA (£millions)
Enterprise Gateways	508	£43.8	£9.8
Enterprise Hubs	1,285	£77.9	£32.3
Broadband and ICT	787	£36.1	£16.0
All Individual Enterprise Themes	2,580	£157.8	£58.0

Source: Regeneris Consulting Survey of Beneficiaries.
Note: Impacts reported by telephone survey respondents in each projects have been scaled-up to illustrate the total beneficiary impact of each project. See Technical Appendix for more detailed methodology.

Gross to Net Adjustments Factors

Adjustment Factors

4.2 To assess the net impact of the business support activity on the regional economy we have considered four potential effects: deadweight; displacement; leakage and multipliers. Further details on these and an explanation of how these figures have been generated can be found in the Technical Appendix. Table 4-2 below provides a summary of the overall combined adjustment factors taking into account the sum of these effects. The adjustment factors are substantial for each of the three themes across each of the impacts, but particularly for jobs. Across all themes, a high proportion of the jobs would have happened within the firms anyway without the intervention (i.e. a large deadweight effect), particularly for ICT Advice and Enterprise Gateway projects.

4.3 These relatively high levels of deadweight may well be a reflection that project interventions have taken place during a period of strong economic performance for the South East and, as such, beneficiaries have been operating in buoyant conditions. Each of the themes has by and large offered quite light-touch assistance to their beneficiaries and in the case of Gateways and Hubs have often signposted people on to other organisations for more intensive help. In many cases, Gateways are dealing with very early stage entrepreneurs who will be affected by a whole host of economic and social factors impacting upon the roll-out of their businesses; the support offered by the Gateways is but one of many different drivers. On the other hand, the Hubs are dealing with more established businesses and in some instances they are able to offer more intensive assistance directly (without referring onto another provider) which goes someway to explain their lower deadweight findings. Assistance with getting onto broadband, especially where the focus is on small grants for ADSL connectivity, is always likely to incur quite high deadweight, especially when assessed in retrospect and in light of the significant changes which have since taken place in this market.

4.4 The adjustment factor for Enterprise Gateways with respect to jobs is particularly significant, suggesting that only 8-14% of total new jobs are attributable to the intervention. The adjustment factor for Enterprise Hubs for turnover is high with between 27% and 33% of the new turnover attributable to the intervention, suggesting that the interventions have been more successful at contributing to improvements in turnover than improvements in jobs and GVA.

Table 4-2: Overall Adjustment Factors

	Enterprise Gateways	Enterprise Hubs	ICT Advice	All Individual Enterprise Themes
Jobs	8-14%	28-38%	20-26%	25-29%
Turnover	25-31%	44-52%	27-33%	36-40%
GVA	10 – 16%	29 – 40%	21 – 28%	26-30%

Source: Regeneris Consulting telephone survey of beneficiaries. This table shows the proportion of gross impacts that translate into net additional impacts once deadweight, displacement and leakage have been accounted for and a multiplier applied. They have been generated using survey responses, apart from multipliers which were calculated using a cautious 1.3 uplift factor taken from EP Guidance for “limited local supply linkages and induced or income effects”. These figures have been generated based on Current Year Impacts **not** cumulative impacts which are different due to the weighting accorded to higher gross impacts. Please see Technical Appendix for detailed commentary on the calculation of individual adjustment factors for displacement, deadweight, leakage and multiplier.

Note: Ranges have been calculated based on the margins of error associated with relevant questions in each theme – see Technical Appendix for more detail.

Net Impacts

4.5 Using the gross-to-net adjustment factors, the overall net impact of the sample projects can be shown. The Enterprise Hub programme has been successful at generating the full array of impacts and further reflects the projects’ focus on ambitious high-growth firms and the breadth and intensity of support being provided.

Table 4-3: Net Impacts in Sampled Projects

	Net Additional Jobs (no.)	Net Additional Turnover (£millions)	Net GVA (£millions)
Enterprise Gateways	75	£12.35	£1.2
Enterprise Hubs	536	£37.28	£11.3
Broadband and ICT	175	£10.92	£3.9
All Individual Enterprise Themes	786	£60.55	£16.3

Source: Regeneris Consulting Survey of Beneficiaries.

Note**:** Impacts reported by telephone survey respondents in each project have been scaled-up to illustrate the total beneficiary impact of each project. See Technical Appendix for more detailed methodology.

Contrasting perspectives on net impacts

4.6 Project managers were asked for their views on the additionality factors. Many felt unable to provide an informed assessment of these factors and did not provide numbers. Project Managers for Broadband and ICT projects, in particular, felt that the deadweight, leakage and displacement effects on their project would be minimal (or felt unable to comment).

4.7 A very small number of Enterprise Hub managers expected fairly high levels of deadweight for their projects - as high as 85%. They recognised many of the impacts would have happened anyway but believed that their support sped up the process and made it easier for businesses to make the change needed to increase sales and grow. A small number of Enterprise Gateways indicated that there would be some leakage of the impacts, as the projects are serving ethnic minority groups, which tend to be more transient. Similarly, a small number suggested that there would be some displacement because local markets in which their clients operate are saturated.

4.8 There is always likely to be a perception gap between the views of the project managers and supported businesses and, arguably, the narrower the gap, the greater the appreciation by clients of the value of the services provided, and the greater the net impact on the businesses. The gap appears to be greatest for ICT Advice and Enterprise Gateway themes, where beneficiaries feel that they would have achieved success anyway. There does appear to be a greater recognition from some Enterprise Hubs that they haven't resulted in all impacts and some project managers have even understated this impact (with higher levels of deadweight quoted in some instances).

Distribution of Impacts

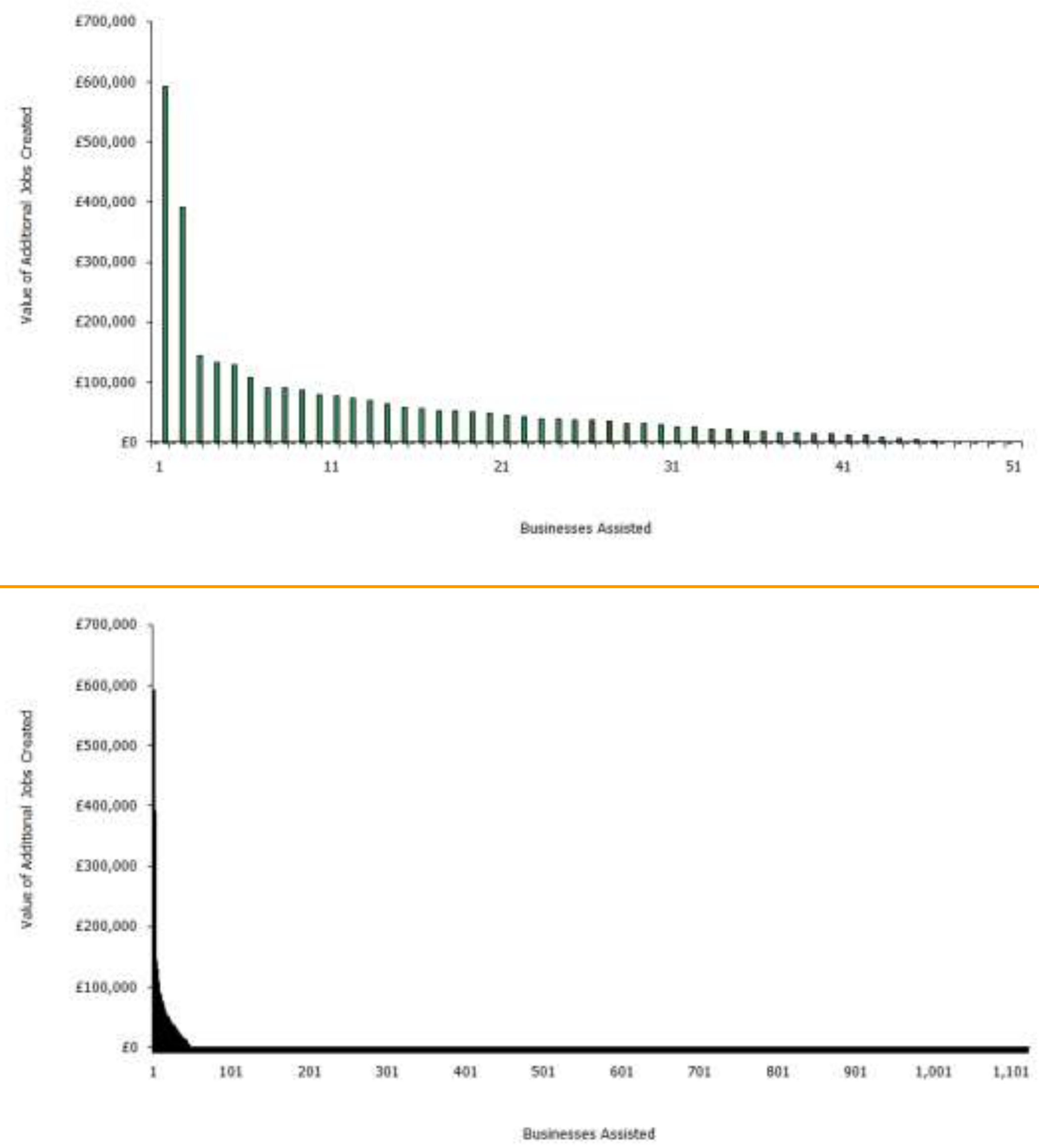
4.9 It is also interesting to consider the distribution of the projects impacts. This shows that the impact in terms of jobs created is highly concentrated in a small number of firms. Out of the 1,162 beneficiaries who responded, only 51 reported **net additional jobs** being created as a result of the interventions.

4.10 A similar distribution can be seen on the other impacts reported which suggests that:

- Out of the 1,162 beneficiaries who responded, only 176 reported any **net additional turnover** being created as a result of the interventions.
- Out of the 1,162 beneficiaries who responded, only 94 reported any **net additional profit** being created as a result of the interventions.
- Out of the 1,162 beneficiaries who responded, only 128 reported any **net additional value** added being created as a result of the interventions.

4.11 The vast majority of **impacts** reported by businesses were generated by a small number of firms, particularly when looking at jobs and value added. This finding is in line with other evaluation studies.

Figure 4-1: Distribution of Jobs Created



Source: Regeneris Consulting Telephone Survey Q61a.

Additional Impacts

4.12 Given the nature of the South East England Broadband Enablement (SEEBE) project, which provides grants to local authorities to enable broadband provision in geographical areas served by non-ADSL-enabled exchanges, beneficiary contact details were not available and prevented a survey of businesses being carried out. Instead, using metrics from previous evaluations an estimate of possible impacts on the regional economy has been generated. The calculations estimate net additional turnover and gross value added (GVA) but not the impact on employment. The evidence from previous projects of a similar nature has suggested that the causal link between employment and ICT connectivity is weak. The estimated return on investment for this initiative is positive in GVA terms, but not so on measures of turnover. Further information on how we have arrived at these calculations is provided in the Technical Appendix.

Table 4-4: Estimated Gross and Net Impacts of SEEBE Project		
	Turnover	**GVA**
Gross Impact	£519,311	£207, 724
Net Impact	£472,573	£189,029
Return on Investment per SEEDA £1	£0.63	£1.58
Source: Economic impact model by Regeneris Consulting. All figures are cumulative, not annual.		

Estimated Achievements of the Programme

4.13 We have included three assessments of impact:

- **Current Year Impact**. This assessment simply takes the figures for 2008 turnover, jobs and profit to generate the gross increases in company performance since the time the support was received.
- **Cumulative Impact**. The assessment takes into account the supplementary financial impacts that will have accrued to the company and region in the intervening years between 2008 and the start date of the intervention. To include an assessment of the impact accruing to the intervening years we have simplistically assumed a straight line growth trajectory[7].
- **Future Impacts.** This assessment is based on responses in the beneficiary survey on the business's future expected growth in the next five years and the degree to which they would attribute these changes back to the support received[8].

4.14 In order to understand what the entire SEEDA investment in Individual Enterprise has achieved, we have grossed up the impacts from the sample of reviewed projects to the entire project population across each of the three themes. The table below demonstrates current year impacts, which takes the figures for 2008 turnover, jobs and profit to generate the gross increases in company performance since the time the support was received. Enterprise Hub projects have made a significant contribution to the £43.2 million net GVA growth resulting from the projects, reflecting the ambitious firms which are being targeted.

Table 4-5: Overall Net Impacts on the South East Economy (Current Year Impacts)			
	Net Additional Jobs	**Net Additional Turnover (£millions)**	**Net GVA (£millions)**
Enterprise Gateways	176 - 189	£29.0 - £31.2	£2.9 - £3.2
Enterprise Hubs	1,586 -1,857	£110.4 - £129.3	£33.0 - £38.6
Broadband and ICT	327 - 355	£20.4 - £22.1	£7.3 - £7.9
All Individual Enterprise Themes	2,089 - 2,401	£159.8 - £182.6	£43.2 - £49.7
Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.			

[7] The cumulative analysis has not been applied to Jobs Created.

[8] The Future Impact Assessment is not cumulative due to the way in which the future impact questions were asked.

4.15 The Enterprise Hub and Broadband and ICT projects have generated net additional salaries of approximately £18,000 per additional job created, whilst the Enterprise Gateways have generated net additional salaries of £11,000 per additional job created.

Table 4-6: Average Salaries of Jobs Created (Based on current year impacts)	
Theme	**Average Salary of Jobs Created**
Enterprise Gateways	£11k
Enterprise Hubs	£18k
Broadband and ICT	£18k
All Individual Enterprise Themes	£17k
Source: Regeneris Consulting Survey of Beneficiaries.	

4.16 A cumulative impact assessment estimates significantly higher levels of net impact, with GVA rising up to of £91.3 million overall and hubs continuing to make the lion-share contribution to that figure.

Table 4-7: Overall Net Impacts on the South East Economy (Cumulative Impacts)			
	Net Additional Jobs	**Net Additional Turnover (£millions)**	**Net GVA (£millions)**
Enterprise Gateways	176 - 189	£156.0 - £167.4	£4.8 - £5.1
Enterprise Hubs	1,586 -1,857	£943 - £1,104	£41.9 - £49.0
Broadband and ICT	327 - 355	£35.5 - £38.6	£11.0 £12.0
All Individual Enterprise Themes	2,089 - 2,401	£1,134 - £1,310	£57.7 - £66.1
Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.			

4.17 During the survey businesses were asked to estimate Future Impacts of the programmes on their business's growth in the next five years and the degree to which they would attribute these changes back to the support received. The responses suggests possible future GVA impact of £782 million across all themes; however, these could be considered extremely optimistic when compared to the achievements stated to date; they represent an eight-fold increase over cumulative impacts so far achieved.

4.18 Whilst this is extremely positive, it should be recognised that a firm's expectations of future performance may not always match the reality and are unlikely to be calibrated by the real world challenge of securing the estimated growth or the prevailing economic climate into which they are heading.

Table 4-8: Overall Net Impacts on the South East Economy (Future Impacts)			
	Net Additional Jobs	**Net Additional Turnover (£millions)**	**Net GVA (£millions)**
Enterprise Gateways	3,316 - 3,560	£1,448 - £1,554	£91 - £98
Enterprise Hubs	21,461 - 25,128	£22,417 - £26,247	£617 - £722
Broadband and ICT	2,640 - 2,869	£311 - £338	£75 - £81
All Individual Enterprise Themes	27,417 - 31,558	£24,176 - £28,139	£782 - £901
Source: Regeneris Consulting Survey of Beneficiaries. See Technical Appendix for methodology.			

Return on Investment

4.19 An analysis of the return on investment[9] for current year impacts indicates that the return on GVA for Enterprise Gateways is not yet making a positive return. This is not too surprising, given their aim is to provide support to underperforming groups. Broadband and ICT projects and particularly Enterprise Hubs Projects appear to represent good value for money as they make a positive contribution to GVA.

4.20 It is difficult to find evidence of services available elsewhere which are comparable to these SEEDA schemes. However, figures available from other evaluations of business support suggests that the gross cost per job created is on the low side for Enterprise Gateways but that the net cost is extremely high: Gateway clients are creating jobs but not giving much of the credit to the support they received. The net cost of jobs created for the Enterprise Hub programme is below that for generic business support, which is extremely positive given this programme's emphasis on higher-value sectors and on productivity improvements. However, the average salary figures for new jobs do call into question how successful the Hubs have been in creating additional high-value employment. Overall, though, the programme offers excellent value for money.

4.21 Evaluations of other similar broadband initiatives show that the return on investment can vary enormously. One study estimated a net return on GVA of £0.91, which is similar to that for SEEDA's Broadband and ICT investments. Another study identified a net return on GVA of £1.48 per £1 invested. SEEDA's Broadband and ICT project offers value for money located firmly in the middle ground.

Table 4-9: Return on SEEDA Investment – Current Year Net Impacts

	Cost per Business Assist*	Cost per job created	Turnover per £1 invested	GVA per £1 invested
Gross Return on Investment				
Enterprise Gateways	£4,200	£2,700	£32	£7.20
Enterprise Hubs	£7,100	£1,800	£33	£13.60
Broadband and ICT	£650	£4,800	£10	£4.30
All Individual Enterprise Themes	£4,841	£2,900	£21	£7.70
Net Return on Investment				
Enterprise Gateways	n/a	£18,100	£9	£0.90
Enterprise Hubs	n/a	£4,400	£16	£4.70
Broadband and ICT	n/a	£21,400	£3	£1.00
All Individual Enterprise Themes	n/a	£9,500	£8	£2.20

Source: Regeneris Consulting Survey of Beneficiaries and Aggresso Spend data. *Cost per business assist has been taken from the Regeneris Project review tool (see Table 2.7).
Note: Cash prices have been used to calculate the return on investment figures.

4.22 A more complete estimate of Returns on Investment (ROI) might be found by focusing on the cumulative impacts. The cumulative ROIs show each theme generated more than £1 of GVA for every pound of SEEDA money invested. Not surprisingly, Enterprise Hubs show the most positive return, generating over £10 in GVA for every pound of SEEDA money invested

[9] The ROI analysis uses mid-points of the impact ranges shown earlier.

and pulling the overall average for all themes up to £4.50. Although Gateways and Hubs generate positive cumulative impacts, they have not performed as impressively as Hubs in creating wealth for the region.

Table 4-10: Return on SEEDA investment (Cumulative Net Impacts)				
	Cost per Business Assist	Cost per job created	Turnover per £1 invested	GVA per £1 invested
Gross Return on Investment				
Enterprise Gateways	£4,200	£2,700	£80	£8
Enterprise Hubs	£7,100	£1,800	£130	£19
Broadband and ICT	£650	£4,800	£20	£6.2
All Individual Enterprise Themes	£4,841	£2,900	£70	£15
Net Return on Investment				
Enterprise Gateways	n/a	£18,100	£49	£1.50
Enterprise Hubs	n/a	£4,400	£134	£6
Broadband and ICT	n/a	£21,400	£5.10	£1.60
All Individual Enterprise Themes	n/a	£9,500	£54	£3.00
Source: Regeneris Consulting Survey of Beneficiaries and Aggresso Spend data. *Cost per business assist has been taken from the Regeneris Project review tool (see Table 2.7). Note: Cash prices have been used to calculate the return on investment figures.				

Strategic Added Value

4.23 The following tables demonstrate examples of Strategic Added Value across each of the three themes.

Enterprise Gateways

Table 4- 11 Strategic Added Value: Enterprise Gateways	
Strategic Leadership	Overall, Enterprise Gateways were underpinned by strong cases in the form of their Business Plans, researching and evidencing the needs of the local area and the priorities of their client base. In most cases, SEEDA has shown leadership and invested in line with these identified needs. SEEDA demonstrated leadership in developing a model where the steering group is made up of local representatives and which utilises a local business champion to reach target groups. This embedded the Gateway model with local partners and their community.
Strategic Influence	The Enterprise Gateways have influenced the business support agenda by encouraging Business Link to address underperforming communities. and to lead proposals for Enterprise Gateways .
Leverage	SEEDA designed the Enterprise Gateway programme to encourage leverage from other funding sources. Only a relatively small amount of funding (85,000) was provided by SEEDA, with the rationale being that the balance would be levered in from stakeholders. The majority of Gateways were not able to quantify leverage but anecdotally they appeared to be successful, with project managers citing examples of leverage (such as community hall provided as a venue free of charge). The Gateways, for example, reported receiving funding from SBS for Enterprise Shows and UKBI funding for an Economic Independence through Self Employment Project.. However, the figures from the project reviews suggest that only £0.42p was levered from partners for every £1 provided by SEEDA. Whilst this is likely to underestimate leverage to some extent, it does suggest that SEEDA was indeed the majority funder.

Table 4- 11 Strategic Added Value: Enterprise Gateways

Synergy	In the majority of cases, there appeared to be good synergy at a local level borne out by projects referring clients to other partners and business support organisations. SEEDA has invested heavily in sharing best practice amongst the Gateway Network and in developing case studies to share best practice. Enterprise Gateway marketing and PR was coordinated regionally and delivered locally. This specifically sought to promote success stories to inspire individuals to consider enterprise and self-employment. It also actively used advocacy from local champions and partners to create a 'word of mouth' effect in generating new leads.
Engagement	In the main, the projects appeared to be successful in working with Stakeholders. The programme was managed by Business Link and involved the Local Authorities as well as universities (in some cases), chamber and economic partnership. There were good cross-referral relationships with organisations such as the Employment Service, local training providers, community groups and charities.

Enterprise Hubs

Table 4- 12 Strategic Added Value: Enterprise Hubs

Strategic Leadership	Overall, the Enterprise Hub projects demonstrated a good understanding of the needs and priorities of the client base, with each proposal for a Hub underpinned by research. On the whole, SEEDA has provided leadership in making investment based on this need, within the context of a regional programme. SEEDA has demonstrated particular leadership in performance management by promoting a shared client management tool for projects to track and manage interactions with clients and to collect outputs and monitor performance.
Strategic Influence	The Hubs have been established by SEEDA so they are managed by partnerships and have local buy-in, bringing partners together. The Hubs have in general developed strong relationships with local authorities, universities, the Chamber of Commerce as well as Business Link and in this way they appear to have influenced the way in which organisations perceive high-growth firms and, as a result, local agendas appear to be focusing more on this target group.
Leverage	SEEDA has invested small amounts of funding (£85,000 per hub) and Hubs have needed to lever in additional resources to run the service. The majority of projects provided anecdotal examples of leverage, for example local authorities providing marketing and universities providing meeting rooms, but they found it difficult to quantify this. According to the project reviews, only £0.25p was levered in from partners for every £1 provided by SEEDA, which appears to be low given this was a key part of the rationale and does suggest that the RDA was by far the majority funder. The Hubs have, however, demonstrated more success at levering in funding for businesses as a result of their support. In the first nine months of 2005/06, the Hub network helped clients raise £12.1 million investment.
Synergy	The Enterprise Hub network was established by SEEDA and has been successful at enabling individual projects to share best practice. There is also evidence of good cross-referral between Enterprise Hubs and other business support organisations across the South East.
Engagement	The projects appear to have been very successful at engaging with other organisations including Finance South East, HE establishments, Business Link, UKTI, Sector Consortia and the private sector.

Broadband and ICT

Table 4- 13 Strategic Added Value: Broadband and ICT	
Strategic Leadership	SEEDA has made investments based on well-researched evidence on the low levels of broadband availability/take up in parts of the South East which justify intervention.
Strategic Influence	BT has confirmed the claim made by some of the projects to have influenced senior staff within the company to enable exchanges sooner than they would have otherwise done. Previously, this issue wasn't high on the agenda of many business support organisations and there is evidence of projects influencing FSB, local Chambers and others to target resources at these initiatives.
Leverage	Anecdotally, projects appeared to be successful at leverage, though most were unable to quantify the scale secured. According to the project reviews, £0.66p was levered in for every £1 provided by SEEDA which is good, given that this was not a major part of the rationale for projects. Examples including BT sponsoring events or promotion, the public sector providing rooms for advice sessions, marketing and specialist advisers/trainers. Again, SEEDA's approach, which provided a small amount of funding towards delivery, facilitated good leverage.
Synergy	SEEDA established a Regional Broadband Forum which involved each of the nine Broadband Partnerships and enabled the sharing of ideas and best practice amongst the partnerships. Projects demonstrated good examples of synergy, for example Business Link working with the Partnership in delivery and training business intermediaries (such as local accountants) to share their knowledge on ICT with other firms.
Engagement	The majority of projects demonstrated effective engagement with stakeholders, agencies and partners. However, the projects which tended to provide grants only did not generally engage as well with partners as those which had a broader focus and likely the greatest impact.

Changing Baseline Conditions in the South East Region

4.24 The South East is a prosperous region and over the timeframe of the evaluation the economy has improved its performance across a number of economic indicators.

Enterprise Gateways

4.25 At the start of 2002, there were 353,600 businesses in the South East and by 2006 this had increased to 379,700 businesses (an increase of 26,100). Over a similar timeframe, employment across the South East has increased by 47,500 jobs, rising from 3.87 million in 2002. The business start-up rate in the South East actually declined a little between 2002 and 2006, from 5.47 start-ups per 1,000 working age population to 5.30 in 2006. The business survival rate has, however, increased over the period from 91.4% in 2002 to 92.6% in 2006.

Enterprise Hubs

4.26 As demonstrated above, there has been an improved performance across a number of relevant indicators to Enterprise Hubs. Other data of relevance shows that productivity (measured by GVA per head) has increased by £3,435 between 2002 and 2006. There has also been an increase in business investment in R&D, rising from £3.1 million in 2002 to £3.3 million in 2006.

Broadband and ICT

4.27 At the start of the investment programmes, there were low levels of broadband availability and low levels of take-up. According to the Corporate Plan, in 2002/03, only 390 individuals and businesses in the South East were receiving broadband. There were also large variations across the region, with only 20% of exchanges in Sussex enabled in 2004. By 2006, the RES (2006-2016) states that there have been major improvements with broadband availability close to 100%.

SEEDA's Impact on Changing Conditions

4.28 Given the size and dynamism of the South East economy and the small levels of funding available to SEEDA, it is reasonable to expect that the RDAs investment will only make a small positive contribution. In order to put this into context, expenditure on Individual Enterprise projects between 2002 and 2007 was £18.2 million and over the same period private sector investment has totalled £85,588 million[10].

4.29 Although each theme has begun to generate a positive return on investment, the figures below show how small the contribution made by these investments are when set in the context of overall regional GVA performance. Between 2002-2006 cumulative growth in regional GVA was £98.3BN, which is only 0.21% of the region's GVA growth.

Table 4-14: Comparison of Impacts with Regional GVA performance

Theme	GVA Uplift (Cumulative) (£millions)	Percentage of Regional GVA Uplift 2002/03 – 2007/08 (£45 billion)
Enterprise Gateways	£4.9	0.01%
Enterprise Hubs	£81.9	0.17%
Broadband and ICT	£11.5	0.02%
All Individual Enterprise Themes	£98.3	0.21%

Source: Regeneris Consulting calculations of impact and Headline GVA at current basic prices (ONS, GVA at current basic prices 2002/03 to 2007/08). Regional GVA available to 2006/07 so the average uplift in regional GVA 1997/8 to 2005/06 has been used for 2006/07 and 2007/08. Overall GVA uplift was converted into 2007 prices (see Technical Appendix for methodology).

4.30 The impacts which have been achieved have also been concentrated within a very small proportion of firms, particularly for jobs created with large numbers showing no economic growth or significant change in the way they operate.

Enterprise Gateway Projects

4.31 The Enterprise Gateway programme has had only a small impact on the overall performance of the South East economy when looking only at GVA uplift (as one would expect from a programme focused on providing business support to under-performing communities). It must be recognised, however, that GVA and, to a lesser extent, job creation were not a major part of the rationale behind the Enterprise Gateway programme. Instead, they were designed to impact on other less easy to quantify issues, such as improving confidence amongst disadvantaged groups. The evaluation survey suggests they have made some

[10] Data on capital formation is not available regionally. Therefore, the figure has been estimated using data on Gross Fixed Capital Formation by the Private Sector from the ONS United Kingdom National Accounts Blue Book 2007. South East Figures have been derived by apportioning the national figures according to the South East's share of UK GVA.

headway in this regard, with 50% of beneficiaries reporting improved confidence as a result of the intervention and 73% indicating that they are more likely to seek external support in the future as a result of the intervention. However, it should also be noted that only 19% indicated that the support helped them to set up in business. The survey also reveals beneficiaries have very (perhaps overly) optimistic expectations about future impacts, which is often found in evaluations of this kind.

Enterprise Hub Projects

4.32 The Hubs represent good value for money and a good model for delivery, though it is unclear whether there is sufficient demand for a scaled-up service. Although modest in the grand scheme of regional growth, the Hubs have had a greater impact on the performance of the South East than the other themes. The intended focus of the Hubs was to be on creating a smaller number of higher-value jobs (rather than simply large numbers of jobs); they have generated jobs at relatively low cost and with an average salary of approx £18k. Although the Hubs were focused upon high-value businesses which might be expected to generate continued competitive advantage for the region into the future, these figures call into question whether these interventions are creating higher-value employment opportunities.

Broadband and ICT

4.33 Broadband and ICT initiatives have made a small but positive impact on the performance of the South East economy. They have, however, made a number of strategic contributions to the roll-out of broadband infrastructure, which could underpin further economic impacts in years to come, as was expected when they were first launched.

5. Conclusions and Reflections

Enterprise Gateways

Strategic Priorities

5.1 Following establishment of the Gateways in 2001 and as part of its ongoing development, a Network Plan was produced in 2004. This identifies four objectives to influence delivery and sets out its priority to invest in underperforming communities. The objectives set out what the Gateways should achieve, and how they wish to achieve this. However, the Plan does not clearly define what are considered to be underperforming communities and there does not appear to be a clear strategy on where in the South East SEEDA should invest in Gateway projects. This short-coming has since been addressed in the new model which is being implemented (post-March 2007), though this allows for some flexibility for projects to meet local needs.

5.2 Furthermore, not all of the Gateways' objectives can be measured and they do not tie into Key Performance Indicators or Tasking Framework Outputs. Therefore, no baseline data has been gathered as a starting point and on-going performance measurement has not been fully rounded.

Investment Programme

5.3 The Enterprise Gateway programme does appear to be well designed to meet regional objectives. This evaluation has identified a series of issues concerning SEEDA's investments, but the majority of these seem to be in the process of being addressed under the new model. Firstly, at the outset of the programme SEEDA did not appear to define how to measure underperforming communities and did not provide direction in terms of where Gateways should be located. SEEDA has indicated that this approach was intended to lead to more innovation in terms of delivery and it does appear that this has allowed projects to be more flexible to local needs. Furthermore, SEEDA has provided greater direction under the new model of delivery currently being implemented (post-March 2007).

5.4 Secondly, in some cases Enterprise Gateways have been located in close proximity to one another (e.g. Slough and Reading). This has resulted in competition and greater efficiencies could have been achieved by merging these. Again, this has since been addressed in the new model.

5.5 Finally, a key premise behind investment in the Enterprise Gateways is that a small amount of funding would be invested (£85,000) and the remaining funding would be levered in through partners. Whilst project managers did provide examples of leverage and did think projects had been successful in this regard, this has not been borne out in the figures, with the project reviews indicating that only 30% of total funding came from partners other than SEEDA.

Delivery & Performance

5.6 Gateways provide good examples of outreach and working with other local organisations to support their target groups and include some good examples of successful targeting of under-represented groups (the main focus group of the project). The Farringdon and Slough Gateways, for example, were awarded the Prowess Flagship, a national quality standard for women-friendly business support.

5.7 The Enterprise Gateways have been successful at business creation. The projects have not been as successful in meeting their job creation targets; however, this was not considered by SEEDA to be the primary driver behind the programme and also reflects the low-growth target groups they are working with.

5.8 There appears to have been large variations in delivery costs across the Enterprise Gateway programme (as shown by unit cost per output achieved), which suggests significant variations in terms of efficiency and effectiveness. It is also likely to be a product of variations in capacity in the Gateways and to partly reflect the complex variety of needs among its target clients.

5.9 Gateways have a particularly high gross-to-net adjustment on jobs created with many beneficiaries indicating that they would have increased their employment base (albeit modestly) without assistance from the Gateways. The projects have a better success rate in generating turnover increases. Although the overall net additional impact on the regional economy in terms of gross value added is relatively low, the Gateways represent a positive return on investment and reasonable value for money.

5.10 It would be unrealistic to assess the success of the Enterprise Gateways solely against their impact on GVA and job creation (given their target group). The beneficiary survey does provide an indication of its success in other areas, which are perhaps more fitting. It suggests that they were relatively successful at improving confidence (having a significant impact for 50%) and that almost three quarters of past clients would seek further external support in the future. They haven't had as significant an impact, however, on helping with other areas of business support such as setting up in business (28%), helping businesses to grow (26%) and accessing new markets (21%). It could be concluded that Gateways may have been more successful at building the capacity of entrepreneurs in underperforming communities - which is in fact its primary rationale - than in directly boosting their economic impact (which was less of a goal for the programme).

Enterprise Hubs

Strategic Priorities

5.11 Local partners developed Business Plans for individual Enterprise Hubs based on core principles set out by SEEDA. In 2004, the first Enterprise Hub Network Business Plan was written and this set out a clear and appropriate strategy for the development of the Hubs across the region, identifying who the projects are targeted at and clear measurements against which their success can be assessed. This provided greater clarity over their role and focus and a stronger framework for collaboration than had been apparent since the creation of the first hubs in 2001.

Investment Programme

5.12 On the whole, the Enterprise Hubs programme appears to be well designed to achieve regional objectives. However, there are examples where Enterprise Hubs have been set up in locations where there wasn't a clear evidence of business need. Over the timeframe of the evaluation, it hasn't always been clear whether investment is being made to build on advantage or to tackle an identified need. Whilst the focus has, in the main, been on building upon advantage (i.e. the existing growth firms), investment has also been made in weaker economies which do not have good access to a knowledge base. This has been recognised and is being addressed in a new model which will be implemented in 2009.

5.13 Like Gateways, there are examples where Enterprise Hubs have been developed in close proximity to one another (for example, there were three in Kent) and this would have pushed up the costs of service infrastructure. SEEDA has recognised this and has had success in ensuring efficiencies through merging hubs in some parts of the region.

5.14 In a similar way to the Enterprise Gateways, SEEDA made a small amount of investment (£85,000) in each Enterprise Hub with the expectation that they would lever in funding from partners. Whilst project managers did provide good examples of leverage the overall objective has again not been borne out in the figures, with the project reviews indicating that only 20% of the total cost came from partners other than SEEDA.

Delivery & Performance

5.15 Hubs have received more positive support from beneficiaries and generated more positive impacts than any of the other themes within this evaluation. According to the beneficiary survey, Hubs have been relatively successful at improving business performance (57%) and have been well targeted at businesses wishing to achieve growth, 91%, leading to 80% being satisfied with the support received. On the whole, the gross-to-net adjustments factors (on jobs and turnover) are fairly significant but are in line with those found in other evaluation findings and other programmes of SEEDA investment. Overall, the Hubs have offered very good value for money and have produced a positive return on investment. The programme's success is due to its targeted approach on growth firms seeking to commercialise new ideas. The Hubs did operate a restrictive entrance policy (focused on high growth firms); this is borne out in the beneficiary survey which suggests 91% were seeking to achieve growth.

5.16 Whilst the beneficiary survey suggests the Enterprise Hub programme has had a significant impact on helping businesses to grow (42%), they do not appear to have been as successful in other areas which you would expect from high growth firms, including helping them develop new products (28%), accessing new markets (27%) and running their operations more efficiently (36%). Given the comprehensive support being provided by Hubs, greater success in these areas might have been expected.

5.17 Another concern within this evaluation is the large variation in the unit cost of businesses assisted between projects. This could suggest that some Enterprise Hubs (and Enterprise Hub Directors) have been more successful than others in achieving their objectives but is also likely to reflect the level of support provided.

5.18 The Enterprise Hubs appeared to have built good relationships with local service providers and linked-up with other initiatives across the region (such as Finance South East). The Enterprise Hub Network enabled projects to share best practice and ideas, and provided a region-wide focus for the programme.

5.19 The programme has one of the more rigorous approaches to performance management. Hubs have a shared client management tool to track and manage interactions with clients, which is used by SEEDA to collect outputs and monitor programmes. Learning from the Enterprise Hub programme has been used to inform the development of Place Based Innovation Teams, which will be implemented after 2009 (see below).

5.20 The success of the Enterprise Hub programme to date does suggest that a scaled-up service might be worth considering. If the returns identified in this evaluation could be replicated with a wide set of businesses, the Hubs could begin to make a more marked contribution to regional prosperity. The new approach (focused on Place Based Innovation Teams) will need to ensure that the positive aspects of the programme (strict entry criteria on growth firms, different membership tiers offering varying types of support and a strong Enterprise Hub Network) are continued into the future.

Broadband and ICT

Strategic Priorities

5.21 The Regional Economic Strategy for 2002 sets out SEEDA's objectives for supporting ICT projects and provides a clear focus on maximising access to and take-up of broadband facilities. There appears to be less of a focus on maximising the effective use of broadband.

Investment Programme

5.22 SEEDA has invested in a mixed range of projects. There has been a strong focus on investing in grants to enable businesses to connect to broadband. Investment has also been made on activities to raise businesses' awareness of the benefits of broadband, and on some advice and training to improve their use of broadband. SEEDA has adopted a three-phased approach, which focused on ensuring the availability of broadband and adoption in the early years. Towards the end of the period which this evaluation is focused on, there appeared to be a shift towards encouraging the productive use of broadband (the third phase) though, overall, across the evaluation period there has been a greater emphasis on access and adoption projects.

Delivery & Performance

5.23 The ICT Advice projects have resulted in improved performance for only a small proportion of firms receiving assistance (33%). The assistance did result in new markets opening up for 66% of firms and a high number of firms reported that they were satisfied or very satisfied with the service received. Although the assessment of net impacts revealed a significant deadweight effect, the projects are estimated to have made a positive, albeit it modest, contribution to the regional GVA and appear to offer positive returns on investment with value for money firmly between those of other similar projects.

5.24 The Broadband Partnership programmes demonstrated good examples of partnership working with good levels of stakeholder engagement and the projects appear to have made a number of strategic contributions to the roll-out of broadband infrastructure.

Future Policy

Enterprise Gateways

5.25 In April 2007, an Implementation/Transition Group was established by SEEDA to review the Enterprise Gateway Network. This has resulted in a number of changes being made to the programme, many of which should address the issues outlined in this report. The changes can be summarised as follows:

- Extensive research was carried out by SEEDA to identify 10 zones which the Enterprise Gateways will focus on, taking into account indicators of underperformance. This was based on a range of indicators including IMD, rates of low business density, poor business start-up rates, lower rates of survival and higher rates of unemployment. These zones will provide regional coverage and enhance the provision as set out in the RES.

- The focus will now be on individuals rather than businesses, thereby minimising confusion with other provision which provides support to existing firms. The new model also ensures that target markets are not already being served by mainstream business support. The full integration of the Enterprise Gateway service into Business Link has been an important step towards this goal (see below). There is also an increased focus on specialist outreach work and specialist marketing to penetrate under-represented and hard-to-reach individuals.

- Integration of the Enterprise Gateway network into core Business Link activity. The new model is now being managed through a single contract with the lead Business Link provider which minimises confusion and overlap with mainstream provision.

Enterprise Hubs

5.26 SEEDA is currently consulting on a programme of change, which will significantly impact on the delivery of the Enterprise Hub programme. The current proposal is that after 2009 the programme will be delivered through a regional network of Innovation Teams to drive business innovation and growth in the South East. Sub-regional Place Based Innovation Teams will provide support to those businesses with the most potential to have an impact on the region’s economy.

5.27 It is proposed that SEEDA will provide core funding for the Innovation Teams, which will provide intensive business expertise services to support high-growth businesses. These are likely to:

- Support up to 200 high-growth businesses in their locality

- Lead and act as champions for innovation and growth in their areas

- Bring together all the relevant services in a collaborative structure

- Work as a network with other Place Based Innovation Teams across the region to share expertise, contacts and best practice to provide a consistent client journey.

5.28 The Innovation Teams will be managed by a local partnership that consists of significant local players. They will come together to establish a suitable structure based around the needs of each sub-region.

5.29 The programme will address some of the issues identified in this report, e.g. the new model will only support a small number of high-growth potential businesses, thereby minimising confusion with mainstream services. SEEDA will integrate the numerous regional and local innovation and growth programmes into one regionally implemented, locally delivered service, thereby ensuring a more consistent service. SEEDA appears to have carried out research into those areas of greatest advantage where there is an existing or developing innovation networks.

Broadband and ICT

5.30 Future plans under this theme are outlined in the 2006-2016 Regional Economic Strategy and suggests a focus on moving towards 100% next generation broadband coverage across the South East (through projects which encourage more innovative schemes for deployment rather than direct investment). Experience from first generation broadband deployment showed that ultimately the private sector did deliver broadband infrastructure and raises the question of whether this may be the case for next generation broadband. Whilst SEEDA should not be complacent, this does suggest that SEEDA should exercise caution before intervening at an early stage and focusing significant investment in this area, and consider the benefits of greater investment which assists businesses to maximise the return on ICT in the future. The RES sets out the main priorities for investment in the future; however, unlike Enterprise Gateways and Hubs, there appears to be a need for a clear strategic plan for the region's future investment and priorities in ICT and broadband.

Recommendations

Reflections on Performance Management

5.31 Across all themes of the evaluation, there have been uncertainties about the scale of achievement by the projects under review and in the wider population. Over time SEEDA's approach to performance management has evolved. Although procedures and approaches have tightened up, an evaluation stretching back to 2002/3 has had to aggregate data on spend and outputs gathered using different approaches.

5.32 Although SEEDA has a central database for collating information on project performance, (the PMS) this has been used in very different ways by different staff and has not been able to provide the evaluators with a comprehensive or reliable illustration of the scale of achievement. This problem has been compounded by the disparate ways in which SEEDA officers have kept paper or local copies of performance data. During the course of the evaluation we endeavoured to build up a project-by-project assessment of the performance of the short-listed projects but often found accurate and comprehensive information was not readily available among SEEDA staff. Our third port of call was to approach project managers in the delivery organisations for their latest claim data. Although this was a more fruitful avenue, it did reveal the breadth of indicators against which projects had been asked to collate information. The evaluation has found an overly relaxed attitude towards performance management across SEEDA and many of the delivery organisations into which it invests public funds.

5.33 The upshot is that:

1) The evaluation has not been able to arrive at a definitive assessment of the total number of outputs generated by the population of projects in each theme (spend data is stored in the Aggresso database, and is thought to be much more reliable).

2) Comparisons of performance between projects should be approached cautiously as there are many different indicators in use, different interpretations of each output and different approaches to collating and reporting achievements.

5.34 This casual approach to performance management may have contributed in part to some of the less favourable outcomes and permitted too much performance variety among what, in some cases, should be quite similar schemes. SEEDA does not appear to have had accurate, reliable, timely or comparable management information available over the life-span of these projects to manage, guide and influence their decision-making.

5.35 Recently SEEDA has taken steps to establish a Programme Office (which is likely to be operational from mid October 2008) with an objective to "*ensure robust and transparent investment decisions that generate the greatest possible impact and value for money, the Agency being able to map and monitor delivery of proposed benefits/impact.*"[11] At the same time, SEEDA is moving towards a *Strategic Investment Framework* approach to future rounds of spending. Although the evaluation has not reviewed these processes in detail, they are welcome steps in the right direction. To really tackle the issues the evaluation has encountered, these developments need to manifest themselves in a more standardised approach to:

1) setting KPIs against which performance is measured

2) collating and verifying claimed achievements against KPIs

3) and, ensuring its investment-decision making and project management are more intelligence led.

Recommendations

5.36 It is clear from this evaluation that SEEDA has been learning from its investments and making changes to its programmes in the light of emerging developments. Nevertheless, this evaluation sets out a number of recommendations for consideration in the future.

Provide more targeted investment

5.37 The South East is a vast region in terms of size and economic output. In this context, SEEDA's budget is relatively small and, as a result, fewer and more focused/larger investments should be adopted, focusing on those shown to have the greatest impact. The

[11] Programme Office Summary Role and Rationale Paper by SEEDA

success of the Enterprise Hub programme does suggest that there could be a case for a scaled-up service, though this will need to be in areas where there is a clear business case for investment. It should be considered, however, that a more targeted approach to investment for the Enterprise Gateway programme could generate even poorer returns on the economy but would provide greater assistance to those 'hardest to reach' groups.

Provide better leadership in investment decisions

5.38 The Enterprise Hub and Enterprise Gateway programmes have both demonstrated instances where investment was made despite a poor rationale and fit with the programme's objectives. SEEDA should be clear about whether they are investing in areas of advantage or areas of need and provide a clear basis for project-level investments. Again, this should be addressed with the development of the Place Based Innovation Teams.

Provide clear strategic direction for future investment for Broadband and ICT

5.39 SEEDA has been carrying out a great deal of work to set the future direction of the Enterprise Hub and Enterprise Gateway programmes. However, there is no clear strategic plan for investment in Broadband and ICT projects. There would be benefits in developing a strategic plan for the future which may provide opportunities for greater leverage and better returns on investment.

Ensure that there is a strong rationale for investment

5.40 The emphasis on Broadband and ICT projects has been on infrastructure and access and to a lesser extent exploitation. It also appears that there will be a strong emphasis in the future on encouraging more innovative schemes for deployment of next generation infrastructure. Given the experience gained from the deployment of first generation broadband, we would recommend that SEEDA should be cautious before intervening at an early stage with significant investment (whilst not being complacent), and should consider focusing more investment on assisting businesses to maximise the return on ICT in the future.

Ensure projects are designed to complement and enhance existing activities

5.41 Across the South East, there is already a vast array of individual enterprise initiatives. Some projects have been successful at linking up with regional initiatives and enhancing existing investment (e.g. Enterprise Hubs). This should result in a more coordinated approach, which maximises RDA expenditure and secures economies of scale. The Business Support Simplification Process is expected to underpin greater rationalisation in due course.

Develop more effective and appropriate monitoring frameworks for projects

5.42 Whilst Enterprise Hubs have been more successful in this regard as they have developed their own key performance indicators, other projects have demonstrated a more casual approach to performance management and a broad-brush approach to setting targets has been taken.

Appendix A Detailed Data Tables from The Client Survey

1. [This section will contain a more detailed analysis of the client survey findings.]

Appendix B: Project Review Findings

1. [This section will include a write-up of the Project Reviews and point readers to the database in which the information is stored.]

Appendix C Technical Matters

1. [This section will explain all the technical issues encountered in the evaluation and the assumptions used to generate findings.]

Appendix D Research Tools

1. [This section will contain all the research tools used during the course of the evaluation.]

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