

Final Evaluation of the Rural Growth Network Pilot Initiative

Final Report to the Department for
Environment, Food and Rural Affairs (Defra)

May 2016

The logo for SQW, consisting of the letters 'SQW' in a bold, dark red, sans-serif font.

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Executive Summary

Introducing the RGN Initiative

1. The Rural Growth Network (RGN) Pilot Initiative was set up in 2012 with £12.5m from the Department for Environment, Food and Rural Affairs (Defra) and £1.6m from Government Equalities Office (GEO). The RGN Pilot Initiative was established in response to barriers to rural economic growth identified in the Rural Economy Growth Review. It sought to encourage growth in the rural economy; and to generate and disseminate lessons around what works in this context. The fundamental thesis underpinning RGN was that a network of “enterprise hubs” (each providing a locally-appropriate mix of premises, infrastructure and business support, and some kind of local network) could provide a basis for economic growth.
2. After a bidding process, five successful local partnerships (“Pilots”) developed local RGN programmes to effect rural economic growth. The five Pilots were in Cumbria; Heart of the South West¹ (HotSW); North East; Swindon and Wiltshire; and Warwickshire.
3. The resources from Defra/GEO were authorised under Section 31 (s31) of the Local Government Act, 2003, which meant that they were non ring-fenced and could be used very flexibly.

What happened with the RGN Initiative?

4. From early 2013, over 60 different projects were delivered through these five Pilot-level programmes and around 9,000 end beneficiaries were supported. By the end of September 2015, some £11.1m (of the original £14.1m identified in delivery plans) had been spent. Total spend including match funding was £35.3m.
5. An approach to monitoring and evaluation was developed by SQW, working with the Pilots and Defra, in 2012/13. It provided a basis for examining *how* particular interventions led to changing rural circumstances. It was implemented throughout the delivery of the RGN Pilot Initiative and it sought both to assess impact and capture learning. Evidence gathering as an input into the final evaluation was concluded in autumn 2015.

What was the overall impact of the RGN Pilot Initiative?

6. In terms of gross outputs, over the period to September 2015, the RGN Pilot Initiative helped to create or safeguard over 2,200 jobs across the five Pilots. It also helped to create over 700 businesses.
7. The cost per gross job created was £19,400², slightly higher than a recent estimate for the LEADER programme, but lower than a similar figure for European Regional Development Fund (ERDF) support.

¹ In the context of the RGN Pilot Initiative, HotSW was effectively Devon and Somerset

² Cost relates to total spend by the end of September 2015, i.e. Defra/GEO and match funding

8. Survey evidence indicates that the RGN Pilot Initiative achieved a range of benefits. For example, the support helped to build skills and capacity in the areas of enterprise and business growth (noting that addressing confidence issues was particularly important for the primarily micro-sized business beneficiaries). Around 70% of businesses surveyed became more confident about growing their business and 60% reported better access to business support. In addition, 70% of start-ups reported an improvement in their business skills, and half of all businesses surveyed improved their networking with other firms.
9. Benefits linked to investment in innovation and reducing business costs were less widespread, reflecting the mix of RGN-supported projects. These types of benefits were reported by 20-30% of beneficiaries and these businesses observed improvements in productivity and profitability. Some 10-15% of beneficiaries indicated that the support resulted in higher wages.
10. Most beneficiaries reported that they would not have been able to achieve these benefits to the same scale or at the same rate without the RGN intervention – or indeed at all. This was especially true for new business start-ups supported by RGN.
11. Just over a third of businesses reported an increase in their turnover and attributed this to the RGN Pilot Initiative. Around half expected increases in turnover over the next three years.
12. Based on the feedback from beneficiaries, the net economic impact of the RGN Pilot Initiative in terms of Gross Value Added (GVA) was estimated to be around £16.5m to date. A further £56.6m in net GVA was expected over the next three years.
13. In terms of the Return on Investment, based on spend and impacts achieved to date, for every £1 of Defra/GEO RGN investment, £1.50 in net GVA has been generated. If the future GVA impacts are realised over the next three years, the return on investment will increase to around £6.60 for every £1 of Defra/GEO RGN funding spent by the end of September 2015.

What within the RGN programmes across the five Pilots worked well, and what did not?

14. The evaluation highlighted many examples of support that worked well. For example:
 - a number of new successful rural business hubs were set up which benefited from proactive managers, early and effective marketing, a central location within an existing business community, and good links with other business support activity
 - the most effective business support projects made use of local agencies and personnel who already had knowledge of the area and existing community links
 - pilots successfully delivered support that was specific to their areas (e.g. support for the military community in Swindon and Wiltshire and additional access to finance support in Warwickshire)
 - support for Women's-Led Enterprises (WLEs) was effective, although approaches to it varied across the Pilots:

- in the North East and Warwickshire, local partners promoted mainstream support to women
- in Cumbria, HotSW and Swindon and Wiltshire, there were women-specific events run by existing network groups.

15. The main delivery challenges typically included:

- delays to capital projects (particularly in three of the five Pilot areas)
- inconsistent integration between business support and new hubs
- limited apparent demand for some of the new workspace (where hubs were either too isolated, not promoted effectively enough, or not integrated within a wider package of support)
- lower than expected demand for hot-desking facilities within the hubs
- demand-related challenges in relation to some innovation-focused projects.

In terms of *how* the RGN Pilot programmes were delivered, what worked well and what did not? (process and governance)

16. An innovative and successful aspect of the RGN Pilot Initiative was the flexibility and autonomy brought about by the s31 funding mechanism.
17. In delivering their programmes, four of the five Pilots created an RGN Board to oversee delivery. These Boards had public and private sector members and included senior representation from the local enterprise partnership (LEP).
18. Clear and robust governance arrangements proved critical in managing the devolved funding effectively. The flexibility associated with s31 forced the Pilots – rather than the “rules” – to make the decisions surrounding funding streams. Through this process, Pilots learned a great deal about “*how to manage flexibility*”. The ability to make decisions at the local level also helped to strengthen partnerships.
19. Pilots delivered their activities broadly as set out in their original plans; this is an important finding in terms of “*trusting*” local partnerships in the absence of “rules”. The implications are important in relation to wider, on-going, devolution processes.
20. Dissemination and learning were key aims of the RGN Pilot Initiative. In practice, these tended to focus within each Pilot’s local area. Useful learning from RGN came not only from the projects that were delivered but also *how* Pilots learned to use the autonomy and flexibility afforded to them.

What are the barriers to sustainable growth in rural areas? Were the barriers identified “real”? Were any other barriers identified?

21. Three main barriers were common to all Pilots: poor business support for rural businesses; lack of suitable premises; and poor physical infrastructure (especially in terms of superfast broadband). Across these, there is an intrinsic “*lack of critical mass*” which is the fundamental challenge facing rural economies. Specific local issues were also identified

(e.g. barriers to accessing finance in Warwickshire; and inadequate support for military leavers in Swindon and Wiltshire). Across the three main barriers:

- the Pilots achieved most success in terms of improving business support, training and networking opportunities; this was reflected in feedback from stakeholders and beneficiaries
- the RGN Pilot Initiative helped to increase the stock of business accommodation, primarily focused on start-ups and micro enterprises
- although they continue to be major issues in rural areas, the Pilots' activity had limited impact on ICT and transport infrastructure (due to the scale of funding available).

22. In addition, the RGN Pilot Initiative improved local stakeholders' understanding of the rural economy and helped channel (and to some extent prioritise) wider investment. All five Pilots considered that their involvement had influenced the development of European Structural and Investment Fund (ESIF) strategies, Strategic Economic Plans and, subsequently, Growth Deals.

Going forward, what has the RGN work taught us and what lessons can potentially be transferred to on-going programmes?

23. The experience of approaching three years of the RGN Pilot Initiative has been the following:
- programme design and governance:
 - it can be useful to flex intervention rates – such that within a “*programme envelope*”, interventions in very sparse/remote areas are close to fully-funded while those in more accessible locations are not
 - interventions in sparsely populated rural areas should not be overly prescriptive in their targeting: it is important to generate critical mass quickly (whether in relation to the take-up of a business support service or occupancy levels at an enterprise hub)
 - using enterprise hubs as a venue for the delivery of business support can work well – but this needs to be “*designed in*”
 - local partnerships “*can be trusted*” to use “*non ring-fenced*” resources in a way that is broadly aligned with national objectives – although in the absence of “*rules*”, active management and appropriate governance structures are very important, particularly in mitigating problems of slippage
 - programme activities:
 - networks of local providers can work well in reaching out to dispersed micro-businesses in rural areas, engaging them in a business support process and generating demand

- whilst home-based businesses are an important focus for economic life in rural areas, the provision of hot-desks is not effective; instead, micro-businesses are looking to “*be part of*” a wider business community
- achieving outcomes:
 - there is substantial interest in enterprise among women in rural areas, but building confidence takes time
 - there is a need for realism in terms of the scale of hard economic impacts that are likely to be generated when the principal beneficiaries are either pre-starts or micro enterprises.

The Rural Growth Network (RGN) Pilot Initiative: Final Evaluation

Introduced by Defra in 2012 to encourage growth in the rural economy and generate lessons around what works.

Five Pilot areas funded under Section 31, which meant that resources could be used flexibly, to address locally-determined barriers to rural economic growth.

Focused on creating a "network of enterprise hubs", each with a locally-appropriate mix of premises, infrastructure, business support and networking.



Inputs and activities across the RGN Initiative



£11.1m of RGN funding (Defra & GEO funding) spent by September 2015 ...
... and up to **£35.3m** including match

£2.18 invested for every **£1** of Defra funding

4,900 Existing businesses assisted

44 Hubs / employment sites created



1,500 Individuals supported to start a business

6,400 Individuals attending networks

Outputs, outcomes and impacts



2,220+ jobs created/safeguarded

700 businesses created

Cost per gross job: **£19,400**

As a result of RGN support ...

70% of businesses surveyed became more confident about growing their businesses

70% of start-ups surveyed reported an improvement in their business skills

50% of businesses surveyed improved their networking skills



Over one-third of businesses reported an uplift in turnover due to RGN

The net economic impact (GVA) of the Initiative was estimated at ...

£16.6m achieved to date

£56.6m in the next three years

Net return on investment:
£1.50 per **£1** invested by Defra to date

Source: SQW

1. Introduction

Context for – and purpose of – the Rural Growth Network Pilot Initiative

- 1.1 In autumn 2010 – against a national backdrop of weak economic performance – the (then-new) Coalition Government initiated “a fundamental review of what all parts of Government are doing to create the best conditions for private sector growth”³. The Department for Environment, Food and Rural Affairs (Defra) responded through **the Rural Economy Growth Review, which identified three main barriers to rural economic growth**: a lack of suitable premises; poor physical infrastructure (especially superfast broadband and mobile phone coverage); and poor business support. Of these, the second and third were explained mainly in terms of **a “lack of critical mass” – an intrinsic characteristic of most rural economies**⁴.
- 1.2 **Defra developed the Rural Growth Network (RGN) Pilot Initiative within this context.** The fundamental thesis underpinning RGN was that a network of “enterprise hubs” (each providing a locally-appropriate mix of premises, infrastructure and business support, and some kind of local network) could provide a basis for economic growth. Defra’s formulation was non-prescriptive; consistent with the localism philosophy of the new Government, it did not define “enterprise hubs”, “networks”, “economic growth” (beyond implying some combination of GVA and/or jobs), or “rural areas” (other than in broad terms). Instead, it opted to invite novel and locally-appropriate formulations and solutions – and to learn from them.
- 1.3 At a programme level, the objectives of the RGN Pilot Initiative were therefore broadly stated:

to encourage growth in the rural economy – specifically, “to stimulate faster and more widespread growth, employment and economic activity in rural areas” and to encourage “knowledge transfer, mentoring, training and skills development to enable businesses to grow and capitalise on new opportunities” (both directly and indirectly through spill-over effects) by improving the provision of premises, infrastructure and support available to new and existing businesses in rural areas

to generate lessons around what works in generating rural economic growth and disseminate these effectively to influence activities in other rural areas. The intention was that “the pilots will test a range of different models and approaches to achieving economic growth in rural areas”. Through the Pilots, “evidence will be gathered on what does and doesn’t work within a rural setting” and “through the wider dissemination of best practice and lessons learned from the pilots, the wider LEP community stand to benefit from these pilot areas, so helping to stimulate sustainable economic growth in the wider rural economy”⁵.

³ See <https://www.gov.uk/government/news/government-launches-growth-review>

⁴ The consequence of a “lack of critical mass” is usually understood in terms of challenges in, for example, the cost-efficient delivery of business support, and realising the benefits associated with agglomeration (such as economies of scale, networking, etc.) that urban areas typically experience

⁵ Quotes sourced from Defra (October 2012) Project Initiation Document for the RGN Initiative

- 1.4 The overarching logic chain⁶ for the RGN Pilot Initiative is summarised overleaf. This sets out the broad rationale for intervention; the aims and objectives of the programme; the key inputs and activities; and it provides examples of the outputs, outcomes and impacts that the RGN Pilot Initiative sought – at the outset – to achieve⁷.

Launching the RGN Pilot Initiative – and its distinctive character

- 1.5 In Winter 2011/12, local authorities and/or Local Enterprise Partnerships (LEPs) across England were invited to bid to become RGN Pilots. The Initiative relied on £12.5m of Defra funding together with £1.6m from the Government Equalities Office (with the intention of supporting women-led rural enterprises). Applications were received from 29 LEPs/local authorities and – following an initial review – ten were interviewed. **The five successful Pilots were announced in March 2012⁸: Warwickshire; Cumbria; Heart of the South West (HotSW)⁹; the North East; and Swindon and Wiltshire (S&W).** Contracts were signed in autumn 2012 and delivery commenced in winter 2012/13. The intention initially was that it should continue to March 2015, but the timescale for implementation was extended to September 2015 (although in practice, some activities and expenditure continued through to March 2016).
- 1.6 Each of the five Pilots developed bespoke objectives to reflect local conditions (although informed by the overarching national objectives). It identified a package of locally tailored interventions in response, and then – over the next three years – it oversaw their delivery and implementation.
- 1.7 Importantly, **Defra’s RGN funding was authorised under Section 31 of the Local Government Act, 2003, and therefore non-ringfenced¹⁰. This gave the Pilots real autonomy and flexibility** in defining their own activities; choosing which output and outcome indicators should be used to reflect local circumstances¹¹; and – potentially – adapting the delivery path of their local programmes in response to changing conditions and/or emerging lessons around what was working well (or not). **This flexibility was a key feature of the whole RGN Pilot Initiative and the consequences of it are considered throughout this Final Evaluation report.**

⁶ “Logic chains” set out the sequential steps of a programme from the underlying rationale and objectives through the implementation (in terms of inputs, activities to be delivered and immediate outputs) to the intended effects (in terms of outcomes and impacts). They outline the “theory of change” about why and how an intervention might result in the intended impacts, which ultimately should address the original rationale for intervention.

⁷ It is important to note that the activities, outputs, outcomes and impacts varies in nature and scale across the Pilots: a detailed logic chain for each Pilot was developed by SQW, in discussion with each Pilot area, as part of the overall RGN Monitoring and Evaluation (M&E) Framework

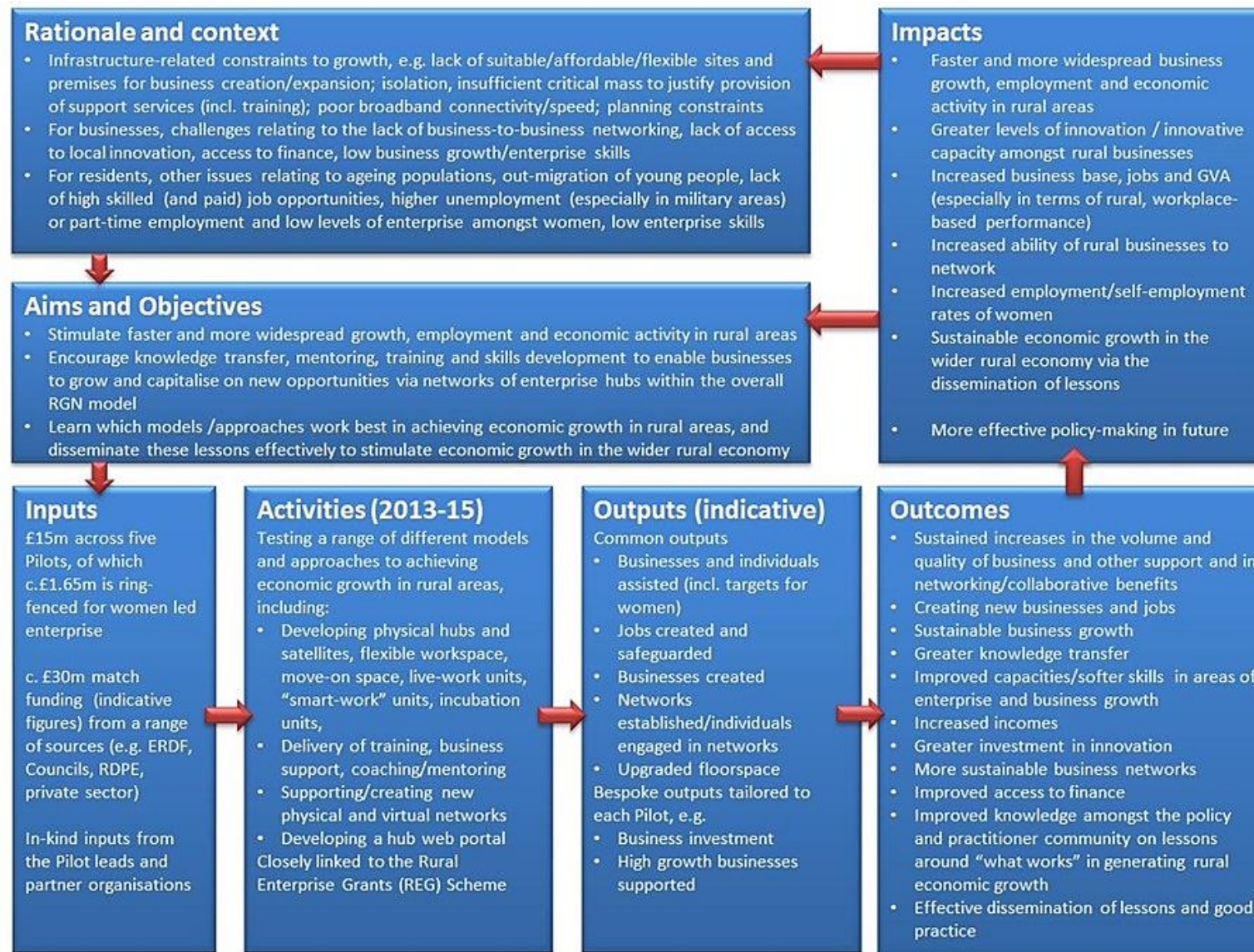
⁸ Defra Press Release (22 March 2012) available at <https://www.gov.uk/government/news/new-rural-growth-drive-to-create-3-000-new-jobs-and-700-businesses>

⁹ In the RGN context, HotSW was defined as Devon and Somerset (although note that the HotSW LEP area also includes Torbay and Plymouth)

¹⁰ As part of the s31 funding agreement, a Memorandum of Understanding (MoU) was put in place with each Pilot, which stated that each Pilot will: provide an updated delivery plan in February 2013 and annual progress reports (in May 2013 and every 12 months thereafter); actively participate in the monitoring and evaluation process and provide relevant information that Defra will require; and ensure that all funding allocations are fully transparent and decision-making process are open to scrutiny by stakeholders

¹¹ Note that in developing the Monitoring and Evaluation Framework, the use of some common output indicators was recommended and a set of output definitions was provided, but Pilots could choose whether to adopt these

Figure 1-1: RGN Pilot Initiative: Overall logic chain at the start of the programme



Source: SQW (April 2013) Monitoring and Evaluation Framework for the Rural Growth Network Pilot Initiative, Part A: Overview

Approach to Monitoring and Evaluation

- 1.8 A Monitoring and Evaluation (M&E) Framework was developed by SQW in discussion with both Defra and the successful Pilots in winter 2012/13. Designed for the RGN Pilot Initiative as a whole, its underlying approach was theory-based and grounded in the use of logic models (as illustrated above) to understand how and why RGN inputs and interventions led to outcomes and impacts¹². Key evaluation research questions are summarised in Figure 1-2.

Figure 1-2: Key research questions

<p>What has the RGN Pilot Initiative delivered?</p> <ul style="list-style-type: none">• What activities were delivered? How did these address barriers to growth in each Pilot area?• To what extent did the Initiative allow for a more innovative approach? How did delivery evolve during the Initiative's lifetime, and what were the implications of this?• How does output performance compare with the original targets?• Were target audiences reached, and what were their characteristics?• Was the Initiative managed and governed effectively? <p>Has the RGN Pilot Initiative made a difference?</p> <ul style="list-style-type: none">• What are the outcomes for beneficiaries? To what extent are the outcomes attributable to RGN and additional (i.e. would not have been achieved otherwise)?• What is the net economic impact of the Initiative as a whole?• To what extent did the Initiative offer good value-for-money (vfm) and return on investment (RoI), comparing costs and benefits realised by the initiative?• Has the Initiative achieved its aims and objectives? <p>What has been learnt from the RGN Pilot Initiative?</p> <ul style="list-style-type: none">• What has worked well (or not) and why in terms of interventions to boost rural economic growth? To what extent are lessons transferable, and to whom?• What has worked well (or not) in terms of the process of delivering the Initiative, and why? To what extent are lessons transferable in the current policy landscape?• What can be learned from the monitoring and evaluation of the RGN Initiative? How can this inform the monitoring and evaluation of other initiatives?

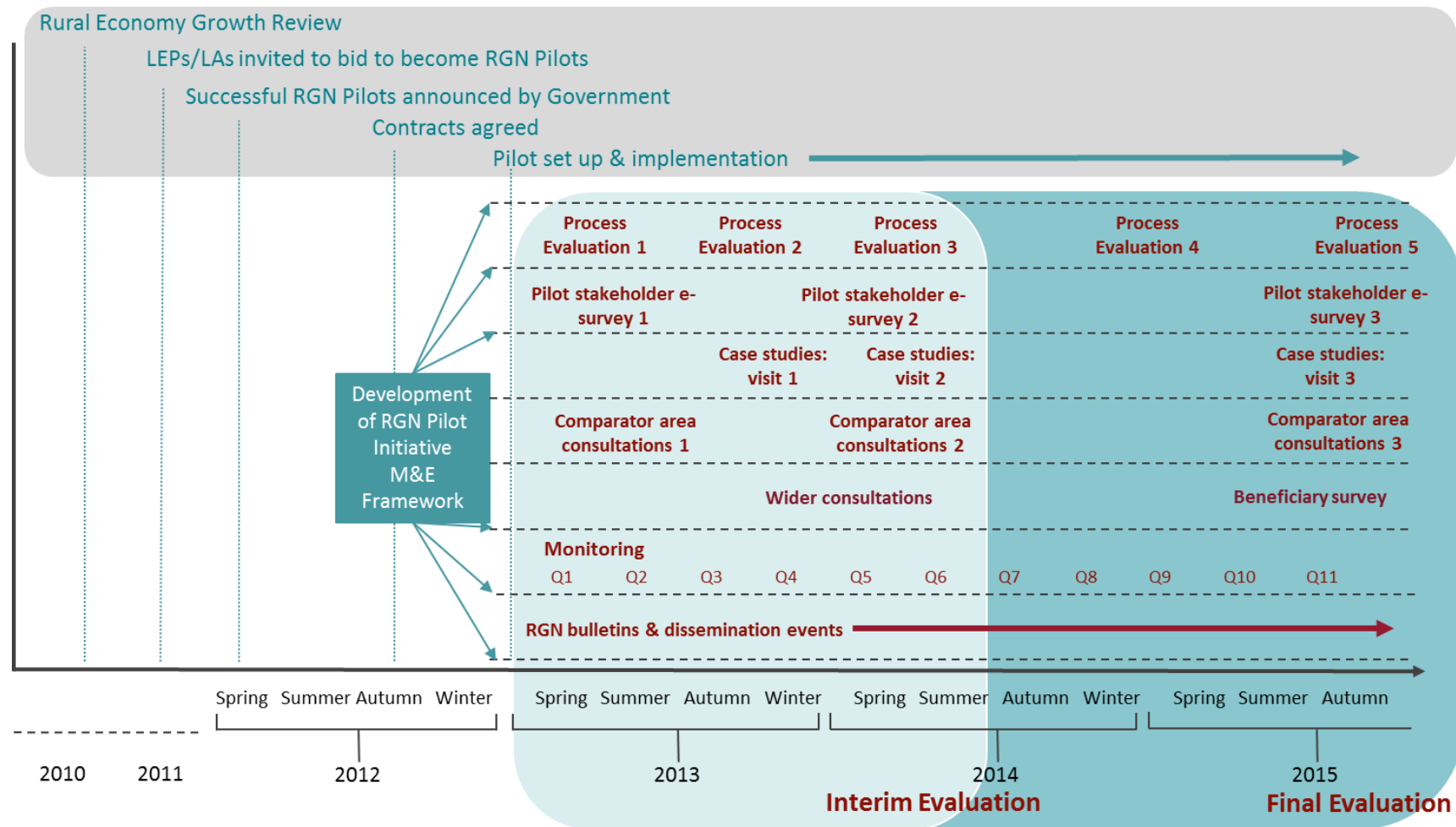
Source: SQW

- 1.9 The evaluation approach reflected the design of the RGN Pilot Initiative, its experimental and complex nature, and the expectation that its delivery would evolve over time. **It therefore relied on mixed methods, essentially to examine how the interventions delivered through the programme led to different effects.** This meant that throughout, evidence was gathered from different sources, using different methods, and then **triangulated to confirm and corroborate findings**. Also, consistent with the overall emphasis on **learning**, the methodology had **a strong longitudinal dimension**, allowing consideration of both the **process of programme/project delivery** and the **“routes to impact” over the lifetime of the Initiative**. This provided a basis for testing whether the overarching RGN logic chain was delivered as intended¹³, and for identifying lessons around what works in this context to encourage economic growth in rural areas.
- 1.10 The principal methodological elements of the Monitoring and Evaluation Framework (and an indication of their timings) is summarised in Figure 1-3. Figure 1-4 describes the evidence gathering work streams and explains how they have been used in this Final Evaluation report.

¹² In essence, the evaluation has tested the original “theory of change”, which explores links between activities, outcomes, and context of a policy intervention.

¹³ In line with HM Treasury guidance for robust evaluation, as set out in the [Magenta Book](#).

Figure 1-3: Overall evaluation approach – and broad timeline



Source: SQW

Figure 1-4: Principal work streams in monitoring and evaluating the RGN Pilot Initiative – and how they have been used within the Final Evaluation

Quarterly Spend and Output Monitoring: Monitoring reports were prepared quarterly between January-March 2013 (Quarter 1) and July-September 2015 (Quarter 11). Each quarter, Pilots collated data on expenditure (Defra's RGN investment and match funding), beneficiaries supported (and some data on their characteristics) and outputs achieved, compared to the Pilots' own planned profiles. Throughout, the expectation was that all data would be verified and quality assured by the Pilots. SQW prepared quarterly reports, based on the data provided by the Pilots; and Pilots had the opportunity to check the draft reports for factual accuracy before they were submitted to Defra.

→ *Monitoring data are used particularly in Chapter 2*

Longitudinal process evaluations: Every six months, SQW completed a process evaluation with each Pilot. This involved in-depth, one-to-one, consultations with the Pilot lead(s); and follow-up consultations with a number of key partners in each Pilot area (including members of the RGN Boards). Through the consultations, evidence was gathered on: delivery progress; management and governance arrangements; barriers/risks to delivery and how these were being managed; lessons around what was working well (or not) and why; and – latterly – outcomes and reflections on the performance of the RGN programme as a whole. SQW produced five process evaluation reports over the lifetime of the RGN Pilot Initiative.

→ *Evidence from the process evaluations is used throughout this report, but particularly in Chapters 3 and 8*

Longitudinal case studies: SQW completed longitudinal case studies with 11 RGN-funded projects across the five Pilot areas. Each case study involved three rounds of case study visits between summer/autumn 2013 and summer/autumn 2015. These were used to consult with management and delivery staff, key partners and a sample of beneficiaries. The longitudinal case studies were exploratory, designed to track project and beneficiary journeys over time, and test the relationship between "cause and effect".

→ *Evidence from the longitudinal case studies is used extensively in Chapters 4 and 5*

Longitudinal stakeholder surveys in Pilot areas: At three annual intervals, an e-survey was completed with stakeholders in each Pilot area to test perceptions of barriers to rural growth, progress made by the Pilot, outcomes and influences (e.g. in terms of wider strategy development), and lessons from the RGN experience. In total, 127 responses were received.

→ *Evidence from the stakeholder surveys informs the analysis in Chapter 7*

RGN beneficiary survey: As the programme drew to a close, a telephone survey was undertaken with 1,001 RGN beneficiaries in late summer 2015. The primary purpose of the survey was to gather evidence on the nature and scale of outcomes and impacts of RGN support, and the extent to which these were 'additional' (i.e. would not have happened otherwise, in the absence of RGN).

→ *We make particular reference to the findings from the beneficiary survey in Chapters 5 and 6*

Comparator area and wider consultations: Longitudinal consultations with key economic development stakeholders were undertaken in two geographies with no RGN Pilot – New Anglia (Norfolk and Suffolk) and Lancashire. The purpose of these was to explore the counterfactual in a qualitative sense. A small number wider stakeholders, such as Defra, GEO and BIS representatives, were also consulted at the interim evaluation stage.

→ *Evidence from the comparator area consultations informs Chapter 7 of this report*

Socio-economic baseline: Using published secondary data sources, SQW tracked changes in contextual conditions in the five Pilot areas. The findings were compared to those from a parallel analysis of change in the two comparator geographies, and national benchmarks.

→ *Evidence from the socio-economic baseline informs Chapters 3 and 7 of this report*

Dissemination: RGN bulletins were produced, and **lesson sharing events** were held annually with Defra and the five Pilot leads.

→ *We reflect on the lessons from dissemination particularly in Chapter 8*

Timing of the Final Evaluation Report

- 1.11 This Final Evaluation Report draws on evidence gathered over three years of monitoring and evaluating the RGN Pilot Initiative. **The evidence-gathering process concluded in autumn 2015:** the final set of monitoring returns related to Quarter 11 (July-September 2015); the final sets of case study visits, process evaluations and comparator consultations were all completed in summer/autumn 2015; the final stakeholder survey was run in summer 2015; and the beneficiary survey was also conducted in summer 2015. **It is important to note that**

some RGN-sponsored activities continued beyond this date. Later lessons/impacts are not therefore fully captured in this report.

Structure of this Report

- 1.12 This Final Evaluation Report **explores the process and impacts of the RGN Pilot Initiative at every level in the programme hierarchy** – from the national picture, through the five Pilots, to the 60+ projects that the Pilots sponsored and the 9,000 unique beneficiaries that the programme supported.
- 1.13 It is structured as follows:
- **Chapter 2** provides a summary of expenditure and activities delivered through the RGN Pilot Initiative by the end of Quarter 11
 - **Chapter 3** summarises the programmes of activity delivered by each of the five RGN Pilots, focusing on what they set out to do
 - **Chapter 4** explores project journeys (i.e. the experience of the projects over the lifetime of the evaluation)
 - **Chapter 5** focuses on beneficiary experiences and outcomes, and sets out the reported outcomes from the monitoring data
 - **Chapter 6** presents evidence on the quantifiable economic impacts of the RGN Pilot Initiative as a whole
 - **Chapter 7** considers evidence relating to the wider effects of the programme
 - **Chapter 8** reflects on some of the key insights linked to management and governance at the level of the five RGN Pilots and – in particular – the challenges and achievements linked to navigating a devolved and flexible programme
 - **Chapter 9** provides concluding comments and a summary of lessons learnt.
- 1.14 The report is supported by six annexes: Annex A examines the overall evaluation methodology; Annex B explains our detailed methodology for the quantification of impact; Annex C defines acronyms used in the report; Annex D lists those consulted during the monitoring and evaluation process; Annex E provides Pilot level synopses; and Annex F summarises the longitudinal case studies.

Acknowledgements

- 1.15 Throughout this report, there is much reference to the “*journeys*” which have been revealed through three years of a longitudinal evaluation. The process has been a journey for SQW too, and – in respect of monitoring and evaluation – we would like to acknowledge the substantial inputs that have been made by others along the way. We have worked closely with five Pilot leads for three years on what – at times – has been a very demanding process, and we have also worked closely with Defra throughout. We would like to thank the stakeholders, project leads and beneficiaries that have taken part in the various interviews, workshops and surveys. Finally, we would like to acknowledge the contribution made by stakeholder consultees in the

two comparator areas (New Anglia and Lancashire); they did not benefit directly from the RGN Pilot Initiative at all, but they devoted time to three rounds of consultation which have been important in informing this report.

2. Spend and activities

Key messages from Chapter 2:

- By the end of September 2015 (Quarter 11), the RGN Pilots had spent £11.1m of Defra/GEO RGN funding, 78% of the allocated funding. This confirms that the profile of spend slipped considerably: Defra originally envisaged its funding being spent by March 2015, but the whole delivery period was effectively shifted back at least 6 months
- RGN spend built up slowly over time with the highest levels of spend in Quarter 8 (Oct-Dec 2014) and Quarter 9 (Jan-Mar 2015)
- By the end of Quarter 11, every £1 of Defra RGN investment had levered in £2.18 of match funding.
- Headline activities delivered by the RGN programme as a whole by the end of Quarter 11 (Jul-Sept 2015) included: 4,919 existing businesses assisted; 1,504 individuals assisted to start a business; 2,902 Women-Led Enterprises assisted; and 1,601 women assisted

- 2.1 This chapter summarises the monitoring data on expenditure and activities across the five RGN Pilots up to (and including) September 2015 (i.e. the end of Quarter 11).

Spend

- 2.2 According to the original Delivery Plans and Annual Reports, the Pilots aimed to invest £14.1m of Defra/GEO RGN funding as part of a total anticipated investment package of £49.9m (including other public and private match funding)¹⁴. **According to the Pilots' monitoring returns, by September 2015, just over £11m of Defra RGN (78%) and £35.32m of total funding (71%) had been spent.**

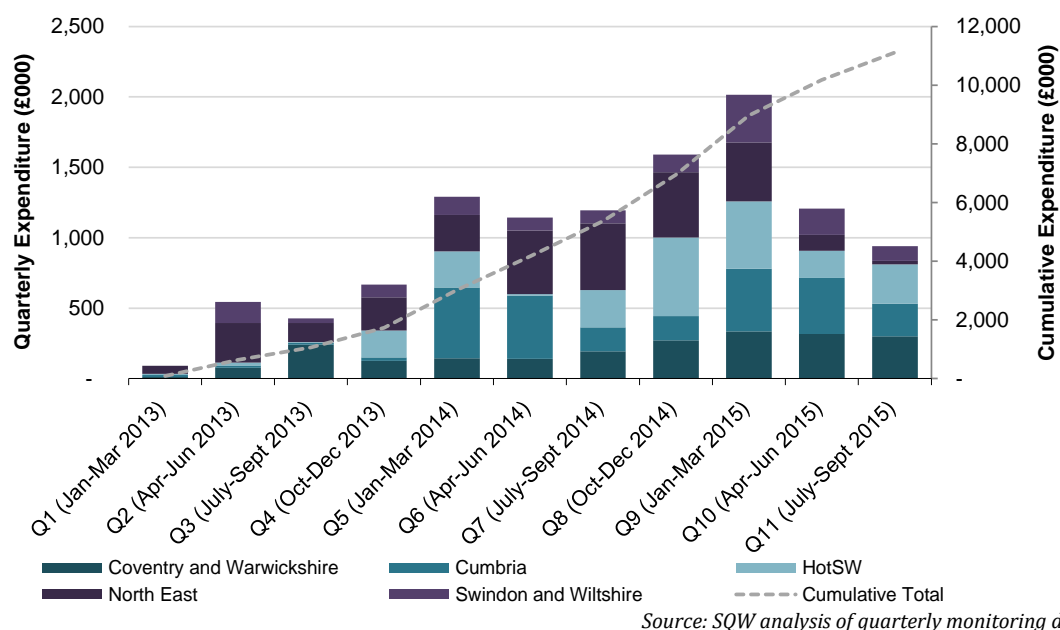
Defra/GEO RGN spend

- 2.3 As highlighted below, Defra/GEO RGN spend took some time to gain momentum with limited investment in the first 12 months of the programme. From Quarter 5, there were six consecutive quarters with over £1m in Defra/GEO RGN spend. The highest levels of spend were in Quarter 8 (Oct-Dec 2014) and Quarter 9 (Jan-Mar 2015). The delayed profile of spend was highlighted at the interim stage in the overall evaluation process¹⁵. At the outset, the programme was formally expected to end in March (and then September) 2015. However, the late start to delivery meant programmes were shifted back and four of the five Pilots expected to continue to spend Defra/GEO RGN funding into 2016, often 'bridging' across to new programmes. This was a conscious decision in most cases and was possible only as a result of the flexibility in the Initiative.

¹⁴ The level of match funding anticipated by the Pilots varied over the three years due to changes within individual projects

¹⁵ Rural Growth Network Pilot Initiative: Interim Evaluation Report to Defra by SQW, October 2014

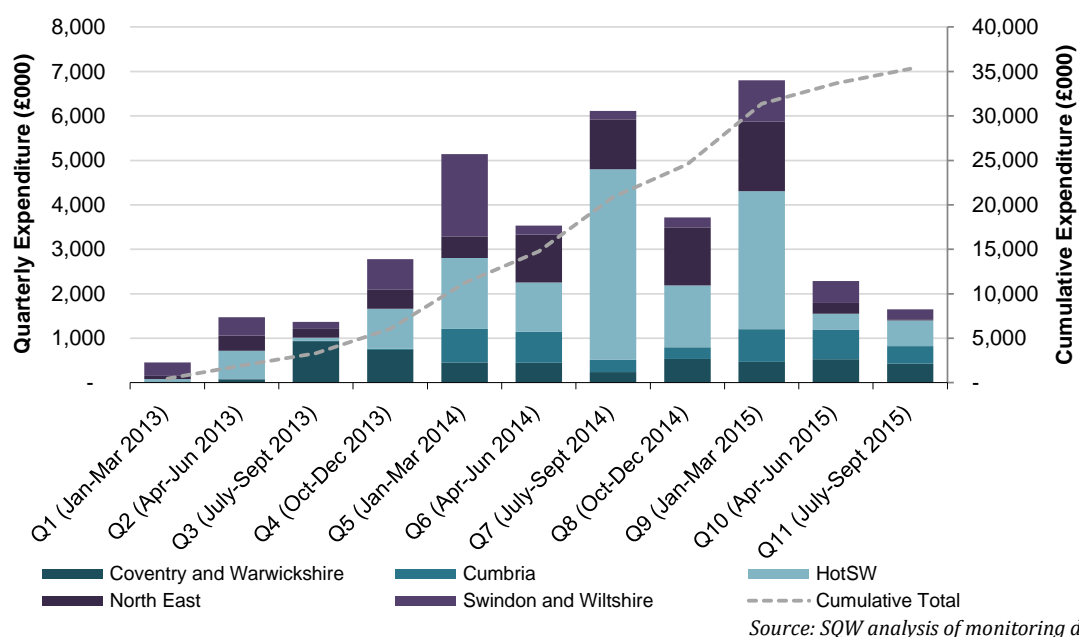
Figure 2-1: Defra/GEO RGN spend by quarter and cumulatively (to Sept 2015)



Total RGN package spend

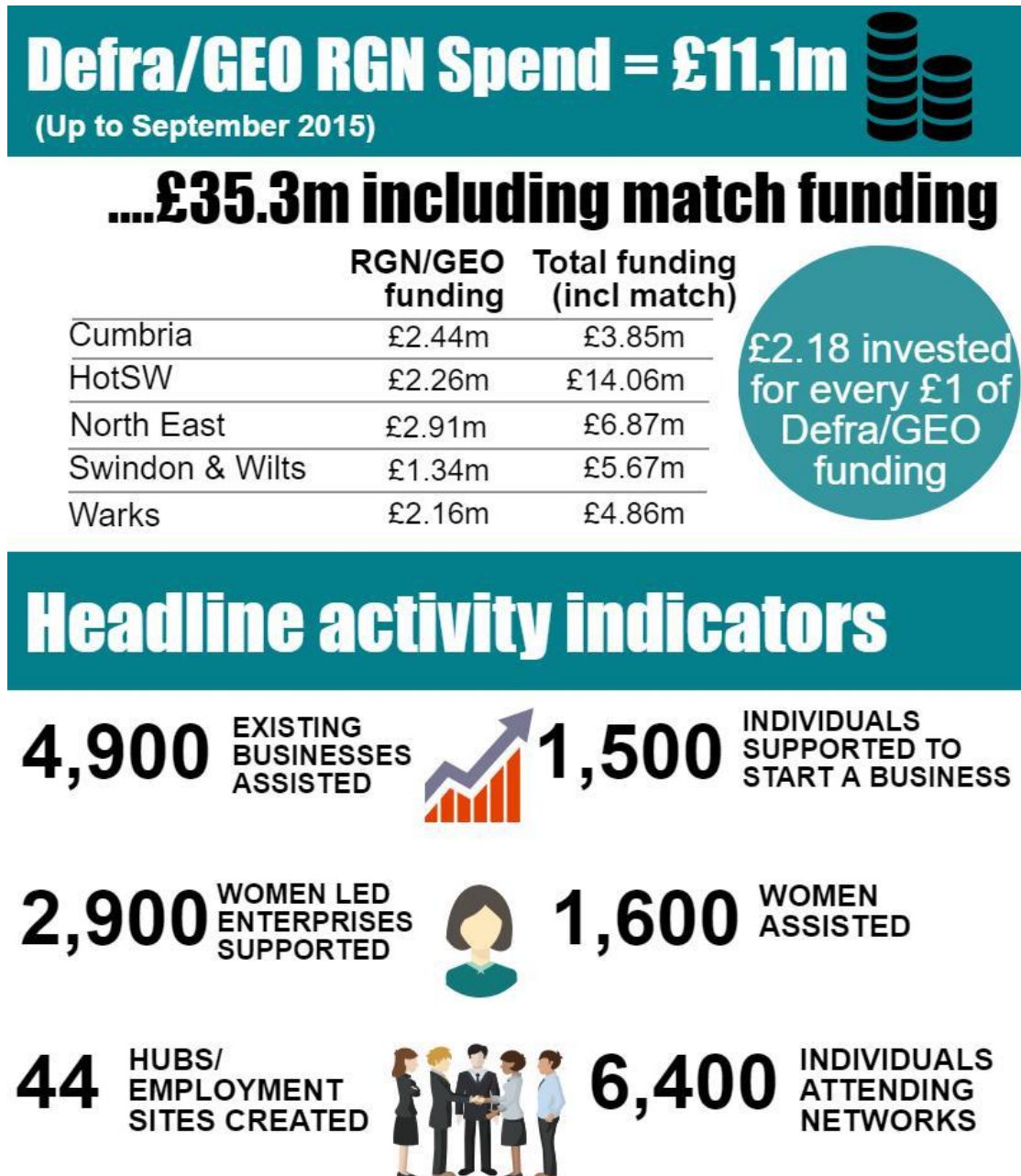
2.4 Figure 2-2 shows the profile of all expenditure including match funding (other public and private sector contributions). The pattern of expenditure is broadly similar to the “Defra RGN only” profile (reported above) but there was a more dramatic drop-off in Quarters 10 and 11. In terms of the RGN package as a whole, by the end of Quarter 11, the HotSW Pilot had spent the most (£14.06m) followed by the North East (£6.87m) and Swindon and Wiltshire (£5.67m). The leverage ratios for expenditure varied across the Pilots, from £5.22 of match for every £1 of Defra/GEO RGN funding in HotSW, through to £0.58:1 in Cumbria. **Overall, by the end of Quarter 11, the leverage ratio was £2.18 for every £1 of Defra/GEO RGN funding.**

Figure 2-2: RGN package spend by quarter and cumulatively (to Sept 2015)



Spend and activity summary

- 2.5 The infographic below provides a summary of what had been spent and activities that had been delivered by the five RGN Pilots from the start of the programme through to the end of Quarter 11 (September 2015).



3. An overview of the five RGN Pilots

Key messages from Chapter 3

- Despite differences in their local economic circumstances, all Pilots identified poor physical infrastructure (particularly broadband), a lack of suitable premises and poor business support as barriers to rural growth, in line with RGN objectives
- Across all Pilots, local authorities were designated as accountable bodies, but the flexibility of s31 enabled Pilots to set up their own management and governance arrangements for RGN. Four of the five Pilots created a RGN Board to oversee the Pilot, which comprised public and private sector members and included senior representation from the LEP
- All Pilots tailored their activities to address local conditions, and so the composition of each Pilot's portfolio of activities differed. For example: HotSW was the most capital intensive Pilot and Warwickshire was the least; some approached networking by creating sector-based network groups, whereas others encouraged networking through events; in the North East and Warwickshire, mainstream business support was actively promoted to women, whereas Cumbria, HotSW and Swindon and Wiltshire introduced specific women's-led enterprise (WLE) schemes
- Most of the Pilots sought to create a joined-up "package" of support, funded by RGN and other sources of match funding – and for most areas this was seen as successful
- On the whole, Pilots delivered their activities broadly as set out in their original plans. The biggest change related to timing. This was later than planned for a number of reasons including contractual delays with Defra at the outset and challenges faced by complex projects (especially large, complicated and multi-partner capital schemes)

Pilots' original objectives for their RGN programmes

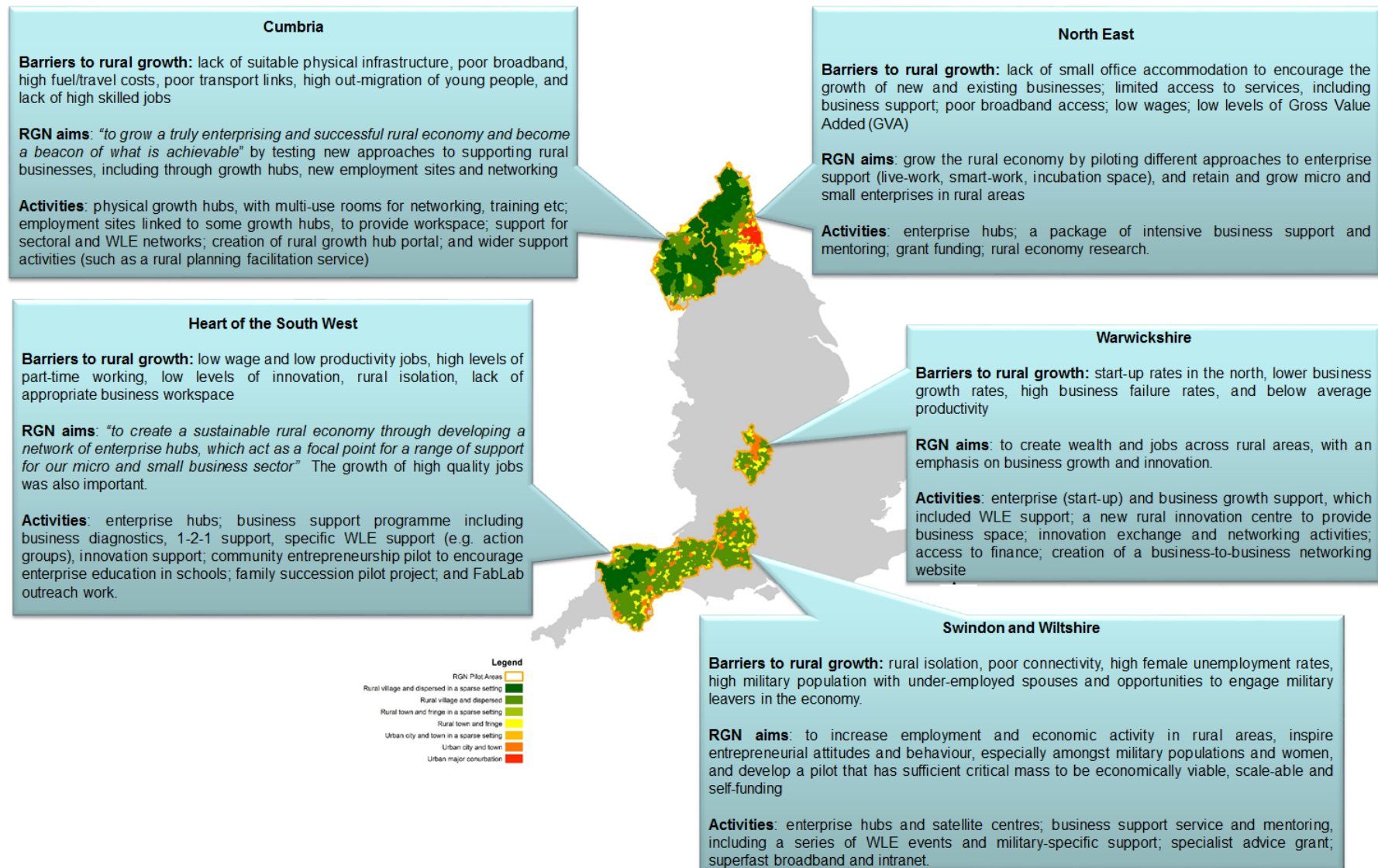
- 3.1 Across the five Pilots, there were (and are) **differences in underlying economic conditions**. Illustratively – and *in relation to local authority districts defined as "rural" (on the urban/rural definition) within each Pilot area* – the proportion of working age residents working at or mainly from home is just over 11% in the North East compared to about 19% in HotSW¹⁶; the proportion of the working-age resident population qualified to degree level or above (NVQ4+) ranges from 28% in the North East to 40% in Warwickshire¹⁷; and the number of businesses per 10,000 people of working age is about 440 in the North East compared to around 940 in Warwickshire¹⁸.
- 3.2 Nevertheless, in framing their initial objectives, **three main barriers were identified by all five Pilots**: lack of suitable premises; poor physical infrastructure (especially in terms of superfast broadband); and poor business support for rural businesses. In addition, **specific local issues were identified** such as specialist support for innovation and growth in Warwickshire and military leavers in Swindon and Wiltshire. Overall, however, similar objectives were identified for each local RGN programme (see Figure 3-1). These focused on: **improving business accommodation and infrastructure; enhancing the provision of locally delivered business support; and encouraging more business to business networking**. These mirrored – not surprisingly – those identified at a national level by Defra.

¹⁶ Source: ONS 2011 Census

¹⁷ Source: ONS Annual Population Survey, 2014

¹⁸ Source: ONS mid-year population estimates and ONS business demography, 2014

Figure 3-1: Barriers to growth, local RGN aims and activities in each of the five Pilot areas



Source: SQW

Devising a programme of RGN activities at a Pilot level

- 3.3 Within this context, Pilots designed programmes with many similar activities. However, **programme-level design was about more than a simple collection of projects**. Various aspects of *programme* (as opposed to *project*) design were important. These owed much to the flexibility inherent within the s31 funding agreement.
- 3.4 First – albeit to varying extents – Pilots sought to **flex different interventions to deliver programme-level outcomes in a manner that reflected particular, highly localised, circumstances**. This allowed very sparsely populated and isolated areas to be treated differently from rural areas which were more accessible to urban hubs. The consequence was, for example, that within the same Pilot area, some enterprise hubs had much higher intervention rates than others.
- 3.5 Second, there was scope for a treatment of outputs that was different from other programmes. Specifically, it was possible for businesses to be assisted by more than one RGN project within a Pilot and for both projects to claim the relevant outputs. The implication – revealed through the process evaluations – was that **projects could (and did) cross-refer beneficiaries (where appropriate), rather than compete for them**. Whilst a feature of the “engine room” of project reporting, **this approach to monitoring was very important in flexing interventions to respond to objectives defined at the programme level**. It meant, for example, that project to project networking was encouraged and there was – as a result – some evidence of peer group support amongst delivery partners.
- 3.6 Third, looking beyond RGN, the flexibility and non-ringfenced nature of s31 provided a basis for **“stitching together” packages of support on a flexible and responsive basis**, such that “the wider offer” to rural businesses could appear to be seamless. Indeed, in some Pilots – most notably Swindon and Wiltshire – “Rural Growth Network” branding was never used, even though key interventions were substantially funded through this route in a manner that was wholly aligned with programme objectives.

Activities supported through the five Pilot programmes

- 3.7 All five Pilots had a **mix of capital and revenue projects** but some invested more in capital projects than others. The most capital intensive programme was delivered by the HotSW Pilot where there were major investments, particularly at Holsworthy and Okehampton. In Warwickshire, RGN funding was used to support the refurbishment of the Rural Innovation Centre at Stoneleigh in partnership with LaSalle Investment Management, but subsequently, local partners decided not to establish two new centres in north Warwickshire, and instead used existing facilities for business support and networking events; the consequence was a programme that was strongly revenue-based compared to the other Pilots. The three other Pilots, in Cumbria, North East and Swindon and Wiltshire, invested in a network of enterprise hubs for delivering business support and networking activity.
- 3.8 The **business support projects** delivered across the five RGN Pilot ranged from generic start-up and business growth support to more context-specific provision (such as access to finance and innovation projects in Warwickshire; and enterprise support for the military community in Swindon and Wiltshire). In designing Pilot programmes, there was some level of designing

business support to address local conditions; linking RGN support to existing initiatives and community groups; and using branding to help rural enterprises to navigate the business support landscape.

- 3.9 Each of the Pilots interpreted the “**networking**” aspect of RGN differently. This ranged from relatively organic, hands-off support through networking events/signposting (e.g. in Warwickshire), to more facilitated networking (e.g. in the North East), and specific networking interventions (e.g. thematic networks in Cumbria).
- 3.10 Each of the five Pilots received funding from the Government Equalities Office (GEO) to deliver additional support to **Women’s-Led Enterprises (WLEs)**; WLE was therefore a priority for all Pilots. However different approaches were adopted:
- In the North East and Warwickshire, local partners promoted mainstream support to women; for example, in the North East, Rural Enterprise Development Officers (REDOs) supported the establishment of a Women in Rural Enterprise (WiRE) network in Teesdale.
 - Conversely, in Cumbria, HotSW and Swindon and Wiltshire, there were women-specific events run by existing network groups. For instance, in HotSW, WLE intensive action learning group-based support sessions proved to be popular and facilitated peer-to-peer learning and knowledge exchange between participants; this was also the case in Cumbria where the Women’s Growth Network was considered to be one of the main success stories, with positive feedback from participants.
- 3.11 In all Pilot areas, it was reported that RGN funding extended the reach and scaling-up of existing WLE activities, and provided resource to support new WLE activities that would not otherwise have taken place.

Overarching Pilot-level reflections

- 3.12 Across the interventions delivered through the five RGN Pilot programmes, there were therefore similarities and differences. Across these – and as the context for the more detailed considerations in subsequent chapters – Figure 3-2 summarises “*what worked*” (and to some extent, “*what didn’t work*”) in each Pilot area.

Figure 3-2: High level reflections on the activities that were delivered by the five RGN Pilots

Cumbria RGN Pilot
Overall the Cumbria RGN Pilot programme delivered broadly in line with the original Delivery Plan. However, there were significant delays to some projects especially the creation of the employment sites. RGN support contributed to the Cumbria Growth Hub initiative, which brought a range of support under one umbrella. This single branding, as well as the mix of support, helped to increase demand for business support from across the county, particularly start-up support for women. Testing this new distributed model of business support was important. The Pilot found that some rural locations were more effective/appropriate for growth hubs than others.
HotSW RGN Pilot
The HotSW Pilot sought to progress some challenging and complex capital builds, where the RGN voice was one of many. Some of these projects took longer to progress than anticipated, but nonetheless, they have the scope to generate substantial impacts on their respective local economies in the future. WLE activities were very successful – especially those involving action learning. Focusing on confidence, and hosting events in accessible locations, were also important factors in their success. With hindsight, the hubs and business support elements of this programme could have been more closely linked – a contractual agreement might have been helpful.

North East RGN Pilot

Demand for business support was high, which was important since the aim was to engage with a wider (and more rural) pool of businesses. There was strong demand for grants provided through the programme. There was also reasonably high demand in terms of hub occupancy. However, levels of demand varied depending on the local area, availability of other business space, and how proactively the Hub was promoted. The level of interest in the Pilot from hub managers was higher than expected. The hub commissioning process generated interest from public, private and third sector organisations (National Park, Northumberland College, privately run stately homes).

Swindon and Wiltshire RGN Pilot

The S&W Pilot created a coherent “*network of support*” which provided a well-integrated and complementary package of support. Common branding was critical, along with tight management to “*hide the wiring*”. By the end of the RGN funding, the model was nearing self-sustainability. Including centres in urban areas was important for overall viability (i.e. helping to finance centres in remote rural areas as they became established).

Warwickshire RGN Pilot

The Warwickshire RGN Pilot provided support into rural areas that would not have received it to the same extent otherwise. A common point of feedback was that businesses and individuals had previously considered that support was “*not for them*”, and something that did not reach their communities. Having a mix of support types (e.g. one-to-one and one-to-many through workshops), flexibility (e.g. different intensities of assists and the ability for providers to share businesses), and a combination of activities (e.g. core support, finance support and support for innovation) were all important. The core and financial support were effective in delivering against their targets.

Source: SQW

Conclusions

- 3.13 Across all five Pilots, locally defined rationales for intervention and RGN aims were aligned with the RGN Pilot Initiative nationally. There were similarities in the way in which Pilots sought to deliver against these aims – all five included a mix of capital and revenue activities, and offered support specifically for WLE. However, there were also differences – the capital/revenue mix varied, as did Pilots’ interpretation of “networking” and whether or not they offered mainstream or women-specific support. These characteristics are important in understanding the context for the different journeys, experiences and learning which are reported in subsequent chapters.

4. Project journeys

Key messages from Chapter 4

- Most project journeys took longer than expected at the outset. The flexibility of the RGN programme was helpful in this context, but – in some cases – it might have been “*too accommodating*”: flexibility needs to be vested in strong management/governance arrangements to be effective
- Several project journeys were redefined significantly during the implementation process. The flexibility of the RGN programme was generally used well
- In relation to the overall relationship between cause and effect, important observations were that:
 - micro-businesses moving into enterprise hubs were attracted because it allowed them to “*be part of*” a small business community – and partly because of that, the provision of hot desks was consistently ineffective; broadband provision was very significant
 - “*joined up*” provision was important in generating critical mass but physical provision is insufficient – on its own – to effect the joining up of delivery across different forms of support
 - large, complicated physical projects with multiple partners and funding streams brought delivery risks which were difficult to manage
 - achieving high levels of occupancy in enterprise hubs in sparse rural settings is challenging – but some of the risks can be managed and mitigated through networked approaches to delivery
 - the delivery of projects (both business support and enterprise hubs) can be affected by over-engineered design specificity at the start; often this needed to be relaxed to gain momentum
 - relationship-based delivery models (for business support and networking) appeared to work well – but to be resilient, these also needed to have some scale

4.1 Through the five Pilot-level programmes, the RGN Pilot Initiative supported over 60 projects. A core part of the evaluation methodology¹⁹ involved following the journeys²⁰ of eleven²¹ of these projects, and their associated beneficiaries. A brief synopsis of the eleven case study projects is presented within Figure 4-1 (and more detailed accounts are available in Annex F). As the map shows:

- projects were distributed across the Pilot areas. All of the capital-based (and hence location-specific) projects were situated in rural areas; and three of the four had locations which were also remote. The revenue-based projects cannot be pin-pointed to specific sites, but in all cases, these too were **delivered against a backdrop of**

¹⁹ The longitudinal case studies provided a basis for understanding the *process* of learning, the *process* through which impacts were (and, at times, were not) achieved and it allowed some testing of the underlying “*theory of change*”. Practically, this meant being clear on each project’s original rationale, objectives and activities; understanding how particular projects fit within each Pilot’s programme; and then working with each of the case study projects to understand to what extent, and why, these actually worked through “*on the ground*”, and to what effect

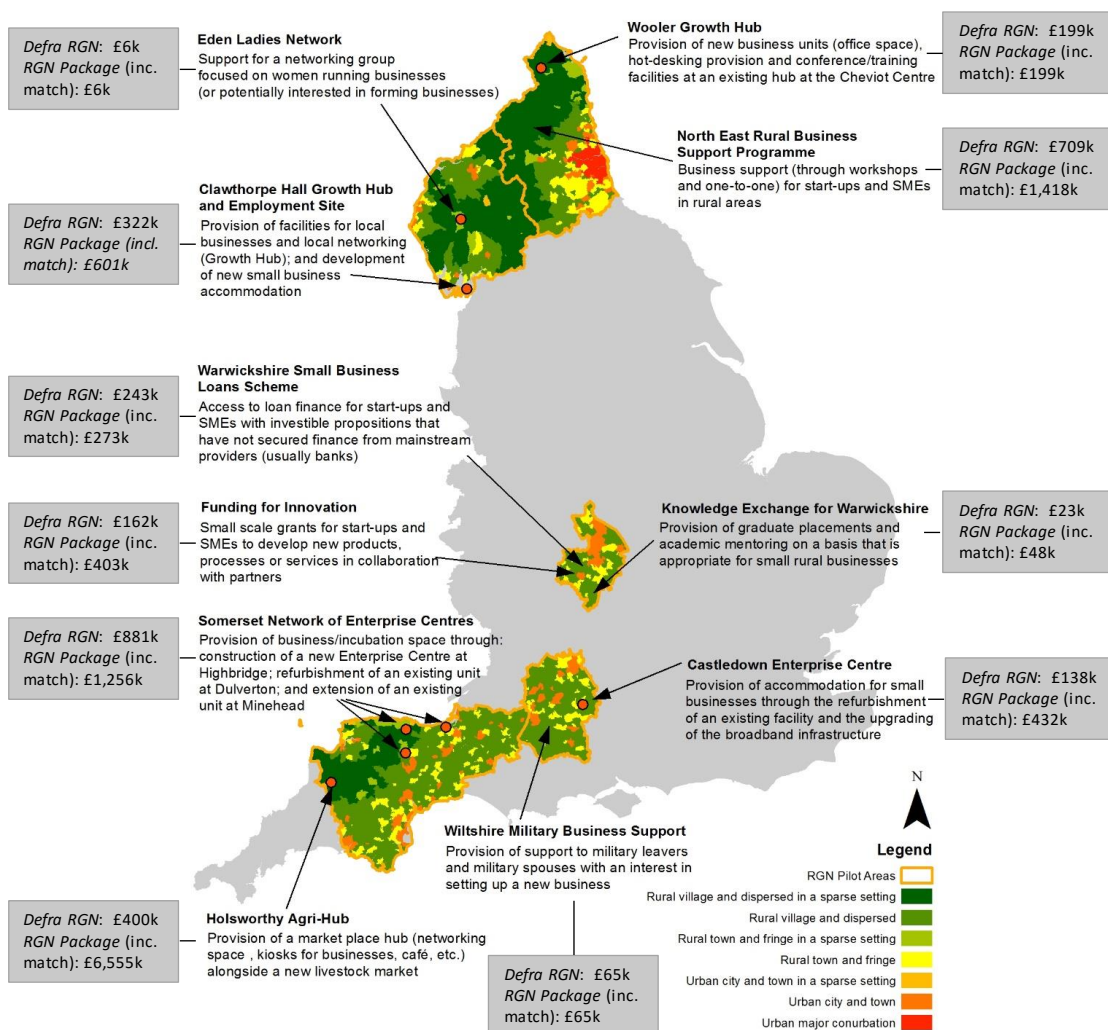
²⁰ This was achieved through three rounds of case study visits (each of which was written up separately). Visits were completed in summer/autumn 2013, spring/summer 2014 and summer/autumn 2015. In each case, our fieldwork involved meetings with the project lead, wider stakeholders and – where possible – end beneficiaries. Where possible, we sought to re-visit the same individuals through successive rounds of case study visits

²¹ The case study projects were chosen in spring 2013. Pilots nominated two projects that were likely to be “*interesting*” and “*insightful*”, given wider programme objectives; and included a mix of revenue- and capital-based schemes. The case study projects included three (rather than two as originally planned) from the Warwickshire RGN Pilot, none of which were capital-based. The reason for this was that one project was terminated (and hence a replacement was needed, although both are reported) and that this Pilot focused less on capital builds than the others.

demand that was spatially dispersed. Throughout, “critical mass” had to be generated rather than assumed.

- the eleven case study projects varied substantially in scale: the smallest had spent £6k by the end of Quarter 11 and the largest had spent approaching £900k (of Defra/GEO RGN funding)
- total Defra/GEO RGN spend across the eleven case studies summed to £3.15m by the end of Quarter 11 (against a lifetime target of £3.24m). Measured as a proportion of actual Defra/GEO RGN spend, the eleven case study projects therefore accounted for just under 30% of the RGN Pilot Initiative.

Figure 4-1: Map providing a synopsis of eleven case study projects – as defined at the outset – together with actual spend (both Defra RGN and RGN Package (including match)) to the end of Quarter 11²²



Source: SQW

4.2 By autumn 2015, two of the five predominantly capital-based case study projects – *Wooler Growth Hub* and *Castledown Enterprise Centre* – were “complete” (as construction projects); but three – *Clawthorpe Hall Growth Hub and Employment Site*, *Somerset Network of Enterprise Centres*, and *Holsworthy Agri-Hub* – had significant components that were still “under

²² Note that the KEWS project was stopped by the Warwickshire RGN Pilot

development". The other six projects were concerned with softer forms of support to businesses (some through grants and loans) and with networking; all six had been operating for some time although one (*Knowledge Exchange for Warwickshire*) had been terminated.

- 4.3 The remainder of this chapter summarises key findings from across eleven journeys. From different perspectives, these focus on the challenges linked to a "*lack of critical mass*".

Key findings in relation to the "*lack of critical mass*"

The challenge of the "lack of critical mass", particularly in relation to demand

- 4.4 As set out in paragraph 1.1, in effecting economic growth in rural areas, a "*lack of critical mass*" was identified as the fundamental challenge to be addressed through the RGN Pilot Initiative. The eleven case study projects were delivered in rural settings that were often sparsely populated and they included a wide range of responses. Some of these were fundamentally "*bottom-up*" whilst others involved adapting intervention models that had been used elsewhere to a rural setting.
- 4.5 The "*lack of critical mass*" was commonly manifested in **levels of demand that were low (and, in many cases, lower than initially anticipated)** – whether in relation to the occupancy of an enterprise centre, the take-up of business support or participation in networks. Demand side challenges of this nature caused the viability of some projects to be called into question and one project (*Knowledge Exchange for Warwickshire*) was ultimately terminated because of the lack of demand. The important question is whether the scale of demand was itself a market failure or actually a market signal, recognising that the relationship between two is complicated.
- 4.6 The following observations are germane in this context:
- **Demand for some projects was limited because of their rural setting.** For example, one factor explaining the lack of demand for *Knowledge Exchange for Warwickshire* (which involved graduate placements in rural SMEs) surrounded the challenges of travelling to rural businesses without private transport; firms simply could not recruit graduates because of transport issues and so the project struggled to deliver its objectives. *Funding for Innovation (F4I)* also saw slow uptake in part because it was designed around collaborations between SMEs which proved difficult to engineer; had business densities been higher, this may have been straightforward
 - Some projects were launched as targeted ventures which were aimed at a narrowly-defined group of beneficiaries and/or with a highly engineered package of support. In these instances, projects often struggled to generate demand. In response, **targeting was generally relaxed and/or "products" were simplified** as implementation progressed. This created more momentum in delivery (e.g. the early intention to provide a bespoke package of military support was relaxed in relation to *Wiltshire Business Support*; and *Funding for Innovation's* sectoral focus was broadened)
 - In parallel, **there was a clear relationship between the effort devoted to marketing the offer and the scale of demand that materialised** (e.g. *Castledown*

Enterprise Centre gradually put more resource into marketing; conversely, there was a need to scale back active promotion given the possibility of over-subscription to the *Warwickshire Small Business Loans Scheme*).

- 4.7 With hindsight, **some projects should have anticipated better the likely scale of demand given the intrinsic “lack of critical mass”**. This related particularly to some of the capital build projects which were spending reasonable sums of money but without formal demand assessments linked to judgements on viability (e.g. *Castledown Enterprise Centre*). However, for a second group (e.g. *Warwickshire Small Business Loans Scheme*), part of the **purpose of the project was to test the level of demand** – and clear lessons were learnt in this context.
- 4.8 **For a third group, the mismatch between initial assumptions and revealed demand was better explained in terms of factors that could not have been anticipated**. For example, the rationale for both of the case study projects from Swindon and Wiltshire rested – in part – on the restructuring of military operations in the area; and the scale of military job losses was in practice much lower than had been expected at the outset. Equally, the emergence of alternative provision (through, for example, the national Start-Up Loans scheme) affected demand for the *Warwickshire Small Business Loans Scheme*.

The community/social aspects of “doing business” in rural areas and creating critical mass

- 4.9 From the case study projects, **the most effective responses in terms of generating demand and achieving uptake were typically those that were strongly embedded in local community networks**; the functioning of these networks was itself a direct response to the “lack of critical mass”. One example was the *North East Rural Business Support Programme*. In practice, this was a programme rather than a project. Its objectives were more broadly stated than for many of the other projects and – rather than testing whether an intervention developed elsewhere could be applied to a rural setting – it was concerned with delivering flexible support “bottom-up”. **It relied on a network of locally-based staff who worked with businesses to engage them in the programme and then to adapt the programme “offer” as the needs identified by businesses evolved and changed**. The *North East Rural Business Support Programme* was relationship-based and there was a degree of capacity building within the delivery process. Whilst evidence on impact was still emerging (at autumn 2015), the Programme achieved all of its output targets.
- 4.10 In parallel, **critical mass was easier to achieve if different forms of support were effectively “clustered”**; this “clustering” was concerned as much with supply as demand. For example, with Defra/GEO RGN funding, new business units were constructed at *Wooler Growth Hub* in the form of visually distinctive “pods”. Following completion, there was steady demand for them. In parallel, the delivery of RGN-funded business support through the Growth Hub and the formation of a new business group (Enterprising Glendale) both contributed to what beneficiaries described as a “vibrant” business environment at the heart of a small market town (noting that Wooler has a population of around 2,000 people and is isolated, located on the edge of the Northumberland National Park). **The social aspect of what was achieved stands out from the beneficiary feedback. Most of the new tenants had previously been home-based and, for the most part, these were attracted to the pods in order both to grow their business and to “be part of” a small business community**.

- 4.11 It was because of shortcomings in this domain that across several different projects, **provision of hot desks was eventually abandoned**. In 2012/13, most Pilots had noted the high incidence of home-based working and identified hot desks – accompanied by high quality broadband – as a way of encouraging business growth and reducing isolation; but by 2015, *Wooler Growth Hub*, *Castledown Enterprise Centre* and *Somerset Network of Enterprise Centres* had largely discarded hot desks (in favour of conventional office and/or industrial space). The specific intervention failed because, we suspect, it did not provide what beneficiaries most sought, namely a meaningful “home” for their businesses that enabled them to be fully part of a small business community.

The importance of proactively “joining up” provision to create critical mass

- 4.12 **Across the case study projects, the importance of actively managing all aspects of the delivery process in order to achieve clustering or “join up” – and hence critical mass – was evident**. At the outset, *Holsworthy Agri-Hub* included a “training and business support” component. The intention had been that on non-market days, the wider facility (particularly the café) would be used as a venue for this purpose. By autumn 2015, there was no evidence of this happening. Two factors appeared to be at play: first, there never had been a clearly specified process for the delivery of training and business support; and second, the implicit commitment had been diluted over time (and then lost) in the context of staff churn. An important lesson is that **the provision of a facility (in this case, a café) is unlikely to be sufficient to effect the delivery of business support or training without a clear process or mechanism to “make delivery happen”**.
- 4.13 In terms of the effectiveness of joining up provision, the limited success of the *Holsworthy Agri-Hub* was in contrast to some other projects. *Wooler Growth Hub* – outlined above – was exemplary in these terms and progress was also made at both *Clawthorpe Hall* and *Castledown Enterprise Centre*. **The lesson from these four different projects boils down to the importance of “designing in” the delivery of business support/networking from an enterprise centre/hub from the outset; not simply providing the physical space and hoping it will happen. In this context, the importance of situating individual projects within their wider Pilot programmes is also apparent.**

The importance of project design and programme management in addressing the “lack of critical mass”

- 4.14 Across the case study projects, **interventions ranged from stand-alone ventures that were (virtually) fully funded by Defra RGN resources (e.g. *Wooler Growth Hub*, *Eden Ladies Network*) to strands within much larger multi-partner projects over which the RGN Pilots had much less control**. Both models were further responses to the “lack of critical mass”. In delivery terms, the second group was more challenging than the first and levels of risk were higher – although potential leverage and long term impact were both also greater.
- 4.15 A case in point is *Holsworthy Agri-Hub*. The purpose of this project was to create a new high quality livestock market (with allied, and multi-purpose, amenities) and to unlock significant employment land with the wider aim of reinvigorating the economy of Holsworthy (a market town with a population of about 14,000, located in west Devon). Parts of the project went to plan – notably the new livestock market which was built and opened, and by summer/autumn

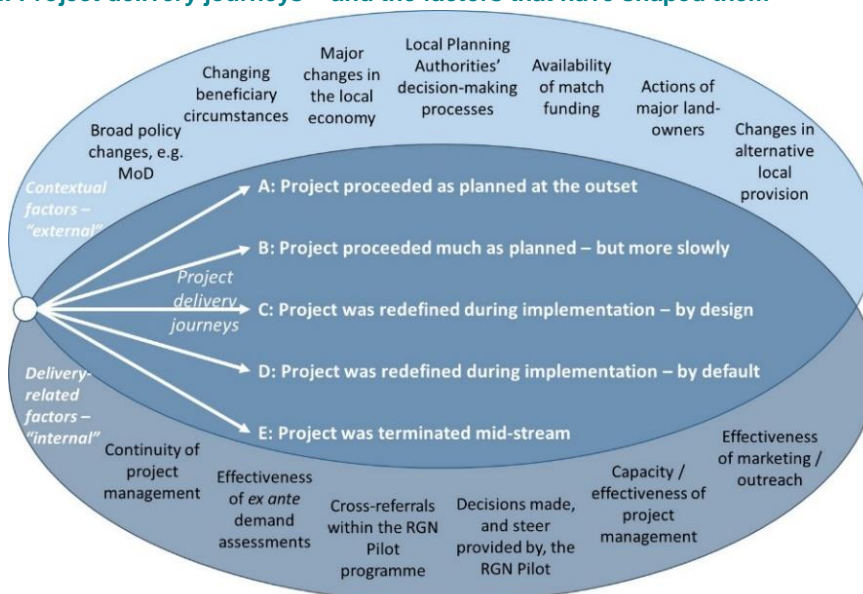
2015, was performing well. However, the Defra/GEO RGN funding was intended to lever wider effects. Phase 2 of the project was/is to deliver employment land surrounding the livestock market which in turn was dependent on Torridge District Council progressing a planning application, securing match funding and providing infrastructure and services to the wider site. As the RGN Pilot Initiative draws to a close, Phase 2 is progressing slowly.

- 4.16 Through the RGN Pilot Initiative, Pilots have **flexed intervention rates to reflect highly localised circumstances and to deliver individual projects as part of the wider RGN programme**. For example, *Wooler Growth Hub* was almost fully-funded through Defra RGN but its setting was sparse and remote; other projects within the North East RGN Pilot programme had much lower intervention rates. Across the rural geographies of specific local enterprise partnership areas, the “*lack of critical mass*” varied in severity and when managed effectively, the RGN programme lent itself to highly tuned responses.
- 4.17 In this context, **active programme management was imperative – not least as the extent of the “lack of critical mass” was often only fully revealed once delivery was underway**. There were lessons in this context. **Some of the projects were too small (lacking critical mass in their own terms) and insufficiently integrated within the wider Pilot programme**. A case in point is *Eden Ladies’ Network* which had a lifetime RGN budget of £6k. Delivery of this bottom-up networking venture was highly dependent on one individual and in the context of ill-health, the project faltered. Moreover, a lesson from *Eden Ladies’ Network* (which resonated with other network-based projects elsewhere) surrounded the need for constant “*re-invention*” to energise and sustain members’ interest, commitment and – crucially – their participation and attendance. **Networks – which need to be part of the solution to the “lack of critical mass” are intrinsically difficult to sustain**. *Eden Ladies’ Network* worked reasonably well for a while; but it lacked critical mass and a governance structure that could cope. With hindsight, it ought perhaps to have been vested in something bigger – and indeed the RGN Pilot ought to have anticipated some of the challenges.

Overall project delivery journeys

- 4.18 Negotiating different aspects of the “*lack of critical mass*” goes a long way to explaining the shape of individual project journeys over 2-3 years of delivery. Figure 4-2 summarises succinctly the range of internal and external factors that projects had to navigate during delivery. Across the eleven projects, very few were delivered entirely as anticipated at the start (*Project Delivery Journey A* from Figure 4-2). The one that came closest, arguably, was the *North East Rural Business Support* – but here, adaptation was a feature of its design and the project was intrinsically flexible. As noted already, one project – *Knowledge Exchange for Warwickshire* – was terminated by the Pilot in the context of low levels of uptake (*Project Delivery Journey E*).
- 4.19 The delivery journeys of the other nine projects were between these two extremes (*Project Delivery Journey B, C or D*) – all nine changed course, sometimes by design and sometimes by default. A very wide range of factors were at play. Some were internal to either the project or the Pilot programme – and here, the role of key individuals and the overall management/governance processes were often material factors. Projects frequently also had to adapt to respond to changes in external circumstances. The flexibility of the wider RGN venture meant that this was possible.

Figure 4-2: Project delivery journeys – and the factors that have shaped them



Source: SQW

- 4.20 **Delays in the delivery journeys merit specific comment.** In practice, most projects were delivered more slowly than originally anticipated, particularly those involving a significant capital build element. For some, the delay was minor (e.g. *Castledown Enterprise Centre*) but in other cases, it was substantial (e.g. *Clawthorpe Hall*). Across a three-year programme, these delays inevitably affect judgements on impact. The minor delays may have reflected unrealistic expectations at the outset (but even here, there are lessons). The more major ones appeared to result from **planning issues, engineering/design considerations, the availability of match funding, difficulties in securing contractors, and project management capacity. Some of these could have been better anticipated and then managed.** There is also some suggestion that the flexibility of RGN was double-edged in this context as the discipline provided by more rigid programmes (e.g. with regard to year-end guillotines) was missing.

Conclusions

- 4.21 The conclusions from this chapter are that:

- eleven RGN projects – which formed longitudinal case studies for evaluation purposes – have confronted and negotiated the intrinsic rural challenge which defined the rationale for the RGN Pilot Initiative as a whole, namely the “*lack of critical mass*”; this was seen across all facets of the delivery process – from the nature and level of demand to the manner in which interventions have been designed and delivered
- projects which “designed in” a degree of capacity building – working through local networks – tended to be effective in generating demand and (in this sense) addressing the overall “*lack of critical mass*”
- across most projects, there was a need for adaptation during the delivery process due to both internal and external factors; and the flexibility of RGN has been helpful

- however, the flexibility of RGN was also linked to some significant delays in delivery, particularly in relation to some of the capital build projects; this affects judgements on the RGN Pilot Initiative's overall impact.

5. Beneficiary characteristics, journeys and outcomes

Key messages from Chapter 5

- Most RGN beneficiaries run businesses (as opposed to being “*individuals*” who were either in or out of employment), and most of these are micro-sized, relatively newly established and not in traditional rural sectors. Over half are women-led enterprises
- The beneficiaries involved went through various “*journeys*” during their time on the RGN programme, particularly in terms of *gaining the confidence and skills* to engage in economic activity (whether enterprise or employment), *moving* from being a home-based business to one operating from an employment site and, for more established businesses, a journey associated with *developing* their business further
- Commonly observed beneficiary outcomes (and those most often expected in future) relate to increased confidence about business growth, improved access to business support, better skills to set up a business (for new starts only), developing a network and finding new markets
- Fewer businesses cite benefits in terms of investment in innovation and reduced costs, but where innovative processes/products have been introduced, the productivity and profitability of the businesses involved has improved
- Limited progress appears to have been made overall in respect of fundamental rural challenges linked to low rural wage levels
- The evidence on “*routes to impact*” is complicated and variable. Business support and networking has improved confidence. Networks have not been the only route to improving business networking – business support events and hubs have also played an important role. In terms of building new markets, multiple routes have been taken (often in combination), including through business support/networking events, collaborative investments in innovative products, and grants to fund market research
- From the monitoring data provided by the Pilots, it is estimated that the RGN Initiative as a whole has resulted in over 2,200 jobs being created or safeguarded and over 700 businesses created.

5.1 This chapter characterises the types of beneficiaries supported through the RGN Pilot Initiative; it explores the “*journeys*” taken by beneficiaries as they engaged with the programme and examines the consequent “*routes to impact*”; and it presents evidence on the nature and scale of beneficiary outcomes that had been achieved by autumn 2015. The analysis draws on evidence gathered through quarterly monitoring; the longitudinal case studies; the beneficiary survey²³; and through wider reflections drawn from the biannual process evaluations.

²³ In late summer 2015 a telephone survey was completed with a sample of 1,001 RGN beneficiaries, which was broadly representative of the RGN Pilot Initiative population in terms of the different types of support received and the individual Pilots. The primary purpose of the survey was to gather evidence on the nature and scale of outcomes achieved to date and expected in future, and the counterfactual. The survey also gathered information on the characteristics of beneficiaries (such as business size, location, age, and whether businesses were women-led) and feedback on the support that had been received through the RGN Pilot Initiative. Annex B provides the details of how the survey data have been used to estimate net outcomes.

Beneficiary profiles

- 5.2 By the end of September 2015, around 9,000 beneficiaries had been supported across the five RGN Pilots. Beneficiaries were defined and counted in slightly different ways across the Pilots²⁴. Beneficiaries included recipients of RGN business support (with varying degrees of intensity), those involved in RGN networks or attending events, and tenants in RGN physical workspace/hubs.
- 5.3 Information on the characteristics of beneficiaries was gathered and triangulated through two mechanisms:
- the **quarterly monitoring reports** – through which Pilots provided data (on gender, age, ethnicity, gender of business ownership, and status of individuals) for all beneficiaries supported (although, in practice building a full picture on the profile of beneficiaries proved challenging with only some projects providing all of the data)
 - the **beneficiary survey**, which gathered data for 1,001 beneficiaries (and given the size of the sample and its representativeness, we are confident the findings reflect the characteristics of the beneficiary population as a whole).
- 5.1 Table 5-1 provides a profile of beneficiaries supported by the RGN Pilot Initiative, drawing on both sources. Key points to flag are that:
- according to the survey results, most of the beneficiaries had a pre-existing business or started a business during/after RGN support** (as opposed to being “individuals” who were either in or out of employment), and most of these businesses were relatively **newly established**
 - the large majority of businesses were **micro in size**: almost half employed one person and a further 37% had 2-5 staff (so 85% of the total had five or fewer staff)
 - three-quarters of beneficiaries lived in rural areas within the Pilot (LEP) geographies**, and half of these were in more sparsely populated “*rural village and dispersed*” settings.
 - over half of all beneficiaries were **women-led enterprises**²⁵
 - most were in non-traditional rural sectors**, especially the professional, scientific and technical sector
 - the majority had **become involved with RGN relatively recently** (2014 onwards).

Table 5-1: RGN beneficiary characteristics – from two sources of evidence

Source	Beneficiary profile
Quarter 11 RGN monitoring report	<ul style="list-style-type: none"> 75% of beneficiaries are located in rural areas²⁶ within the Pilot geographies, and half of these are in “<i>rural village and dispersed</i>” settings There are more female beneficiaries (57%) than male beneficiaries (39%), with the gender of 5% unknown (i.e. not stated by the Pilot)

²⁴ Common output definitions were not specified by Defra when the Pilots were commissioned at the outset.

²⁵ Defined as a business managed by a woman or where more than half the management team are women

²⁶ Defined as “*rural town and fringe*” and “*rural village and dispersed*” areas, Defra’s Rural Urban Classification 2011

Source	Beneficiary profile
	<ul style="list-style-type: none"> In terms of ethnicity, some 43% of beneficiaries identified themselves as White British. The next most common ethnicity was “Any other white background”, relating to 0.5% of beneficiaries. The ethnic background of 56% of beneficiaries was unknown Finally, on status of individuals supported, 24% were in employment, 47% were students/in full time education (almost all school children under the age of 16, from the Community Entrepreneurship Pilot project in HotSW), 18% were unemployed, 2% were home-makers, and 1% were retired
Survey of 1,001 RGN beneficiaries (summer 2015)	<ul style="list-style-type: none"> Most had a business before engaging with the RGN programmes (61%); a further 21% were new start-up businesses; and 18% were classified as individuals A large proportion of businesses (21%) were in the “professional, scientific and technical” sector. Other prevalent sectors included “manufacturing” (13% of businesses), “wholesale and retail” (10%), and “arts, entertainment and other recreation” (9%) Most of the businesses were relatively newly established, even if they were set up before engaging with RGN. Over half of respondent businesses had been set up since 2012 Over half (58%) of businesses were women-led - this was similar for new starts and pre-existing businesses Almost all businesses were ‘micro’ in size, both on the employment measure (93%) and turnover measure (97%). Within this ‘micro’ category, around half (48%) only had one person employed, and a third had a turnover below £25k per annum Some 99% of businesses were located in the LEP geographies covered by the five Pilots, and 44% were based in ‘rural village or dispersed’ rural settings Most (82%) had only received one type of RGN support, three-quarters had first become involved with the RGN programme in 2014, and the majority (87%) reported that their engagement with RGN was ad hoc and/or limited

Source: SQW

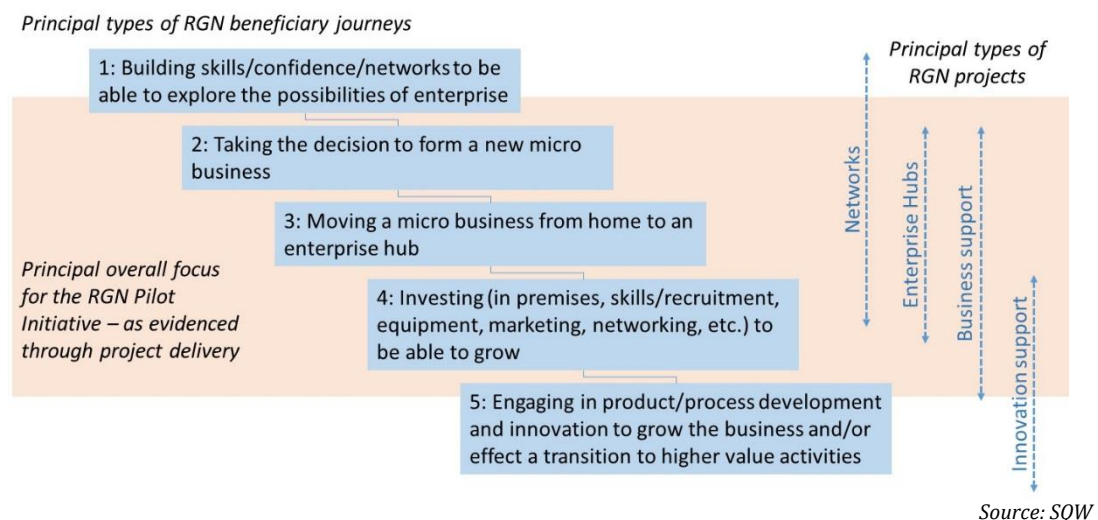
Beneficiary journeys

- 5.2 The evaluation observed a wide range of beneficiary journeys. These journeys help to inform assessments of whether – and how – the intended outcomes set out in the original RGN logic chain were delivered. Many of the projects supported through the RGN Pilot Initiative had a strong networking component (i.e. enterprise hubs and business support projects, as well as interventions devoted to networking). Across all of these projects, **a beneficiary journey observed repeatedly was the process of gaining the confidence and skills to engage in economic activity (whether enterprise or employment).**
- 5.3 This was particularly apparent in relation to women – in part because the women’s-led enterprise strand featured within the overall programme design. An overarching finding from the delivery of the RGN Pilot Initiative as a whole was that women in rural areas are playing a crucial – and evolving – role in the rural economy. Through the networking strands, combined in some instances with one-to-one support, **many women beneficiaries appeared to have built confidence. For some, this effected a transition into business – and that in turn is a key moment in the process of local economic growth.**
- 5.4 **Another journey observed was that from being a home-based business to one operating from an employment site.** Every Pilot identified home-based businesses as a target for its RGN programme. In response, most included projects with a hot-desking component; as noted already, these largely failed (because, we suspect, they did not provide what beneficiaries most sought, namely a “home” for their businesses). **However, the transition from being a home-based enterprise was correctly identified as a crucial one in relation to the process of micro-business growth.** At an individual level, this transition constitutes a big decision: it immediately increases costs and it brings with it no guaranteed benefits. Yet for most of the beneficiaries we spoke to, the transition had been effective, and the support

provided through the particular RGN project had eased a process which also often coincided with the recruitment of a first (or second) member of staff. **For the businesses concerned, the advantages of moving out of home included: fewer distractions (mostly from children) and an improved work-life balance; better business-to-business interaction and a sense of “being part of a business community”; and better broadband (which for some was critical).**

- 5.5 **For more established businesses, there was a further beneficiary journey – namely, that associated with developing the core of the business.** This took many forms. Examples (from beneficiaries of the case study projects) included: the decision to acquire another small business following business advice; the decision to recruit a specialist software engineer to drive forward product development; the use of a capital grant to invest in new equipment, thereby improving production processes; the decision to expand into a new geographical market having taken premises at an enterprise hub; and the use of a grant to invest in new IT in order to enhance business efficiency. In relation to the more established firms – most of which were still very small – the beneficiary journey through the relevant RGN project tended to be more incremental. However, in most cases, it was still considered to be an important step in realising overall business ambitions.
- 5.6 In summary, the broad types of beneficiary journey observed through the evaluation are depicted in the graphic below. There is progression between these five categories – but this is not inevitable and neither is it mechanically sequential (i.e. “stages” can be missed and they can also, in practice, be revisited).

Figure 5-1: Beneficiary journeys observed in relation to the RGN Pilot Initiative

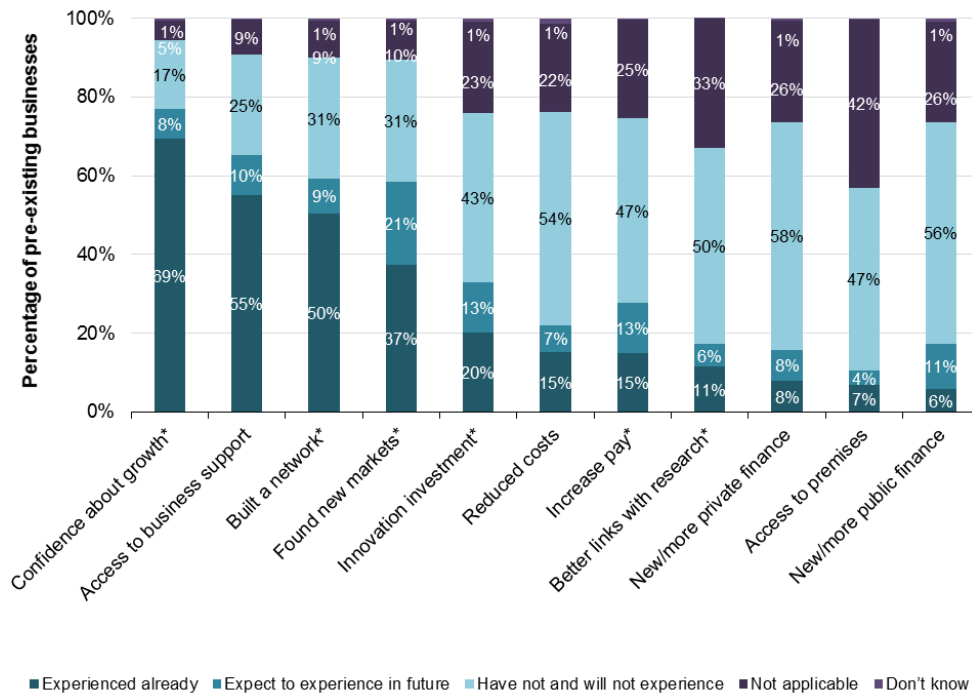


Beneficiary outcomes

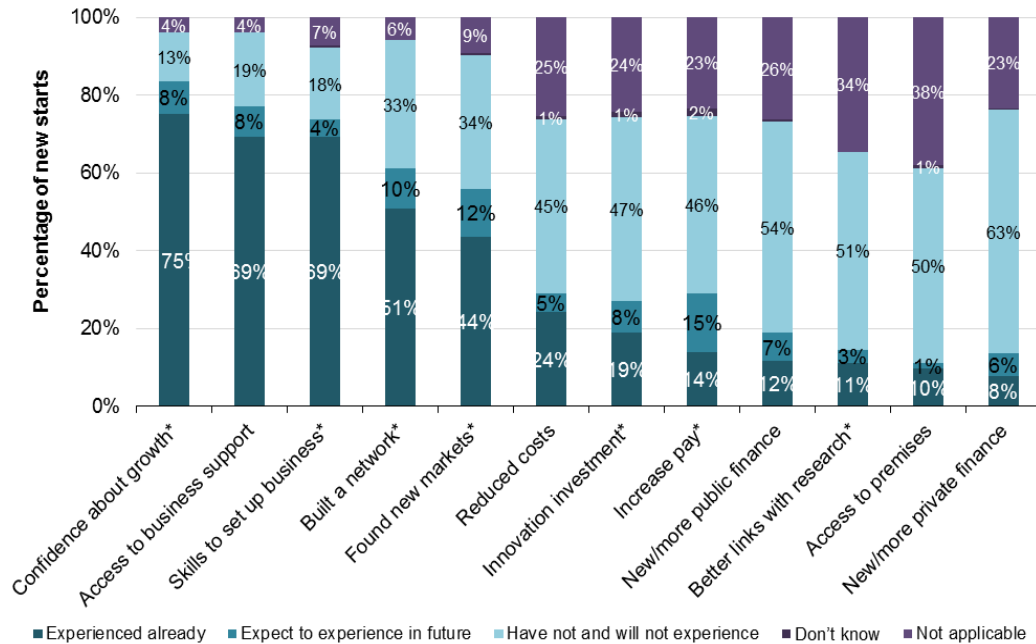
- 5.7 Beneficiary journeys led to a range of outcomes. As part of the beneficiary survey, respondents were asked whether they had experienced a range of pre-defined outcomes (aligned with those in the overarching RGN logic chain), or whether they expected to see them in future. The results for pre-existing and new start businesses are presented in Figure 5-2.

Figure 5-2: Benefits to pre-existing and new start businesses – survey results (outcomes, as opposed to inputs are marked with an asterisk)

Benefits to pre-existing businesses (n=612)



Benefits to new start businesses (n=206)



Source: SQW analysis of beneficiary survey

5.8 In the section below, we describe the benefits observed as a result of RGN support, based on the results of the beneficiary survey, and illustrated with examples from the case studies. The analysis is in three parts: firstly, we focus on outcomes that have been widely experienced (or are widely expected); and secondly we explore outcomes that are more niche in character. Broadly, the former map onto the earlier stages of the beneficiary journey depicted at Figure 5-1 (which relates to most beneficiaries) while the latter – in the main – are concerned with the later stages. The third sub-section focuses on evidence which hints at overarching rural

impacts (linked to pay in rural areas). Where the evidence allows, the types of intervention(s) that have played an important role in achieving these benefits is also flagged.

Outcomes observed – or expected to be observed in the future – by over half of pre-existing/new start business beneficiaries

- 5.9 Across all business respondents to our beneficiary survey, the most commonly observed outcomes (observed already or expected in future) were, in descending order: confidence about business growth; access to business support; skills to set up a business (for new starts only); building networks; and finding new markets. All five are crucial for the micro-businesses that dominate the beneficiary profile.

1: “Confidence about business growth”

- 5.10 Amongst survey respondents, the most frequently cited benefit observed to date was ‘**confidence about growth**’; some 69% of pre-existing businesses surveyed had benefited from RGN in this way, as had 75% of new starts. An indication of what this meant in practice was provided through respondents’ verbatim comments. For example:

“[The] whole experience has helped with self-confidence and self-esteem”

“[RGN support was] really good – it made something that seemed impossible possible”

“It has been a turning point for my business”

“The support gave me confidence and reassured me I was going in the right direction”

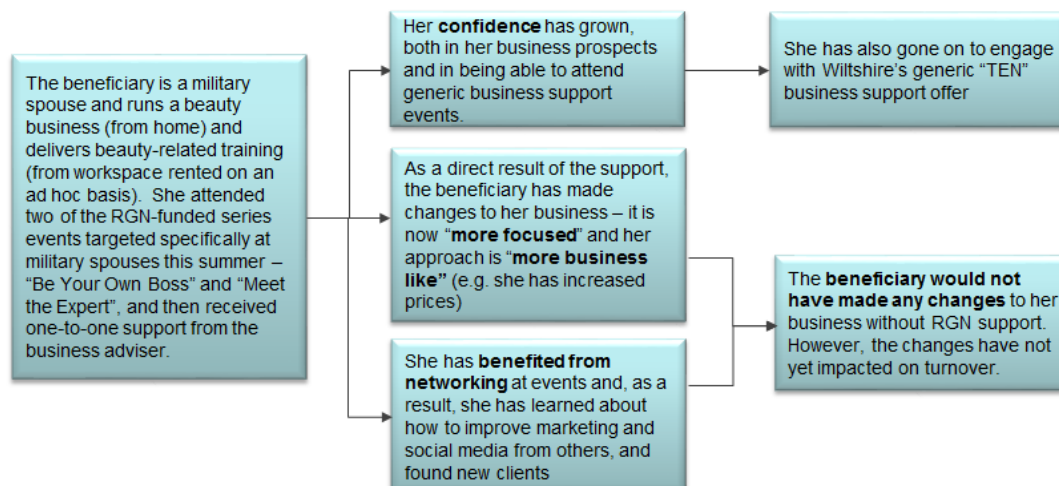
“[It has resulted in] a more stable turnover and gives [the] business security”

“Having an outsider looking at what we are doing is great. It’s about building confidence and improving self-belief and recognising the uniqueness of what we offer”

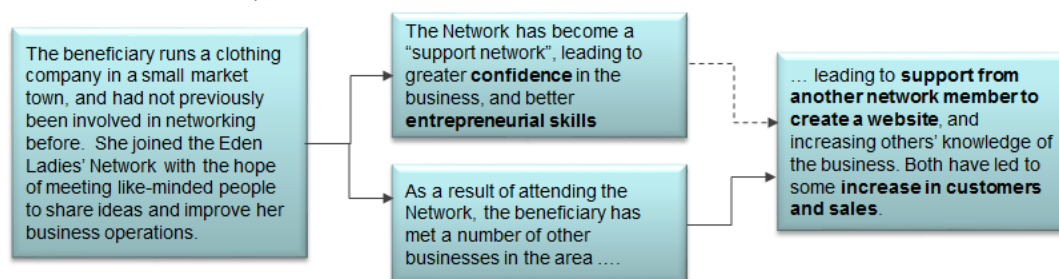
- 5.11 “Building confidence” was also a key theme among beneficiaries from the case study projects. Two illustrations of “routes to impact” involving confidence issues are provided in Figure 5-3.

Figure 5-3: Examples of “routes to impact” among beneficiaries of the case study projects: building confidence

Military business support, Swindon and Wiltshire RGN Pilot



Eden Ladies’ Network, Cumbria RGN Pilot



Source: SQW – Longitudinal case studies

2: “Improved access to business support”

- 5.12 The second most commonly cited outcome was **improved access to business support**. In both the survey and case studies, beneficiaries commented on how RGN itself had made business support more accessible to them and, in a wider sense, given them more confidence to access other more mainstream forms of business support²⁷. Again, then, **the process of building confidence was a key strand**.

3: “Skills to set up a new business” (for new starts only)

- 5.13 In the context of setting up a business, common outcomes included **“skills to set up a business”** (for 69% of new starts, 63% of individuals) and **“more confidence to set up a business”** (55% of individuals, see Figure 5-4).

²⁷ These findings align with feedback from the process evaluations that demand for support had increased as a result of RGN. For example, the Cumbria and HotSW RGN Pilots observed much higher demand for enterprise support from women; and in Warwickshire, there was demand from rural businesses for wider LEP access to finance schemes, due to their experiences with RGN

Figure 5-4: Benefits to individuals (n=182)



Source: SQW analysis of beneficiary survey

4: "Build a network"

- 5.14 Around half of businesses surveyed identified that they had been able to **build a network** – a key objective of the RGN Pilot Initiative. Survey respondents indicated what this meant in practice:

"[RGN has helped with] sharing ideas, and knowing that we're not the only ones confronting the issues"

"Better and more new one-to-one connections that [I] wouldn't have found otherwise without the RGN"

"It's a help in able to develop and feel part of a local network rather than feeling being out on a limb as a sole trader in a rural area"

"[It was] good to network with other women, [I] was starting to feel isolated"

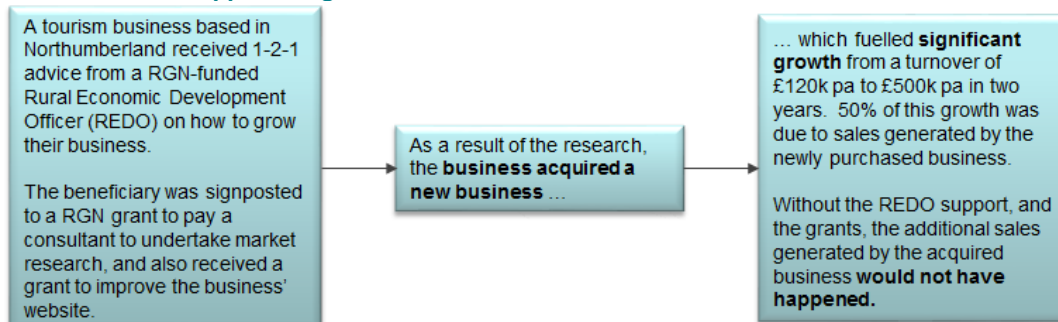
- 5.15 These networking benefits were not solely the result of engaging in networks created through RGN: business support events and relocating to hubs also played an important role in enabling networking benefits. Hubs also helped to reduce the sense of isolation, especially for those previously working from home (see Figure 5-7).

5: "Found new markets"

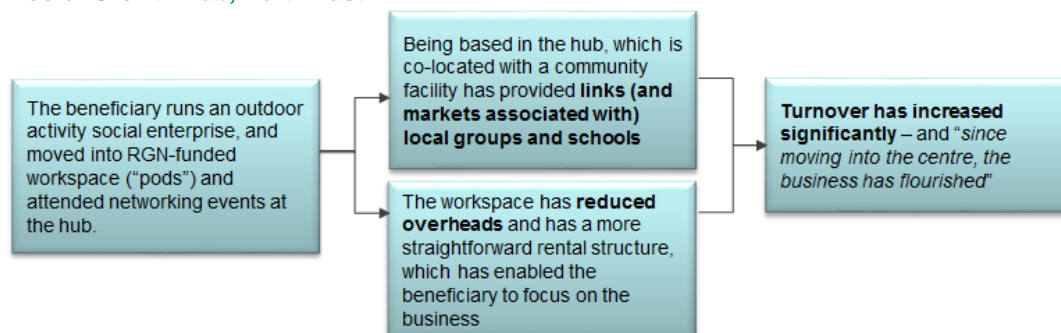
- 5.16 Some 37% of pre-existing businesses and 44% of new start businesses surveyed **"found new markets"** as a result of RGN support. Evidence from case study beneficiaries indicated that this was achieved through various routes: for example, in Wiltshire, attendance at business support events opened doors to new clients; participation in the Eden Ladies' Network in Cumbria introduced a beneficiary to new clients (Figure 5-3); in the North East, business support leading onto a grant to fund market research resulted in business expansion; and for a beneficiary at the Wooler Growth Hub in the North East, co-location with community activities provided links to new markets (Figure 5-5).

Figure 5-5: Examples of “routes to impact” among beneficiaries of the case study projects: building new markets

Rural Business Support Programme – North East



Wooler Growth Hub, North East



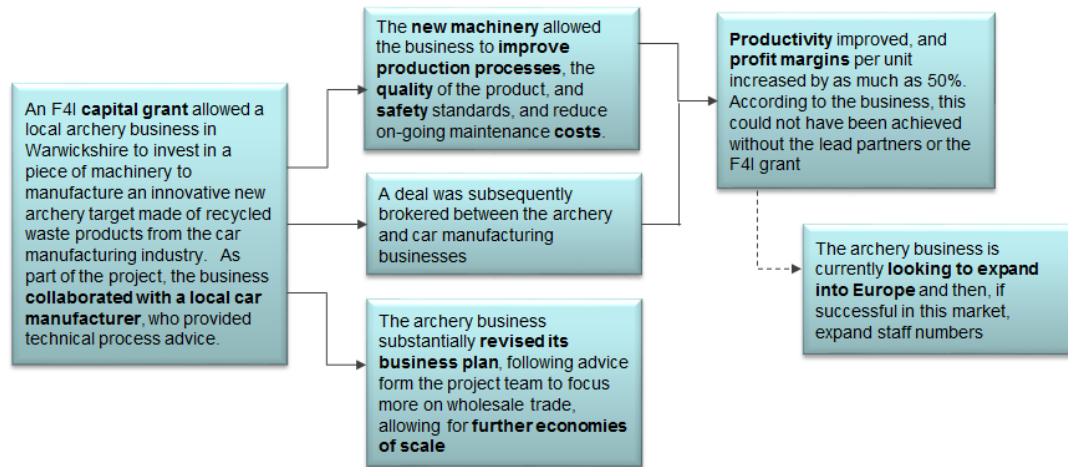
Source: SQW

Outcomes identified by fewer beneficiaries and experienced at later stages in beneficiary journeys

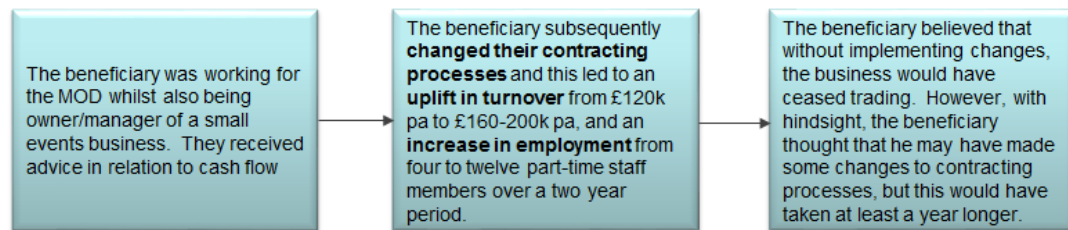
- 5.17 The proportion of business survey respondents identifying **innovation investment** and **reduced costs** as outcomes was lower (generally, 20-30% had experienced, or were expecting to experience, these benefits). In part, this reflected the mix of projects delivered through the RGN Pilots. However, the case study evidence indicated that related interventions could be effective: specifically, where innovative processes/products had been introduced, there was some evidence that the productivity and profitability of businesses involved had been improved. Examples of routes to impact are provided at Figure 5-6.

Figure 5-6: Examples of “routes to impact” among beneficiaries of the case study projects: investing in innovation and cost reduction

Funding for Innovation (F4I) in Warwickshire



Military business support, Swindon and Wiltshire



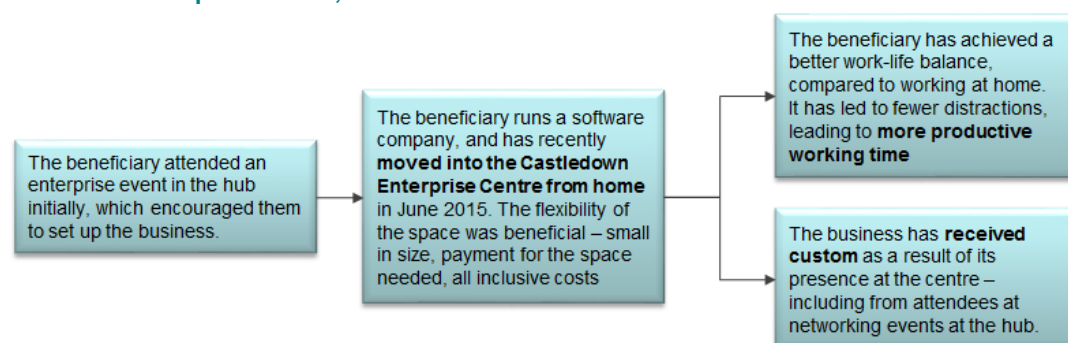
Source: SQW

- 5.18 An outcome identified by relatively few beneficiaries was “*improved access to premises*”. In some respects, this is surprising (given that all businesses need a home). However, in practice it may simply reflect the low numbers of beneficiaries that had taken up RGN workspace (across the whole population, as well as the survey sample) by summer 2015 (noting that this in turn was consistent with the delays to project delivery reported earlier). However, although the numbers were small, for those that had moved into RGN-funded workspace, the feedback was positive. For example, respondents commented that “*the benefit of being in a structured and more disciplined environment rather than working at home is beneficial*”; and that the premises provided a “*great location, great cost, great for networking.*” Again, survey findings were corroborated by evidence from the case studies (see, for example, Figure 5-7) and also the process evaluations²⁸.

²⁸ For example, the observation made at Pilot level was that businesses which had moved to the RGN hubs felt less isolated (compared to working at home)

Figure 5-7: Example of “routes to impact” among beneficiaries of the case study projects: premises

Castledown Enterprise Centre, Wiltshire



Source: SQW

Outcomes linked to fundamental rural challenges

- 5.19 One outcome that was rarely identified by the businesses surveyed was **increased pay**: 15% of pre-existing businesses, 14% of new starts and 9% of individuals made reference to achieving it. This is potentially quite important, for two different reasons:
- first, some 78% of survey respondents who were individuals had identified “difficulties in finding better paid employment” as one of their primary reasons for seeking support from RGN – and hence their own aspirations were not being realised
 - second, an overarching objective of the RGN Pilot Initiative as a whole was to raise incomes in rural areas, and this was mirrored by most of the individual Pilots.
- 5.20 This is not to say the RGN support received has been ineffective – and the availability/accessibility of suitable jobs may also have played a role – but it does suggest that raising rural incomes and the quality of rural jobs is still a real challenge. Importantly – as we report in Chapter 7 – stakeholders also identified very little overall progress in response to this overarching rural predicament (see Figure 7-3 on page 54).

Gross outputs/outcomes reported in the monitoring data

- 5.21 The monitoring data provided by the Pilots provides an indication of *gross* outputs (some of which were outcomes). It is estimated that by the end of Quarter 11, the RGN Initiative resulted in over 2,200 jobs being created or safeguarded and over 700 businesses created. The table below also shows the unit costs of the Initiative in generating these outcomes and the most common unit cost considered is cost per job created²⁹. For the RGN Initiative, the cost per job created was £19,400.

Table 5-2: Reported gross outcomes and unit costs

Outcome	Achieved by Q11	Cost per output (gross)
Jobs created	1,824	£19,400
Jobs safeguarded	386	£91,500
Jobs created/ safeguarded	2,210	£16,000

²⁹ Cost relates to total expenditure by the end of September 2015 i.e. Defra/GEO and match funding.

Outcome	Achieved by Q11	Cost per output (gross)
Businesses created (on creation)	738	£47,900

Source: SQW analysis of monitoring data

Benchmarks

- 5.22 The RGN cost per gross job created was higher than a recent estimate for the LEADER programme (£12,400)³⁰ but lower than a similar figure for ERDF programmes (£25,700)³¹. When making such comparisons, it is important to note that although similar, these programmes have different objectives and there are also variations in the quality of jobs created.

Table 5-3: Benchmarking unit costs

Programme	Cost per job created
RGN	£19,400
LEADER	£12,400
ERDF	£25,700

Source: SQW, Ekosgen and Regeneris Consulting

Conclusions

- 5.23 From the perspective of individual beneficiaries, **the key outcomes arising from RGN support to date, in line with the original logic chain for the RGN Pilot Initiative as a whole (see Figure 1-1), have been around building skills and capacity in the areas of enterprise and business growth** – addressing confidence issues has been particularly important in this context. In addition, the development of sustainable business networks has led to some degree of knowledge exchange and trading links. The RGN Pilot Initiative has also made a difference to beneficiaries' ability to access business support. The evidence suggests that the RGN Initiative has made most progress towards these kind of intermediate outcomes that are perhaps 'softer' in nature, and less progress towards "harder" outcomes relating to business performance and pay. **Outcomes linked to investment in innovation and reducing business costs have been less widespread**, but where these have occurred, some businesses have observed notable improvements to their productivity and profitability. However, **limited progress appears to have been made in relation to addressing low rural wage levels – and arguably that continues to be the fundamental rural economic challenge**. Evidence from both the process evaluations and the stakeholder surveys – albeit from much broader vantage points – largely corroborates these findings.
- 5.24 Overall, the **evidence on routes to impact is complicated**. The routes themselves vary for different types of beneficiary. Business support and networking has made some difference to confidence, and in terms of networks, forming groups of "similar" beneficiaries appears to have worked well (e.g. WLE activities, events targeted specifically at military spouses). However, the creation of networks has not been the only route to improving business networking – business support events and hubs have also played an important role. In terms of building new markets, multiple routes have been taken (often in combination). For example, beneficiaries have sourced new clients directly from networking or business support

³⁰ Ekosgen (2011) National Impact Assessment of LEADER

³¹ Regeneris Consulting (2013) England ERDF Programme 2014-20: Output Unit Costs and Definitions

events or moving to hubs, or through collaborative investments in innovative products, or via grants to fund market research.

6. Quantifying impacts

Key messages from Chapter 6

Impacts achieved to date

- Just over one-third of businesses have both observed an increase in turnover since they became involved with the Initiative and attributed this to the RGN support that they received.
 - of those observing an increase in turnover, the average uplift was c£25,000 (cumulatively, since receiving support from RGN) per business
 - this average figure disguises considerable variation in impacts: there is a long tail of beneficiaries for whom the net effect on turnover is very low
- Complete deadweight and leakage is low, but displacement is higher as a relatively high proportion of RGN-supported businesses are taking custom from other non-supported businesses in the RGN Pilot areas.

Future potential impacts

- The proportion of businesses expecting an increase in employment and turnover over the next three years is higher (compared to those that have observed an increase to date):
 - of those expecting an increase in turnover, the average uplift is expected to be c£70,000 (cumulatively) per business – this uplift is attributed to RGN, based on beneficiaries' judgements, and would not happen otherwise, in the absence of the Initiative. Again, there is considerable variation in impacts, and for many, the impact is expected to be very low

Overall assessment of impact and Return on Investment (RoI)

- In total, the net effect on GVA of RGN support to businesses amounts to around £16.5m to date (cumulatively). Over the next three years, businesses expect that RGN support will lead to a further £56.6m in net GVA. This gives a total GVA impact (achieved and future potential) of just over £73m
- In terms of the Return on Investment (RoI), based on spend and impacts achieved to date, for every £1 of Defra RGN investment to date, £1.50 in net GVA has been generated. If the future GVA impacts are realised over the next three years, the return on investment will increase to around £6.60 for every £1 of Defra/GEO RGN funding spent by the end of September 2015.

6.1 This chapter considers the impact of the RGN Pilot Initiative in quantitative terms, drawing principally on evidence from the beneficiary survey. This chapter contains some technical elements. It is split into three sections:

- The **first section** provides quantified estimates of **impacts achieved to date**, both in terms of (a) *gross* effects on turnover, i.e. total impact on turnover that the business believes is attributable to RGN support, and (b) *net* effects on turnover, i.e. impact on turnover that is attributable, and would *not* have occurred anyway in the absence of RGN³². It then sets out an estimate of the *Gross Value Added (GVA) impact across the programme as a whole*.
- The **second section** repeats the analysis, focusing this time on **future potential impacts over the next three years**.

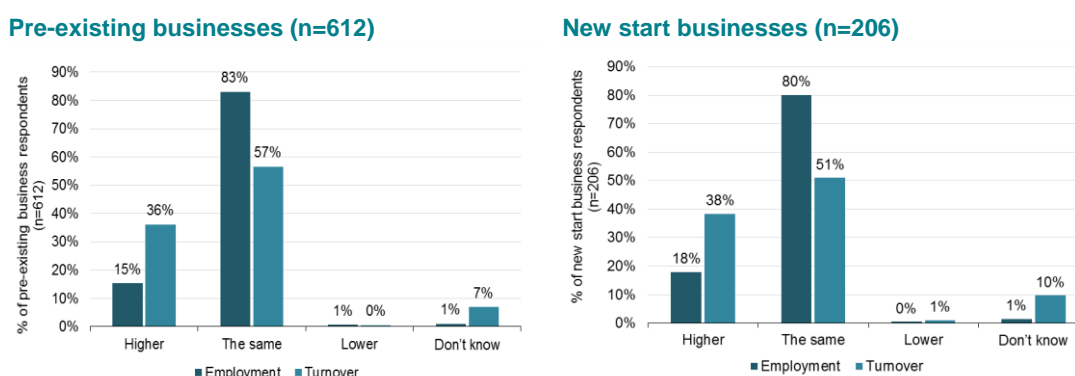
³² Effectively, (b) is the same as (a) except it excludes what would have happened anyway without RGN support

- The **third section** summarises the **overall impact of the programme**, and provides an assessment of the Return on Investment (RoI).

Impacts achieved to date

- 6.2 As illustrated in Figure 6-1, **just over one-third of businesses both observed an increase in turnover since they became involved with the Initiative and attributed this increase to the RGN support that they received**³³. If we split the results according to the broad type of support received, we find that: for pre-existing businesses, the proportion of respondents who had received financial support reporting an increase in turnover which they attribute to RGN was high (48%); and for new starts, all of those receiving a combination of support (including premises) reported turnover uplifts, although this finding was based on a small number of cases.
- 6.3 **The majority of businesses have not attributed any increase in staff numbers to RGN.** This may, in part, reflect the scale and nature of the businesses involved – as noted already, around half of the beneficiaries were sole proprietors – and the limited time between the receipt of support and the final evaluation (and therefore the time available for them to take on new staff). This finding is therefore not wholly surprising. It is supported by case study evidence: many beneficiaries were more confident and better equipped to run and grow their business, but were not yet in a position to take on staff, even where turnover was increasing. This raises questions around whether ambition for growth and/or the fear of taking on staff may be a key barrier to unlocking more growth.

Figure 6-1: Is employment/turnover higher or lower than it would have been otherwise because of your involvement in RGN, or the same?



Source: SQW analysis of beneficiary survey

Gross turnover impacts

- 6.4 In the table below we present, for businesses that reported “an uplift in turnover as a result of RGN”, the average gross effects on new and safeguarded turnover. These estimates are disaggregated by broad types of support received in order to give an indication of how the scale of effect varies by support type³⁴. This part of the analysis should be treated with caution

³³ Beneficiaries were asked “Is your current turnover higher or lower than it would have been otherwise because of your involvement in RGN, or the same?” Where they responded “higher”, they were then asked “how much higher is it, due to [the relevant RGN Pilot’s programme – using appropriate branding]?”

³⁴ We have been unable to disaggregate impacts by more detailed types of support due to sample sizes in each category

– as we explore further below, a small number of beneficiaries report a particularly high impact which will influence the average figures presented here. Also, these are self-reported impacts by the beneficiary at the time of the survey; they have not been verified through reference to company accounts or other sources.

- 6.5 For businesses which report an “*uplift in turnover due to RGN*”, **the average gross effect on turnover was just over £63,000 (cumulatively, since the intervention)**. However, this varied considerably between pre-existing and new start businesses (turnover effects were much lower for pre-existing businesses) and across the different types of support received (impacts were lowest for those who received network support only). Obviously the average effect on turnover would be lower if *all* of the sampled business beneficiaries were included in the calculation – with an average effect of just over £16,000 turnover per business. To put these figures into context, the average turnover increase for businesses surveyed over the same time period – whether attributable to RGN or not – was just under £77,000 per business observing and able to quantify change. This means that most of the gross uplift in turnover has been attributed to the RGN intervention.

Table 6-1: Average gross effects on turnover attributable to RGN. Averages presented only for businesses reporting a turnover change and attributing this to RGN, and able to quantify. The number of observations from the survey that have informed each figure are provided in brackets.

Type of support received	Pre-existing business (£)	New start business (£)	Business average (£)
Business support only	37,545 (n=84)	37,439 (n=30)	37,517 (n=114)
Financial support only, and financial plus other support	190,952 (n=25)	86,173 (n=4)	176,500 (n=29)
Networks only	13,785 (n=27)	15,721 (n=6)	14,137 (n=33)
Other / other combinations	33,541 (n=24)	447,159 (n=9)	102,643 (n=33)
Total	56,276 (n=160³⁵)	86,635 (n=49³⁶)	63,393 (n=209³⁷)

Source: SQW analysis of beneficiary survey

Gross-to-net assessment

- 6.6 Survey respondents were asked questions which have been used to calculate the net effects on turnover, taking into account leakage³⁸, deadweight³⁹ and displacement⁴⁰. **Leakage was assessed to be very low**. Of the survey respondents who provided a postcode, 99% were located within the LEP areas covered by the five Pilots. As illustrated in Figure 6-2, the proportion of respondents who would have achieved their turnover impacts anyway (in their entirety), in the absence of RGN support, accounted for 4% of pre-existing businesses and 1% of new starts. The level of self-reported “*complete deadweight*” was therefore low⁴¹. Conversely, 40% of pre-existing businesses and 71% of new starts believed they would definitely/probably not have achieved the turnover benefits at all, which represents “*fully additional*” benefits. There was a group in between these two extremes, which largely

³⁵ 72% of pre-existing businesses observing a turnover uplift could quantify the change

³⁶ 62% of new start businesses observing a turnover uplift could quantify the change

³⁷ 70% of all businesses observing a turnover uplift could quantify the change

³⁸ Leakage – i.e. the extent to which beneficiary businesses were based in the LEP areas covered by the five Pilots

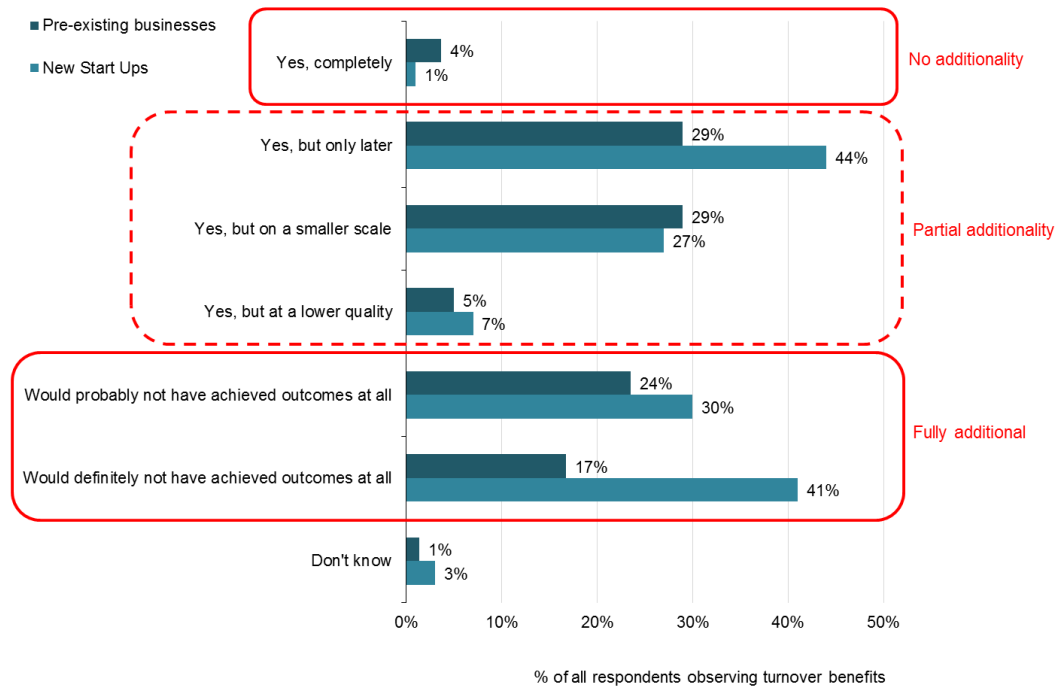
³⁹ Deadweight – i.e. the extent to which beneficiaries would have been able to achieve the same results without RGN (the options being: completely, at a later date, at a smaller scale or lower quality, or not at all)

⁴⁰ Displacement – i.e. the extent to which the uplift in turnover was at the expense of competitors in the LEP area.

⁴¹ This finding was supported in the Pilot-level process consultations, the case studies, the Pilot-level stakeholder survey and the comparator consultations.

believed that RGN support had helped them to bring about turnover change more quickly and/or on a larger scale than would otherwise have been the case. For these, turnover effects are “*partially additional*”.

Figure 6-2: Deadweight: In the absence of RGN support, would you have been able to achieve positive turnover outcomes above? (n=221 for pre-existing businesses; n=79 for new starts; both refer to the number of beneficiaries observing an uplift in turnover. Please note, figures will not sum to 100% because respondents could select more than one form of partial additionality)



Source: SQW analysis of beneficiary survey

- 6.7 **Displacement levels varied.** New starts were more likely to serve local markets (i.e. within the LEP area) than pre-existing businesses (47% and 24% respectively thought that 100% of their sales were accounted for by customers in their respective LEP area). When asked whether competitors would take up their current sales if their business ceased trading tomorrow, 44% of pre-existing businesses and 40% of new starts believed that all of their sales would be taken up by competitors. Given the focus of new businesses on local markets and the proportion of sales that would be taken by competitors, this is likely to mean that a relatively high proportion of sales of RGN-supported businesses are taking custom from other non-supported businesses in the RGN Pilot areas. The implication of this is to reduce the *net* effect of the intervention.

Net turnover impacts, and their distribution

- 6.8 For each beneficiary surveyed, we calculated the *net* effect on turnover by taking into account the evidence on the leakage, deadweight and displacement factors discussed above. We have then applied a standard multiplier coefficient (of 1.25⁴²). The assessment was then aggregated up to the RGN Pilot Initiative level to provide an overall estimate of impact. Table 6-2 below presents the average *net* effects on turnover achieved to date (i.e. cumulatively since support was received) per beneficiary reporting an uplift in turnover as a result of RGN

⁴² BIS (2009) BIS Occasional Paper No. 1: Research to Improve the Assessment of Additionality. Average used for sub-regional business development and competitiveness.

support. It is important to keep in mind that only 36% of pre-existing businesses and 38% of new starts reported an increase in turnover due to RGN. There are a number of messages to note here:

- the net effects on turnover are lowest for those receiving networking support only
- for pre-existing businesses, financial support has generated the highest level of turnover benefits per beneficiary, followed by business support only
- for new starts, it is a combination of support that appears to make the greatest difference to turnover (although this is based on a small number of observations)
- the level of additionality appears to be higher for pre-existing businesses compared to new starts, and for those receiving financial/financial plus other support and networking support.

Table 6-2: Average net turnover impact per business observing turnover uplift (averages presented only for businesses reporting a turnover change, attributing this to RGN, and able to quantify)

	Average turnover uplift per business able to quantify (£)			Gross to net coefficients (i.e. the % of gross impacts that are attributable to RGN and additional)		
	Pre-existing business	New start business	Business average	Pre-existing business	New start business	Business average
Business support only	14,744	15,453	14,931	39%	41%	40%
Financial support only, and financial plus other support	99,754	12,658	87,740	52%	15%	50%
Networks only	7,337	6,430	7,172	53%	41%	51%
Other / other combinations	8,007	52,167	20,051	24%	12%	20%
Total	25,766	20,863	24,617	46%	24%	39%

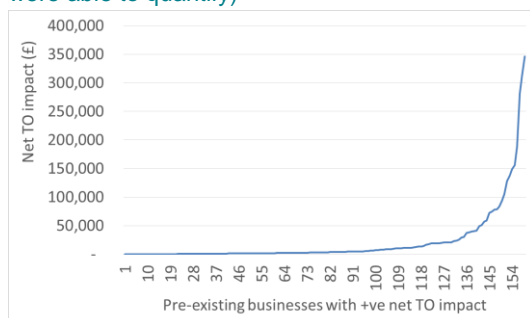
Source: SQW analysis of beneficiary survey

6.9 The average figures above disguise considerable variation in impacts within the group of beneficiaries which has reported an impact on turnover. As illustrated below, **there is a long tail of beneficiaries for whom the net effect on turnover is very low**. This pattern is particularly stark for the pre-existing businesses where 20% of those able to quantify turnover uplifts accounted for 87% of the total quantified turnover impacts. For new starts, the distribution is more balanced (but still skewed): 20% of those able to quantify turnover uplifts accounted for 71% of the total quantified turnover impacts. Note that this is not unusual in business support programmes. The ‘Pareto Principle’ – the 80:20 rule of thumb, which suggests that 80% of the effects come from 20% of the causes – has been applied in a range of business and economic contexts to highlight the importance of the ‘vital few’⁴³.

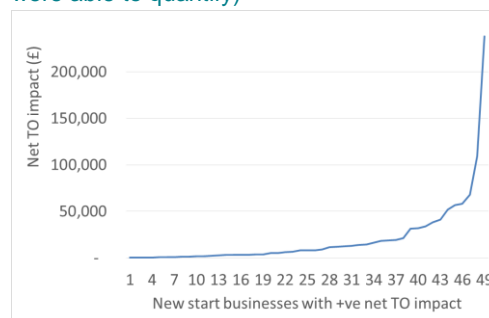
⁴³ SQW recently tested this in the context of three government-funded business and innovation support programmes targeted at SMEs (and more since), and found that in all cases the levels of concentration of impact were even higher than the 80-20 distribution observed by Pareto. See Cook, J., MacDonald, B. and Pates, R. (2013) [The Pareto Principle: the importance of the vital few in business support programmes](#), SQW Insight Paper

Figure 6-3: Distribution of net effects on turnover for pre-existing businesses and new starts reporting increased turnover due to RGN

Pre-existing businesses (n=160, number of respondents observing increased turnover who were able to quantify)



New start businesses (n=49, number of respondents observing increased turnover who were able to quantify)



Source: SQW analysis of beneficiary survey

- 6.10 **The skewed distribution indicates that a small proportion of rural-based businesses are experiencing the most benefits as a result of RGN support.** More widely this may highlight the concentration of growth amongst rural businesses⁴⁴. The findings on the distribution of benefits should be put into context though, and there are two issues to note. First, most of the businesses that received support from the RGN Pilot initiative were micro in size, so a small uplift in turnover may have a substantial impact on the business itself (relative to its size). Second, most of the businesses had engaged with RGN relatively recently (from 2014 onwards), so there will have been limited time for benefits (such as business confidence and skills) to translate into effects on turnover.

Converting to net GVA impacts for the Initiative as a whole

- 6.11 The net effects on turnover (estimated above) were converted into Gross Value Added (GVA)⁴⁵, and aggregated up to the programme level, weighted according to the results for each broad type of support received⁴⁶. The findings are summarised in Table 6-3. In total, **we estimate that the RGN Pilot initiative as a whole has generated around £16.5m in net GVA to date (cumulatively, since the intervention), which equates to an average GVA impact of c.£2,640 per beneficiary (including all RGN beneficiaries).** Beneficiaries receiving business support only account for over half (59%) of the total GVA impact to date, partly reflecting the fact they represent a large proportion of all beneficiaries (c.70%).

⁴⁴ The findings from the survey are supported by feedback gathered during our process evaluations – even in our Spring 2014 report, two Pilots (Warwickshire and the North East) noted that a small number of businesses had already reaped sizable benefits from business support activities. This pattern of impacts continued, and at the time of the final process evaluation (in autumn 2015), the Warwickshire Pilot provided anecdotal evidence that some RGN beneficiaries had seen significant growth or had plans for growth, in term of job creation and increases in sales

⁴⁵ This has been done at the level of the beneficiary, varying the turnover to GVA ratio according to the business size, using ONS national benchmarks. See Annex B for further details. Data is not publically available on the ratio between turnover and GVA for rural businesses across England, but we have used a tailored ratio by size band, which will reflect the fact that rural areas have a higher proportion of micro and small businesses.

⁴⁶ Note that this process has been completed simply on the basis on the known number of beneficiaries. Note however that some of the capital builds have spent all/most of their funding but as yet have little/no representation in the beneficiary population. This will mean that the grossed-up estimates of future impacts are slightly understated

Table 6-3: Net effect on GVA across the RGN Pilot Initiative as a whole (i.e. for the population), and average GVA impact per beneficiary supported

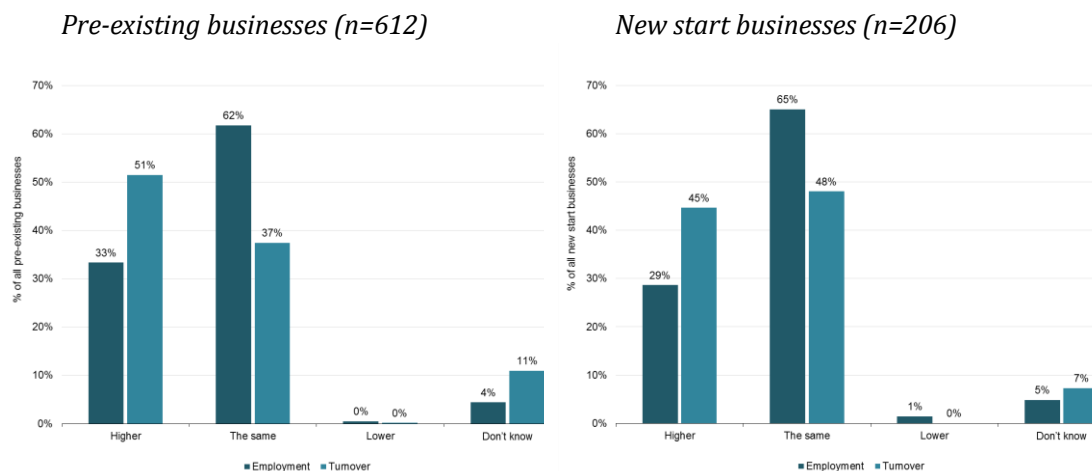
	Total net GVA (£k)			Average net GVA impact per beneficiary (i.e. all beneficiaries, not just those observing change) (£k)		
	Pre-existing business	New start business	Business total	Pre-existing business	New start business	Business total
Business support only	6,442	3,224	9,666	2.2	2.7	2.4
Financial support only, and financial plus other support	2,164	88	2,252	19.4	2.4	15.2
Networks only	1,334	323	1,656	1.0	1.9	1.1
Other / other combinations	786	2,145	2,931	2.2	22.0	6.4
Total	10,726	5,779	16,505	2.3	3.6	2.6

Source: SQW analysis of beneficiary survey

Future potential impacts

6.12 As part of the beneficiary survey, businesses were asked whether they expected employment and turnover to change over the next three years, due to their involvement with RGN. As illustrated in Figure 6-4, **the proportion of businesses expecting an increase in employment and turnover is higher in the future** (compared with those that have observed an increase to date) for both pre-existing businesses and new starts. **The proportions not expecting an impact in future remains relatively high, particularly for employment** where 62% of pre-existing businesses and 65% of new starts expect employment to stay the same in three years' time. This may signal limited ambitions to grow in future.

Figure 6-4: Do you expect the number of people who work for your business / your turnover in three years to be higher or lower (than it would have been otherwise) because of your involvement in RGN, or the same?



Source: SQW analysis of beneficiary survey

Net turnover impacts

- 6.13 Those expecting an uplift in turnover (because of their involvement in RGN) over the next three years were asked to quantify this in the beneficiary survey. This data has been used to calculate net effects in a similar way to the preceding section (Table 6-4). Beneficiaries in receipt of financial support (plus other support in some cases) were expecting the greatest uplift in net turnover, on average, by 2018. Again, those involved in networks were expecting to derive lower benefits in future, especially for new starts. Aside from businesses receiving financial support, the overall turnover impacts are relatively low over the next three years, especially for new starts, and unlikely to be sufficient to support many new jobs.

Table 6-4: Average net effects on future turnover attributable to RGN (averages presented only for businesses expecting a turnover change and attributing this to RGN, and able to quantify)

	Pre-existing business	New start business	Business average
Business support only	63,727 (n=100)	19,844 (n=30)	55,814 (n=130)
Financial support only, and financial plus other support	242,175 (n=25)	38,702 (n=4)	227,102 (n=29)
Networks only	44,276 (n=35)	9,314 (n=6)	38,449 (n=41)
Other / other combinations	45,314 (n=32)	29,472 (n=9)	40,737 (n=41)
Total	80,348 (n=192⁴⁷)	21,871 (n=49⁴⁸)	69,445 (n=241⁴⁹)

Source: SQW analysis of beneficiary survey

- 6.14 **Again, there is a skewed distribution of future potential impacts, with a small share of pre-existing businesses accounted for a relatively large share of future impacts over the next three years** (the top 20% accounted for 87% of all expected benefits). This means that the average impacts above are likely to be inflated by a small number of beneficiaries who expect high impacts in the future. **For new starts, future potential turnover benefits are much more evenly spread across the group** (the top 20% accounted for 48% of all expected benefits), albeit on a smaller scale than those expected by pre-existing businesses.

Converting to net GVA impacts for the Initiative as a whole

- 6.15 The future benefits were converted to estimates of the effect on GVA. A discount rate of 3.5% per annum was applied in line with HM Treasury guidance, and optimism bias was taken into account⁵⁰. The results were then “grossed up” to the level of the whole RGN Pilot Initiative. In total, **the businesses supported by RGN are expecting to generate almost £57m in net GVA over the next three years**. The majority of this is expected to come from pre-existing businesses, and in particular those that have received business support only (because the largest share of beneficiaries received business support). Note that impacts were “grossed up” to the RGN Pilot Initiative as a whole on the basis of the total number of beneficiaries supported by RGN by the end of Quarter 11. It therefore does not account for any future potential benefits arising from beneficiaries supported from October 2015 onwards.

⁴⁷ 61% of pre-existing businesses expecting a turnover uplift could quantify the change

⁴⁸ 62% of new start businesses expecting a turnover uplift could quantify the change

⁴⁹ 61% of all businesses expecting a turnover uplift could quantify the change

⁵⁰ For example, beneficiaries are more optimistic about future potential benefits, and the extent to which these will be due to RGN, than could be the case. Guidance on optimism bias is available mainly in the field of regeneration and benchmark evidence from the RDAs in England suggested optimism bias of around 20% is appropriate. A value of 20+ is also recommended by the Scottish Government. An adjustment of 20% has been used here.

Table 6-5: Future net GVA effects across the RGN Pilot Initiative as a whole (i.e. for the population), and per beneficiary supported

	Future net GVA (£m), over the next three years			Average future net GVA impact per beneficiary (i.e. all beneficiaries, not just those observing change) (£)		
	Pre-existing business	New start business	Business total	Pre-existing business	New start business	Business total
Business support only	30,696	3,211	33,907	10.6	2.7	8.3
Financial support only, and financial plus other support	4,888	209	5,097	43.8	5.7	34.4
Networks only	11,054	492	11,546	8.5	2.8	7.8
Other / other combinations	5,226	793	6,019	14.6	8.1	13.2
Total	51,864	4,706	56,570	11.1	3.0	9.1

Source: SQW analysis of beneficiary survey

- 6.16 The majority (66% of pre-existing businesses and 72% of new starts) of those projecting a future uplift in turnover expect this positive effect on their turnover to continue after three years, and around two-thirds of these expect the uplift to continue for “the foreseeable future”.

Summary of impacts and Return on Investment (RoI)

- 6.17 In total, **the net effect on GVA of RGN support to businesses amounts to around £16.5m to date (cumulatively, since the intervention)**. The majority of this has been generated by business support activities. Over the next three years, businesses expect that RGN support will lead to a further £56.6m in net GVA. **This gives a total GVA impact (achieved and future potential) of just over £73m.**

Table 6-6: Summary of net GVA achieved to date by businesses supported, at the level of the RGN Pilot Initiative, and future potential net GVA over the next three years

	Total net GVA achieved to date (£m)	Total potential net GVA impact over the next three years (£m)	Grand total (£m)
Business support only	9.7	33.9	43.6
Financial support only, and financial plus other support	2.3	5.1	7.3
Networks only	1.7	11.5	13.2
Other / other combinations	2.9	6.0	9.0
Total	16.5	56.6	73.1

Source: SQW analysis of beneficiary survey

- 6.18 As set out in Chapter 2, the total value of Defra’s RGN funding spend at the end of Q11 was £111.1m, and the total RGN “package” spend was £35.3m to the end of Q11. This has been compared with the total net GVA impacts (achieved to date, and then including future potential impacts over the next three years) in Table 6-7. We can see that, **for every £1 of Defra RGN investment to date, £1.50 in net GVA has been generated through businesses**

supported. If we compare the wider RGN “package” spend to date to net GVA, the return on investment (RoI) is £1:£0.5. In addition, the evidence indicates that there will be a further benefit to business turnover for some beneficiaries in the future. If the future expected net effects on GVA are realised, the RoI will increase to around £6.60 for every £1 of Defra/GEO RGN funding spent by the end of September 2015, and £2.10 for every £1 of the whole RGN “package” spent.

- 6.19 In comparison, the evaluation of LEADER found a RoI at the time of the evaluation of £0.95 for every £1 spent on business support activities, and this was expected to increase to £6.38 when future benefits were included. LEADER’s research and innovation interventions brought about a higher RoI of £1.11, or £7.64 if future benefits are taken into account.⁵¹

Table 6-7: Summary of Return on Investment

	Return on Investment
Net GVA achieved to date	
Expenditure of Defra/GEO RGN funding to date vs net GVA impacts achieved to date	1.5 : 1
Expenditure of RGN package funding to date vs net GVA impacts achieved to date	0.5 : 1
Net GVA achieved to date and future potential net GVA over the next three years	
Expenditure of Defra/GEO RGN funding to date vs net GVA impacts achieved to date and future potential net GVA over the next three years	6.6 : 1
Expenditure of RGN package funding to date vs net GVA impacts achieved to date and future potential net GVA over the next three years	2.1 : 1

Source: SQW analysis of beneficiary survey

Conclusions

- 6.20 In Chapter 5, we found that RGN played an important role in terms of confidence, business skills, accessing support and networking. For some beneficiaries this was translating into opportunities (new markets), and then for some this was resulting in improved turnover, as illustrated above. However, **the proportion of businesses reporting an uplift in turnover due to RGN (just over one-third) was considerably lower than the proportion who were more confident about growth (c.70-75% - see Chapter 5), and the proportion reporting growth in jobs was lower still (under a fifth). The finding that turnover impacts were higher than job impacts does, however, imply that businesses involved did observe productivity benefits due to RGN.**
- 6.21 **For most, the scale of turnover impacts – in an absolute sense – have been quite small, and the distribution of impact was skewed to a small number of beneficiaries.** That said, most of the businesses supported by RGN were micro in size, so a small uplift in turnover may have a substantial impact on the business itself (relative to its size), even if it does not sum to a significant amount across the Initiative as a whole. These businesses play an important role in terms of the sustainability of rural economies. Furthermore, most of the businesses had engaged with RGN relatively recently, so there was limited time for benefits (such as business confidence and skills) to translate into effects on turnover by the time of the final evaluation.

⁵¹ National Impact Assessment of LEADER, Ekosgen, 2011

- 6.22 **The evidence on future potential benefits is more encouraging** – a higher share of businesses expected to see an uplift in turnover over the next three years (compared to those observing an increase to date) and the scale of the increase per business was higher (although we should be cautious here – the future impacts cover three years, whereas the impacts to date could only refer to one year for many of those surveyed). **There remains a question around the businesses’ desire to grow. Whilst some are obviously ambitious, it appears that many are less so and/or barriers still remain to scale up their business substantially, particularly in terms of taking on (more) staff.**

7. Wider effects

Key messages from Chapter 7

A consideration of the five Pilots alongside two comparator areas (New Anglia and Lancashire) suggests that:

- Key rural challenges are very similar - notably broadband/mobile phone coverage and skills issues. As economic growth has returned nationally, the availability of premises appears to have become more of a concern
- The Pilots are considered (by their stakeholders) to have made some difference in terms of skills/training and business support locally, but much less progress in relation to rural productivity and the incidence of higher paid jobs; this aligns with findings in Chapters 5 and 6
- Whereas the Pilots have been able to deliver projects in rural areas, the comparators really struggled to do so, particularly in 2013 and 2014
- The Pilots have used their experience from RGN to influence strategic processes in their LEP areas, notably in relation to the European Structural Investment Funds and Strategic Economic Plans
- The comparator areas have not yet gained any real insight into the lessons and learning linked to the RGN Pilot Initiative; this in turn raises questions about the effectiveness of dissemination to date

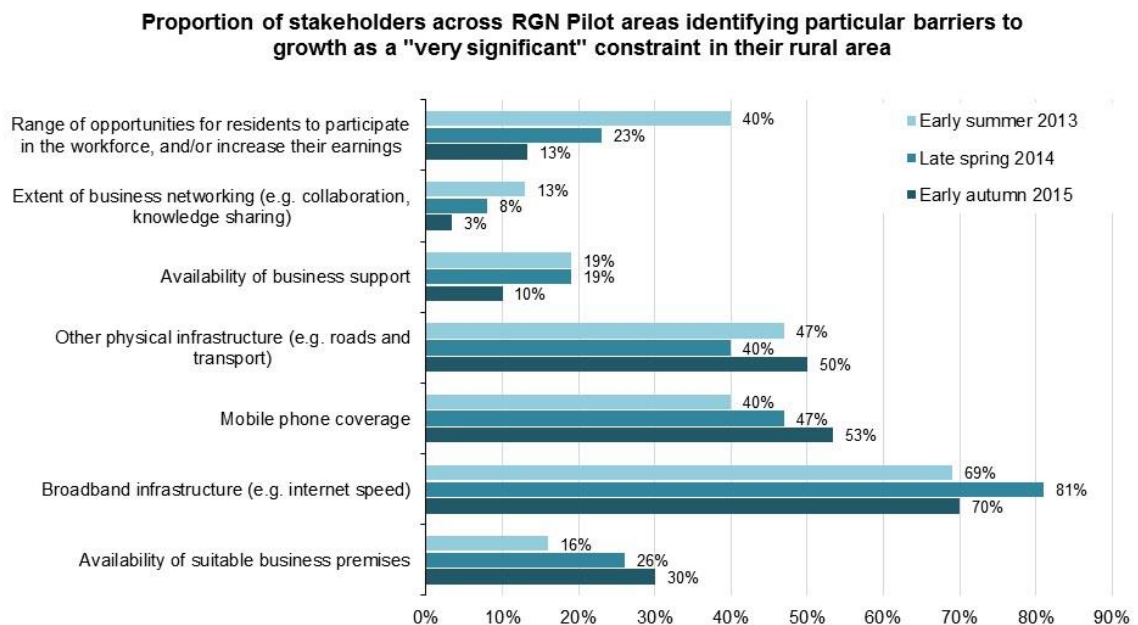
- 7.1 Recognising that the RGN Pilot Initiative was one relatively small programme which was concerned, fundamentally, with effecting economic growth in rural areas, **this chapter considers the ways in which the programme made (and is making) a difference locally.** It reflects on **the wider effects of the RGN Pilot Initiative and the nature of the counterfactual at the Pilot (rather than beneficiary) level.** This part of the analysis draws mainly on the longitudinal process evaluations, surveys of stakeholders in each Pilot geography, and comparator consultations (completed with stakeholders in New Anglia (Norfolk and Suffolk) and Lancashire).

Barriers to growth in rural areas and the delivery landscape

Barriers and constraints to growth

- 7.2 Insights into barriers and constraints to growth were provided through the e-survey of stakeholders from within the Pilot geographies. The survey was first run in early summer 2013 and then repeated in late spring 2014 and early autumn 2015; it generated around 50 responses in the first two years and about 30 in 2015. Stakeholders were asked to assess the local significance of particular constraints to growth; three sets of responses – roughly a year apart – are summarised in the figure below.

Figure 7-1: Constraints to growth identified by stakeholders across the RGN Pilot Areas in 2013, 2014 and 2015



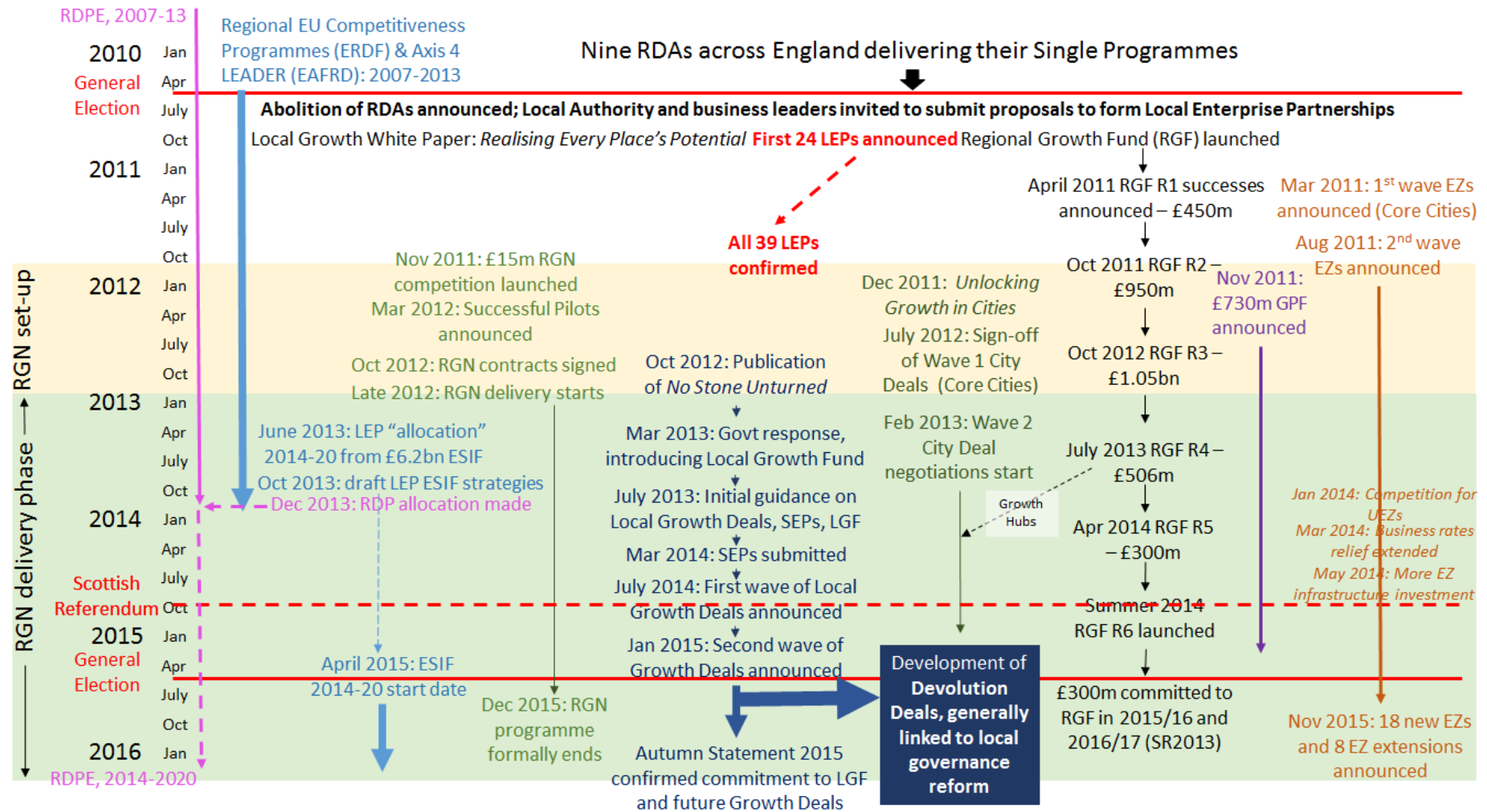
Source: RGN e-surveys of stakeholders across the Pilot areas

7.3 Against a backdrop of improving economic conditions nationally, three observations are important:

- across all three years, the issue identified most frequently as a “very significant constraint” was **broadband infrastructure**; and over the three years, the proportion identifying **mobile phone coverage** as a “very significant constraint” grew
- the proportion of stakeholders identifying the **range of available job opportunities** to be a “very significant constraint” declined over the period whilst the proportion identifying issues linked to the **availability of suitable business premises** increased; it is possible that both observations demonstrate improving economic conditions
- overall, the proportion of stakeholders identifying **availability of business support** and the **extent of business networking** as a “very significant constraint” decreased; across all five Pilots, both of these themes were clear RGN delivery priorities.

7.4 **Across the comparator areas, constraints to rural growth were explored in discussion with key stakeholders. The picture was similar.** Broadband and mobile telephony were repeatedly identified as significant constraints and – in the view of stakeholders – the situation deteriorated, particularly with regard to mobile phone coverage, over the period. Beyond that, workforce skills, the availability of business premises and business support (including access to finance) were identified as issues. In 2015, new concerns emerged around labour shortages/recruitment issues and the potential effects on low wage sectors of both pension auto-enrolment and the introduction of the living wage.

Figure 7-2: Timeline in relation to the RGN Pilot Initiative and other key local economic development initiatives in England



Source: SQW

The changing landscape for local economic development in England

- 7.5 What did change over the lifetime of RGN was the landscape for local economic development in England (Figure 7-2). At the time the competition for the RGN Pilots was announced (November 2011), there was very little delivery activity planned or underway in most LEP areas (aside from Enterprise Zones, bidding rounds linked to the Regional Growth Fund and the implementation of the Rural Development Programme for England). By the time the delivery of the RGN Pilot Initiative was substantially underway, Wave 2 City Deals were being developed; Growing Places Fund (GPF) was being delivered; LEPs were developing EU Structural and Investment Funds (ESIF) strategies; and LEPs were developing Strategic Economic Plans (SEPs), proposing Local Growth Deals and bidding for resources from the Local Growth Fund (LGF). Hence whereas the delivery landscape in mid/late 2011 was barren, the picture gradually became more crowded and complex, with the emergence of a number of schemes/processes which dwarfed the RGN Pilot Initiative in terms of their scale.
- 7.6 Moving on again, and the later stages of delivery coincided with further – significant – policy shifts precipitated by the new Conservative administration following the general election in May 2015. Uppermost among these was the commitment to devolution deals at a local level. In many respects – albeit at a different scale – the RGN Pilots were something of a forerunner to, and microcosm of, the devolution process; and there are important lessons from RGN which are germane in this context (see Chapter 8).
- 7.7 In policy terms, it is within this context that we must reflect on *how much* of a difference the RGN Pilot Initiative made at the Pilot programme level (rather than beneficiary level). The comparator areas provide some insights in this context from two different perspectives.

Differences between RGN Pilots and the comparator areas – “on the ground”

- 7.8 Given the scale of the RGN Pilot Initiative, the timescale over which it was delivered, the diversity of rural areas across the Pilots and comparators, and the quality of available data, it is impossible to observe tangible differences in rural outcomes between the Pilot and comparator geographies that could plausibly be attributed to RGN. However **there is some evidence of differences in terms of the steps that were taken to effect economic growth in the context of constraints that were identified as similar** (see paragraph 7.4).

A view from 2014

- 7.9 In 2011/12, both comparators bid (unsuccessfully) to become RGN Pilots and both had a clear idea of the steps they wanted to take to effect rural economic growth. Indeed New Anglia LEP launched its own Rural Growth Network – based around a “£1.1m package to support rural businesses” – at the Suffolk Show on 29th May 2013⁵². Subsequently, in part because of the developments summarised in Figure 7-2, the decision was taken to direct support for rural businesses through other channels; the local RGN “label” was therefore dropped but the objective of supporting rural businesses remained.

⁵² New Anglia Local Enterprise Partnership Media Release, 29th May 2013

- 7.10 However, in practice, in both comparator areas, stakeholders consulted in early summer 2014 described an effective “*hiatus*” in rural delivery over much of the preceding year: while there had been clear delivery intentions at the outset, partners’ attention shifted to strategy development processes relating to ESIF and SEPs. **So whereas the RGN Pilot Areas saw rural delivery on the ground in 2013/14, the comparator areas really did not.** Within the comparator areas, the comment was made that subsequently – since about January 2014 – rural businesses did start to receive business support (mainly through Growth Hubs and as part of mainstream provision) in New Anglia but less so in Lancashire. However, at the time of our consultations in 2014, there was very little sign of progress with regard to physical enterprise hubs or support for women’s-led enterprise in either comparator area, both of which would have featured strongly had the Defra-funded Pilots gone ahead.

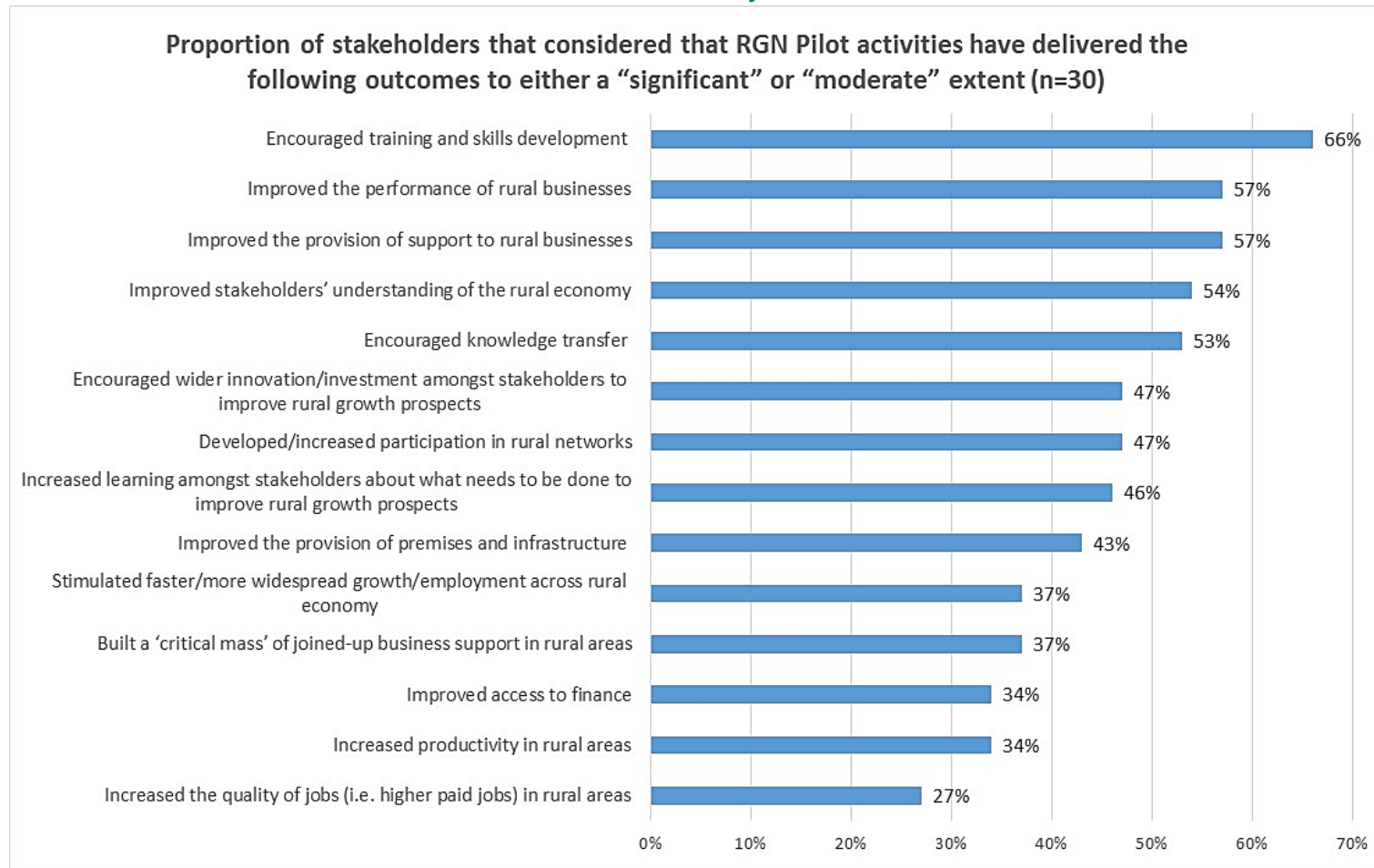
A view from 2015

- 7.11 A year later the picture in the two comparator areas had not changed greatly. Growth Hubs were continuing to provide some business support, with varying degrees of success in reaching rural businesses. No physical enterprise hubs had been opened and there appeared to be little or no explicit support available for women’s led enterprise. There was, in addition, concern about the progress of the European programmes which had been scheduled to run from 2014-2020 but delivery had yet to take place on the ground.

The implications

- 7.12 The critical question is whether – and to what extent – the differences between Pilot and comparator areas matter. From *the comparator areas*, consultees commented on the consequences of failing to make new physical provision for office-based enterprise hubs (or similar) in smaller market towns. Both noted (in 2014) that the more successful of the (many) home-based businesses formed in the wake of redundancies in 2010/11 were at the point of looking to recruit. Consultees from one comparator noted examples of businesses moving from small rural towns to much larger urban areas in order to find office premises that could accommodate a small workforce. A year later (2015), another consultee noted that “*aspiring business people*” were “*bleeding over the border*” from a rural district to find incubation facilities in an urban area. However, in one of the comparator areas, existing innovation hubs were not fully occupied; and, separately, premises for employment uses in rural areas were simultaneously both vacant and apparently in short supply. Hence the feedback was quite mixed; in this context, it was notable that in the Pilot areas, the RGN programme had been active in precisely this space.
- 7.13 In the Pilots, wider stakeholders were asked – through the third round of the e-survey – to reflect on whether – and to what extent – the activities of the RGN Pilot had delivered specific outcomes locally. The survey was essentially measuring perceptions among an informed, but relatively small, group of observers and the findings need to be seen in this context. Nevertheless, the inference from Figure 7-3 is that progress was perceived to have been made particularly in the domains of skills and business support; and – although perhaps less consistently – in relation to networks and premises/infrastructure. Importantly though, less progress was reported to have been made in relation to key impact measures (such as higher paid jobs and rural productivity) and elements of learning how to intervene to effect growth, which aligns with the findings in Chapter 5.

Figure 7-3: Stakeholders' assessment of whether RGN Pilot activities had delivered key outcomes



Source: e-survey of Stakeholders in the Pilot areas, completed summer 2015

Differences between the RGN Pilots and the comparator areas – in terms of local economic strategy

- 7.14 Given the pilot nature of the RGN programme – and the importance of strategy development processes that have proceeded in parallel across Pilot and comparator areas – it is appropriate, finally, to consider the extent to which insights from the RGN Pilot Initiative have found their way into SEPs, ESIF strategies and other strategic processes; and whether this varies between Pilot and comparator areas.

A view from 2014

- 7.15 SEPs and ESIF strategies were submitted to government in March 2014, and it is relevant therefore to refer to the RGN process evaluation which was completed during the preparation of these strategies. Key findings are summarised in Figure 7-4 below. For the comparator areas, the picture – from early 2014 – varied between the two areas. Some Pilots noted that the rural economy agenda appeared to be more central to the SEP and ESIF Strategy because of the RGN experience and there were proposals, *inter alia*, for a network of Rural Growth Advisers linked to a LEP area-wide Growth Hub, and for investment in rural broadband and mobile coverage.

Figure 7-4: The influence of the RGN process on SEPs and ESIF strategies across the Pilot areas (as at spring 2014)

- In **Cumbria**, the SEP proposes a clear continuation of RGN-type activity, and it was expected that ESIF would help fund the revenue elements (with match funding from the Chamber, Universities, and Britain's Energy Coast).
- In **HotSW**, there is a sense that the RGN Pilot had put rural business support higher on the LEP agenda than would otherwise have been the case, and it had helped the LEP to understand better rural issues and think more strategically about the rural economy and how rural areas link to urban centres. The LEP Board created a rural sub-board, which included all members of the RGN advisory board (and wider stakeholders), to help to carry forward learning from RGN. However, SEP and ESIF plans were high level at that time, so it was unclear if/how RGN activities would be taken forward. Because the RGN Pilot was still at an early stage, it had been difficult to demonstrate to the LEP the benefits of the RGN approach.
- In the **North East**, the RGN programme had strong links with the SEP and ESIF strategy. RGN had raised the profile of the rural economy in both documents and the SEP had numerous references to RGN and the rural economy. RGN partners were seeking funding for a five-year period to continue with RGN-type activities, including a revised small business growth fund and rural strategic infrastructure fund. The RGN project managers had held many meetings with LEP and EU managers, which were critical in ensuring bids took account of the RGN experience.
- In **Swindon and Wiltshire**, there had been some recognition of rural issues in the SEP and ESIF, but this had tended to focus on more traditional rural sectors (mainly food and drink). There were references to the military community in both the SEP and ESIF, building upon the Pilot's activity and strategic working. Spatially, the main focus was on three existing economic centres. The ESIF included plans for a one-stop-shop business support service and one consultee believed that TEN (the local branding for RGN) was a "*significant reason*" why the LEP had taken this route. The RGN/TEN advisory board may continue to operate for ESIF's EAFRD.
- In **Warwickshire**, the intention was to use LGF and ESIF to deliver a 'mainstreamed RGN' from 2016. (i.e. tailored and focused support for businesses in the rural areas of Warwickshire as part of LEP-wide business support programmes under the Growth Hub). This was likely to cover a similar set of activities as the current RGN programme with ongoing sub-regional discussions looking at how future resources are best used).

Source: RGN Process Evaluation Report – Spring 2014

A view from 2015

- 7.16 A year or so later – and with the benefit of some distance – perspectives had changed slightly. Through the e-survey of Pilot stakeholders (summer 2015), respondents were asked to judge the extent to which the RGN Pilot had added value to other programmes/interventions,

notably Growth Deals (which followed SEPs) and ESIF. Overall, 17% suggested that the Pilots' added value was "*significant*" and 33% claimed it had been "*moderate*"; but 17% indicated that the RGN Pilot had added no value at all (noting that this says nothing about causality – i.e. it may have been a comment on the extent to which the surrounding processes were capable of being influenced; or on the effectiveness of the Pilots; or both). From the final process evaluation (autumn 2015), it was apparent that **all five Pilots considered their involvement in the RGN Pilot initiative to have had some level of influence on the development of ESIF strategies, Strategic Economic Plans and, subsequently, Growth Deals**. For example, all five Pilots' ESIF strategies referenced the RGN programme and consultees stated that this experience would be used to shape future support for rural enterprises, especially in terms of revenue funding. There was also an intention to embed lessons from RGN within the new LEADER programme. Additionally, in some cases, there was evidence of Local Growth Fund allocations and/or Local Authorities' own internal funding being agreed to continue with RGN-type activity (e.g. in the North East, £6m LGF was secured to invest in rural hubs – and other related activity – over the next five years⁵³; and in Warwickshire, the success of RGN played a key role in the LEP being able to secure new funding from Warwickshire County Council and other local partners to build on RGN and fund a new business support programme).

7.17 From the vantage point of the *two comparator areas* – and drawing on consultations from autumn 2015 – two parallel sets of observations must be made. In brief:

- First, with regard to SEPs/Growth Deals, ESIF and LEADER, the emphasis had shifted from strategic influence to implementation. If there was a strategic imperative in autumn 2015, it had turned to the definition of wide-ranging devolution deals; and at the time of writing, the consequences of these – and any differences between Pilot and comparator areas – were unknown (and unknowable).
- Second, **there was no evidence that the comparator areas had – by autumn 2015 – learned anything specific from the wider RGN Pilot Initiative in terms of delivering rural economic growth**. However, the point was also made that "*learning*" would only ever be of value at the point at which lessons and insights were capable of being used in practice. From the perspective of our consultees, that point was most likely to be reached as the ESIF and LEADER programmes reached practical implementation. **Hence – as of early 2016 – the window is still open in terms of other areas benefiting from the lessons learnt through the RGN Pilot Initiative. Effective dissemination should therefore be a continuing priority.**

Conclusions

7.18 This chapter has considered the wider effects of the RGN Pilot Initiative and the nature of the counterfactual at the Pilot (rather than beneficiary) level by comparing what happened in two comparator areas over the lifetime of the RGN Initiative. Above and beyond direct impacts on beneficiaries, RGN has enabled **Pilot areas to make area-wide progress in the domains of**

⁵³ A Rural Business Growth Fund will be taken forward, which is available to support rural businesses that have clear plans to expand productivity or diversify into new markets or products. The fund is open to businesses in sectors from food, drink and manufacturing to the energy and environmental industries and can support improvements or expansion of premises and the purchase of capital plant or equipment.

skills and business support (although less consistently in relation to networks and premises/infrastructure). It has **improved stakeholders' understanding of the rural economy and encouraged wider investment in rural growth prospects**, which has been reflected in the fact that all five Pilots considered their involvement in the Initiative to have influenced the development of ESIF strategies, Strategic Economic Plans and, subsequently, Growth Deals. In contrast, the comparators struggled to deliver projects in rural areas over the same time period. This suggests that, **without Defra's investment, rural interventions of this nature would not have taken place in the Pilot areas.**

8. Flexibility, governance, management and learning

Key messages from Chapter 8

Governance and management

- The flexibility of the RGN approach forced the Pilots – rather than the “rules” surrounding funding streams – to make the decisions
- Without clear and robust governance arrangements, the flexibility linked to a devolved funding stream was difficult to manage
- The relationship between Defra and the Pilots generally worked well; this was founded on the tacit knowledge, trust and understanding that was engendered through relationships which developed over time
- Despite the freedoms, the decisions made by Pilots in steering their programmes through the delivery process – and making incremental changes along the way – were broadly consistent with the plans they agreed with Defra at the outset

Delivering the RGN Initiative

- In delivering their RGN programmes, the Pilots learned a great deal about “*how to manage flexibility*”
- Learning *within* the Pilot areas was reasonably good and a variety of mechanisms and approaches contributed to the overall process. However, learning *between* Pilots was limited and learning *beyond them* (to the other 34 LEPs and across central government) was virtually non-existent

Monitoring and evaluating the Initiative

- There was also learning in respect of evaluation methodologies, and approaches to monitoring. With regard to the latter, the approach that was agreed and adopted at the start struggled in practice to accommodate meaningfully Pilot-level innovation in the choice and definition of metrics. This in turn had consequences for national reporting. Approaches to monitoring will need to evolve in future devolved programmes

- 8.1 As set out in Chapter 1, Defra’s RGN funding was authorised under Section 31 of the Local Government Act, 2003, which meant it was non-ringfenced. Legally, this gave the Pilots real autonomy and flexibility with regard to most elements of the programme. However, facilitated by Defra, the principles of “*autonomy and flexibility*” extended far beyond legal formalities to provide, fundamentally, the “DNA” of the RGN Pilot Initiative. At the start, “*autonomy and flexibility*” were unsettling, for there were “*no rules*”; and the need to create and agree “*rules*” at a local level absorbed significant time and resource. By autumn 2015, the flexibility of the programme was regarded as a key strength – and a catalyst for some of the learning that had taken place.
- 8.2 These observations are important. They are also germane in the evolving policy context described in Chapter 7. “*Autonomy and flexibility*” are the mantra of devolution and – as the RGN Pilot Initiative drew to a close – many local areas (including most of the Pilot areas) were working to define propositions for wide-ranging devolution deals with Government. The experience of the RGN Pilot Initiative offers important insights on local autonomy, with the main lessons discussed below.

The importance of good governance and management

- 8.3 As discussed throughout this report, the flexibility of RGN empowered Pilots to adjust their delivery paths in “*real time*” in response to lessons around what works (or not), changing contextual conditions, the changing scale/nature of demand, and the changing delivery/policy landscape. **Overall, where it was used appropriately, this flexibility led to better outcomes. However, all parties had to learn how to use this flexibility well.**

Pilot-level governance and management

- 8.4 Flexibility created challenges and imperatives in terms of day-to-day management. Pilots were constantly faced with dilemmas and decisions. For example, at what point should “*difficult*” projects be considered “*too difficult*” and abandoned in favour of something else? And are projects that can be delivered quickly the most important in securing a basis for sustainable growth in rural economies? Faced with these questions, some Pilots redirected funding, and this brought about better outcomes in the short-term; others persisted with more challenging projects with the “*long game*” firmly in view.
- 8.5 As noted in Chapter 4, delays to project delivery were observed across most Pilots and there were many causes, some of which were beyond the control of the Pilots. However, there were situations in which the flexibility of RGN was part of the problem. It resulted in what one consultee described as a “*mañana*’ attitude”: Pilots struggled as some project delivery partners appeared to adopt a rather “*relaxed*” approach to delivery, safe in the knowledge that the flexibility inherent within RGN would mean no fixed end date and no real threat of underspend clawback. **Pilots’ willingness and ability to intervene in these situations depended largely on the effectiveness of their governance and management arrangements. In most cases, RGN Steering Groups or Programme Boards provided a very robust “*check and challenge*” on progress and were really quite forceful in holding delivery bodies to account and intervening in the context of poor performance.** This did not reduce slippage completely, but it helped significantly to manage the associated risks.
- 8.6 However, **active and effective management – premised on a strong Pilot-level governance structure – was not a universal feature.** Whilst each Pilot adopted a robust approach to management and delivery, the Cumbria RGN Pilot faced particular challenges during its early implementation. At root, its problems reflected the way in which the Pilot was initially set up. Uniquely, the Cumbria RGN Pilot did not set up a bespoke RGN programme board or steering group. Moreover, it was the only Pilot to be led by two organisations (Cumbria Chamber of Commerce and Cumbria County Council), rather than one. At the outset, there was no formal agreement between the two main partners on delivery responsibilities and protocols, because it was argued that the two organisations had a long track record of working together. The absence of a clear governance and management structure led to difficulties throughout the implementation of the Cumbria RGN Pilot programme. Importantly, this is now recognised and acknowledged within the Pilot itself – and the lessons will not be lost locally.

The relationship between Defra and the Pilots

- 8.7 A second aspect of governance that was important throughout concerned **the relationship between Defra and the Pilots.** There were frustrations at the start – particularly linked to

contracting delays in 2013 and the challenges of managing stakeholder expectations at a local level (as the programme had been launched in May 2012 but not contracted until October that year.). Subsequently, however, the interface between Defra and the Pilots worked well⁵⁴. A member of one RGN Pilot's local steering group commented during the final round of process evaluations (autumn 2015) that Defra had been:

"...brilliant at being pragmatic; never were they a jobsworth; nor did they question local decisions; but nor did they let us stray. They were impeccable. There was a lot of trust built up with Defra. Defra engendered sufficient pragmatism for us [the Pilot] to be able to deliver"

- 8.8 **Continuity of staffing, in the Pilots and in Defra, was very important to the delivery of the RGN Pilot Initiative: the tacit knowledge, trust and understanding that were developed were very significant, particularly given the lack of rules.** It is impossible to know what the overall delivery journey would have looked like had there been significant "staff churn" or the extensive use of short term contacts/interim postings among the key programme managers – but we suspect it could have been very different⁵⁵. Perhaps RGN was simply "lucky" in this context – and it is impossible to legislate for staff continuity – but **looking ahead, there are implications in relation the resourcing of day-to-day management functions linked to the delivery of devolved programmes**⁵⁶.

The local use of a flexible national funding stream

- 8.9 A third observation relating to RGN governance which is important in the wider context of devolution surrounds the uses to which the Defra/GEO RGN funding was put. There was certainly a (theoretical) risk that flexible RGN monies could have been diverted to some other cause completely unrelated to RGN (e.g. to local authorities' adult social care budgets), but this did not happen; Pilots used the resource for its intended purpose. Some of the Pilots did, however, stretch the envelope. In particular, there were instances of the flexible RGN resource being used to match other funding sources that were far more prescriptive. The extent to which this occurred should not be exaggerated, but it did seem to become an issue when Pilots were under pressure to spend; and when the "other" funding pots were in danger of being lost through lack of match. In these circumstances, RGN steering groups had to navigate *de facto* "rules by proxy", often under some pressure from wider stakeholders. For the most part, though, they did this successfully.

Learning from the RGN Pilot Initiative

- 8.10 In delivering their RGN programmes, **the Pilots therefore learned a great deal about "how to manage flexibility"**. However it is also important to reflect on wider aspects of *learning*, given the overarching aim of the RGN Pilot Initiative, "*to test a range of different models and approaches to achieving economic growth in rural areas*"⁵⁷, and to *learn* from them.

⁵⁴ It is however important to note that in four of the five Pilots, the RGN Boards were also used to approve Rural Economy Grant (REG) or Micro Enterprise Scheme (MES), with input from Defra. Feedback in this context was less positive. Specifically, there appeared to be too much bureaucracy and unclear guidance from Defra on eligibility

⁵⁵ Insights from the longitudinal case studies (Chapter 4) are instructive in this context. The loss of tacit knowledge through staff churn appeared to be one reason for projects deviating from the original delivery plans (see, for example, the discussion of training and skills provision in the context of the Holsworthy Agri-Hub)

⁵⁶ Namely, that the management functions ought to be properly resourced

⁵⁷ Quotes sourced from Defra (October 2012) Project Initiation Document for the RGN Pilot Initiative

- 8.11 **Within the Pilot areas, there was evidence of learning across the local partnerships in terms of how RGN projects were addressing local issues.** This was facilitated through the use of case studies, newsletters and events; and RGN Pilot Boards (or stakeholder groups) played a role in sharing information and reaching out to stakeholders. Beyond that, elements of Pilots' delivery programmes were explicitly designed to effect learning. Some of the Warwickshire RGN Pilot projects specifically sought to test how to intervene effectively in the rural economy – and clear lessons were learnt. Elsewhere, learning took the form of capacity building. In HotSW, for example, the process evaluations pointed to the investment in – and development of – a network of delivery partners through the RGN-sponsored business support programme. In the North East, formal learning occurred through research undertaken by the University of Newcastle on rural hubs; and a number of rural events were held to disseminate findings from the research and to highlight lessons from RGN to wider stakeholders.
- 8.12 **Learning between the Pilots was limited.** It seemed to work best in the context of face-to-face meetings, but these were few in number over the three years of RGN. In all cases, consultees commented that the principal constraint was time (and hence resource); meetings across five Pilots inevitably involved a whole day and they were regarded as an unaffordable luxury. Learning through written material was attempted, but it was less effective – although there was the suggestion that it could work on a selective basis if particular Pilots were looking for specific insights. There were also some bilateral links. For example, there was some dialogue between the North East and Swindon and Wiltshire RGN Pilots with respect to networks of enterprise hubs. A portal was set up for the Pilots to use at the start of the RGN programme. Although two of the Pilots initially provided information for this portal, it was rarely used as a learning tool.
- 8.13 **Evidence of learning beyond the Pilots was – by autumn 2015 – virtually non-existent.** The Pilots were frustrated by this. In their view, **the emerging lessons from RGN ought to have influenced central government**, particularly in relation to the design of the ESIF and LEADER programmes. Responsibility for engagement across Government sat with Defra, and there was disappointment that more had not been done to communicate the programme's progress and insights. As noted in Chapter 7, evaluation evidence also suggested that – **as of autumn 2015 – the "other 34" LEPs were probably largely unaware of the progress and lessons of RGN.** This was corroborated through discussions with stakeholders from the two comparator geographies: aside from LEP round-table events (which were welcomed but limited to three RGN presentations), RGN was considered to have largely "*disappeared from view*".
- 8.14 Given that learning was a central objective, these findings need to be taken seriously. The lessons from RGN will continue to have currency for some time, particularly in the context of devolution discussions. As the programme concludes, dissemination needs to be a priority.

Learning through monitoring and evaluation

- 8.15 In respect of **evaluation**, a theory and case based approach, grounded in logic models, was used to understand how and why RGN inputs and interventions led to particular outcomes and impacts. Given the experimental and complex nature of the programme, this approach – which relied on mixed methods – was appropriate. In putting it to work, important technical

lessons were learnt. These are rehearsed at Annex A. However, **monitoring** went to the core of the delivery process. It consumed significant resource from all parties – more than was anticipated at the outset – and it is important to reflect on it.

- 8.16 As set out in Chapter 1, the approach to monitoring (and evaluation) was set out in a Monitoring and Evaluation Framework which had been developed in early 2013, led by SQW but collaborating closely with both Defra and the Pilots. Through it, Pilots were able to identify and define their own output indicators at the outset, and adapt these during delivery, to reflect the nature of their own activities. **This flexibility with regard to monitoring was used and it brought major advantages.** It meant that, if the Pilot chose to, different delivery partners could count the same output (e.g. business assists) – and in practice, this led to **greater collaboration between partners** because they were not competing to count the same business. It also enabled Pilots to **flex the output measures to reflect changing demand.** For example, the “business assist” output measure was variously disaggregated (into 3 hours, 6 hours, 12 hours, etc.) to suit different business (and Pilot) needs, ensuring that those needing light touch support could still be counted.
- 8.17 However, this same flexibility also created major challenges for national-level monitoring. The Monitoring and Evaluation Framework identified and defined a small set of “**common output indicators**”. Their use was “recommended”; but – consistent with the ethos of RGN – it was not mandated. Over time, there was a proliferation of metrics that simply could not be compared or aggregated across the initiative as a whole. The corollary was that over time (and with the exception of jobs and businesses created), the common output indicators were increasingly less well populated and therefore progressively less useful as a device for reporting Initiative-level progress. The **collection and reporting of pre-intervention beneficiary data** was also agreed, in principle, with the Pilots but it proved problematic in practice. Monitoring returns contained gaps and inconsistencies which hindered the analysis of the wider population of beneficiaries.
- 8.18 With hindsight, **the approach to monitoring – agreed by all parties in 2013 – struggled, in practice, to accommodate meaningfully Pilot-level innovation and ongoing evolution in the choice and definition of metrics. However – on reflection – it also encapsulated perfectly some of the dilemmas and choices linked to devolved delivery, and some of the major insights and lessons from the RGN Pilot Initiative.** One solution would have been to abandon any form of centralised monitoring – although this would have presented risks in terms of accountability and reporting at the national level. Another would have been to make mandatory the use of a few common output indicators – but then this would have sat uneasily with the ethos of devolution and local autonomy. It is fair to note though, that even at the end of Quarter 11, some of those who had been closest to the monitoring process within the Pilots were still noting the upsides of a more “top-down” approach in relation to this aspect of delivery. For future programmes, it will be important that a clear and explicit choice is made, noting that there are risks linked to both.

Conclusions

- 8.19 Autonomy and flexibility were central themes of the RGN Pilot Initiative and Pilots were trusted to develop and implement their own Delivery Plans, tailored to local needs. Much of the activity that was envisaged at the start was delivered and the new activity brought forward

was broadly in line with overall objectives of RGN. In most cases the Pilots' governance and management structures worked well and these structures were important in 'managing' the flexibility. The one Pilot where new governance structures were not introduced found managing its RGN programme more challenging.

- 8.20 Although dissemination and learning were key aims of the RGN Pilot Initiative, these have been largely focused in each Pilot's local area. It is possible that since activities were deliberately specific to each area's needs then wider dissemination of lessons was viewed as less of a priority (both by the Pilots and Defra). In fact, the useful learning from RGN came not only from the projects that were delivered but also how Pilots have learned to use the autonomy and flexibility.

9. Conclusions and lessons

Key messages from Chapter 9

- Each Pilot designed a programme of activities to address local conditions whilst delivering against the overarching objectives of RGN. All five successfully created a joined up “package” of support, which included a mix of capital and revenue activities, and offered support specifically for WLE
- Managing the flexibility afforded to the Pilots through s31 presented some challenges and responses to it needed to be developed. Overall, where clear and robust governance arrangements were in place, it was managed well
- The RGN support has brought about a range of soft outcomes, including building skills and capacity in the areas of enterprise and business growth, addressing confidence issues and creating sustainable business networks
- The economic impacts achieved to date are modest in scale
- Addressing the consequences of a “lack of critical mass” continues to be the fundamental rural challenge across the five Pilot contexts: the RGN Pilot Initiative has not “resolved” this, but it has identified some ways of managing the consequences

- 9.1 In this final chapter, we reflect on the two main aims of the RGN Initiative (relating to delivering rural growth in new and different ways; and learning from those approaches) and three key research questions which have framed this evaluation (set out in Figure 1-2). We consider each question in turn.

What has the RGN Pilot Initiative delivered?

- 9.2 All five of the RGN Pilots identified poor physical infrastructure, a lack of suitable premises and poor business support as barriers to rural growth, in line with RGN objectives, and set out to address these issues through their RGN programmes. Each Pilot tailored its activities to address local conditions, and **successfully created a joined up “package” of support**, funded by RGN and other sources of match funding. There were some similarities across the five areas – all five included a mix of capital and revenue activities, and offered support specifically for WLE – but the exact composition of each Pilot’s portfolio of activities differed. Specifically, the capital/revenue mix varied, as did Pilots’ interpretation of “networking”, their approach to WLE and the extent to which they were testing innovative and/or challenging new projects.
- 9.3 **The flexibility brought about by using the non-ringfenced s31 funding mechanism** gave the Pilots real autonomy in the way their programmes were designed and delivered. It enabled Pilots to set up their own management and governance arrangements for RGN, and four of the five Pilots created a RGN Board to oversee the Pilot, which comprised public and private sector members and included senior representation from the LEP. **Clear and robust governance arrangements proved critical** in the effective management of a devolved funding stream of this nature. s31 also forced the Pilots to make the decisions, rather than relying on the “rules” surrounding funding streams. Across the board, the Pilots learned a great deal about “*how to manage flexibility*”.

- 9.4 **Pilots delivered their activities broadly as set out in their original plans.** However, there were delays. These reflected contractual delays with Defra at the outset and challenges faced by complex projects (especially large, complicated and multi-partner capital schemes). There were also incremental changes within each Pilot programme, where Pilots had learned more about what worked well (or not) during delivery and could divert resources accordingly in “real time”.
- 9.5 By the end of September 2015, the RGN Initiative had spent just over £11m of Defra/GEO RGN funding (78% of the allocated funding). Total “package” spend (including match funding) was just over £35m. Overall, the leverage ratio was £2.18 for every £1 of Defra/GEO RGN funding. This investment had supported around 4,900 existing businesses and 1,500 individuals who were looking to start a business. Most businesses were micro-sized (almost half employed only one person) and newly established, and most were in non-traditional rural sectors, such as professional, scientific and technical activities.

Figure 9-1: Women-led-enterprise

As noted in Chapter 1, the funding for the RGN Pilot Initiative included around £1.6m from the Government Equalities Office. As a result, supporting Women's-Led Enterprises (WLEs) was a priority for all Pilots. However, different approaches were taken:

- in the North East and Warwickshire, local partners promoted mainstream support to women
- in Cumbria, HotSW and Swindon and Wiltshire, there were women-specific events run by existing network groups.

Despite these differences in approach, the WLE aspect of RGN was successful throughout. The beneficiary survey suggested that half of all beneficiaries were women-led-enterprises (defined as a business managed by a woman or where more than half the management team were women).

In all Pilot areas, RGN funding extended the reach and scaling-up of existing WLE activities, and provided resource to support new WLE activities that would not otherwise have taken place.

Some of the most successful WLE activities were those which were tailored specifically for women. For example:

- WLE intensive action learning group-based support sessions led by the HotSW Pilot proved to be popular and facilitated peer-to-peer learning and knowledge exchange between participants
- in Swindon and Wiltshire, a WLE series of events was held, the topics of which were informed by OECD evidence on barriers to self-employment for women. The events shared ‘real life stories’ of experienced female entrepreneurs, and demonstrated huge latent demand and appetite for WLE-specific support. As a result, more RGN resources were invested in scaling up the offer to WLE
- in Cumbria, a Women's Growth Network was created and considered to be one of the main success stories, with positive feedback from participants.

Has the RGN Pilot Initiative made a difference?

- 9.7 The RGN Initiative has made progress against many of the anticipated “softer” and “intermediate” outcomes set out in the original RGN logic chain. From the perspective of individual beneficiaries, the support has helped to build **skills and capacity** in the areas of enterprise and business growth – addressing **confidence** issues has been particularly important. In addition, the development of **sustainable business networks** has led to some degree of knowledge exchange and trading links. Outcomes linked to investment in innovation and reducing business costs have been less widespread, but where these have occurred, some businesses have observed notable improvements to their productivity and

profitability. The majority of beneficiaries would not have been able to achieve these results to the same scale or speed without the RGN intervention – or indeed at all – which suggests they were “*real*” barriers to growth at the outset. This was especially true for new business start-ups supported by RGN. Across the board, **the RGN Pilot Initiative has done much to nurture and support micro-businesses, which are undoubtedly contributing to the sustainability and vibrancy of rural communities.** The legacy of its achievements in this context should be enduring. Moreover, the Initiative has achieved this relatively efficiently – cost per job ratios are broadly in line with comparators.

- 9.8 More widely, the Initiative has **improved stakeholders’ understanding of the rural economy and encouraged wider investment in rural growth prospects.** This was reflected in the fact that all five Pilots considered their involvement in the Initiative to have influenced the development of ESIF strategies, Strategic Economic Plans and, subsequently, Growth Deals. In contrast, the comparators struggled to deliver projects in rural areas over the same time period, suggesting that without Defra’s investment, rural interventions of this nature would not have taken place in the Pilot areas.
- 9.9 However, the initiative has made less progress towards “*harder*” outcomes relating to business performance and pay. Even though 70-75% of RGN beneficiaries reported gaining confidence as a result of the programme, **the proportion of businesses reporting an uplift in turnover due to RGN (just over one-third) was considerably lower, and the proportion reporting growth in jobs was lower still (under a fifth).** Limited progress also appears to have been made in relation to addressing low rural wage levels – and arguably that continues to be a fundamental rural economic challenge.
- 9.10 Where an increase in turnover was reported, **for most the scale of this uplift – in an absolute sense – has been quite small,** and the distribution of impact was skewed to a small number of beneficiaries (which is typical of most business support programmes). Given the *de facto* focus on pre-start and micro businesses – and the limited time between the intervention and this evaluation – this finding could have been anticipated.
- 9.11 However, there remains a question around businesses’ desire to grow. Whilst some are ambitious in these terms, many are less so and/or barriers still remain to scale up their business substantially, particularly in terms of taking on (more) staff. If the ambition really is to achieve economic growth (measured in terms of GVA, GVA/job and jobs created), then different intervention mechanisms and policy levers probably ought to be considered. In this context, there would be a case for suggesting that more should be done to support the growth of “*the vital few*”⁵⁸ – noting that these are more likely to be able to provide higher paid rural jobs and, in time, to improve the performance of rural areas on measures of productivity. However, the advantage of “*knitting together*” a package of support like RGN is that it can include a range of support to suit different needs and ambitions for growth. It is often difficult to tell which beneficiaries have most growth potential when they enter a programme, but if the “*offer*” has clear progression (and/or referral) routes for different types of business and has the ability to address key barriers at specific milestones in a business’s development (e.g. employing the first person), it has greater chances of success for each beneficiary.

⁵⁸ See, for example, “*The vital 6%: How high growth innovative businesses generate prosperity and jobs*”, NESTA, October 2009

What has been learnt from the RGN Pilot Initiative?

- 9.12 Finally, in terms of the RGN Initiative's second key objective – to generate and disseminate lessons around what works – lessons have been learned by the Pilots themselves in terms of encouraging rural economic growth and how to use devolved funds effectively. However, there has been **limited sharing of these lessons beyond the Pilots** to date.
- 9.13 Our findings in respect of lessons learnt from the RGN Initiative, especially in terms of causal relationships that have been documented throughout this report, are many and varied. An overall synopsis is provided in Figure 9-2 below.

Figure 9-2: Lessons learnt from the delivery of the RGN Pilot Initiative

<p>Predominantly at the <u>Pilot</u> level...</p> <ul style="list-style-type: none"> • Good governance: In the context of a devolved and flexible programme, recognise the crucial importance of partnership governance with a clear structure of accountabilities and responsibilities – and recognise that decisions will need to be made on an on-going basis • Aims and objectives: Be clear regarding the overarching aims and objectives of the programme and adhere to them (even when there is pressure to spend more quickly and/or diversionary pressure from stakeholders), recognising that adherence will require some adaptation in delivery • Management and decision-making: Recognise that sometimes it is appropriate to continue with projects that are underperforming and sometimes it is appropriate either to change or terminate them. In all cases though, there is a need for active management and clear decision-making • Programmes of intervention: Acknowledge that across programmes, there is a need for a portfolio of interventions. Some of these ought to be “quick wins” and some ought to be longer term ventures. Equally, it may be appropriate to flex intervention rates⁵⁹ according to local circumstances • Complexity and leverage: Recognise the differences between schemes that are complex, large and risky (although potentially generating significant leverage) and those that are simpler (but dependent on a single funding source); the latter may be delivered much more quickly than the former but in the long run, the former may achieve more • Scale: Recognise that some projects can be too small and some can be too big to be managed effectively within the timescales of a programme like the RGN Pilot Initiative and in the context of the resources that are available at the local level • Timescales: Be realistic in terms of the length of time that projects take to deliver, particularly those with a construction element; where there are major risks/uncertainties (relating to planning permissions, match funding, etc.), ensure that sufficient contingency is designed in <p>Predominantly at the <u>project</u> level...</p> <ul style="list-style-type: none"> • Critical mass 1 – creating scale: Acknowledge that to be effective, projects need to achieve critical mass quickly – and this relates as much to networking/business support projects as it does to enterprise hubs. Particularly in remote rural areas, achieving critical mass is challenging; don't make it even more difficult by focusing on some sectors only at the outset • Critical mass 2 – linking enterprise hubs: Recognise that “critical mass” is just as important for the “delivery machinery” as it is for individual beneficiaries: a network of hubs may prove more resilient than individual hubs operating in isolation, particularly in remote areas where it is then possible to cross-subsidise hubs while demand is building up • Critical mass 3 – linking enterprise hubs to business support: Acknowledge that the use of hubs as a physical focus for the delivery of business support can increase the effectiveness of both; but recognise also that this does not (usually) “happen by chance” and needs to be planned and managed. Linked to this, the RGN experience has shown that by “knitting together” and networking a range of different support provision (and various partners and intermediaries), it is possible to build a sustainable model of support that can effectively reach rural areas • Feasibility/demand: Consider probable demand before investing in enterprise hubs or embarking on business support projects – and learn from earlier schemes and/or similar schemes elsewhere
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⁵⁹ i.e. the ratio between RGN funding and match funding

- **Broadband:** Recognise that high quality broadband is a critical infrastructure for rural businesses and that it must be linked fundamentally to workspace provision: rural broadband is “*getting better*”, but it is not improving as quickly as provision in major urban areas and this is affecting businesses in rural areas. This remains a major issue
- **Hot desks:** Recognise that isolated, home-based, businesses generally want to “*feel part of a business community*”. In this context, there may be very limited demand for hot desks particularly in remote locations with limited “*foot fall*”
- **Project managers:** Recognise the crucial role played by hub managers/co-ordinators and network managers, and ensure that this role is appropriately resourced and supported

In relation to beneficiaries

- **“Feeling part of” a business community:** Recognise that there is an intrinsically social dimension to “*doing business*”, and this is particularly important for small and/or new enterprises in rural areas
- **Building confidence:** Acknowledge that participating actively within a business community needs some level of confidence, and this may need to be created, particularly amongst women
- **Growing a micro-business:** Acknowledge that micro businesses might grow their turnover without necessarily wanting to commit to recruitment. Recruiting staff is a major decision for all firms, but particularly very small ones

9.14 From Figure 9-2, it is important to make one final, overarching, comment. This relates to the core of the relationship between cause and effect⁶⁰ and the rationale for the whole RGN Pilot Initiative which was outlined in paragraph 1.1 – namely the need to address the challenges linked to a “*lack of critical mass*”. Much has been both achieved and learnt in this context at every level in the programme hierarchy. **However, the findings also confirm that addressing the consequences of a “*lack of critical mass*” continues to be the fundamental rural challenge across five – very different – Pilot contexts.** The implication is that locally-appropriate mechanisms – such as networked enterprise hubs and the delivery of business support through key physical centres, enabled by high quality broadband – need to be an on-going commitment.

⁶⁰ i.e. theory of change

Annex A: Reflections on the evaluation methodology

Evaluation framework

- A.1 The Monitoring and Evaluation Framework that was established for this study was informed by a theory and case based approach. It was grounded in the use of logic models, which, drawing on the Magenta Book guidance, were to be used to understand how and why RGN inputs and interventions led to outcomes and impacts. The approach reflected the design of the RGN Pilot Initiative and the expectations of how it would be delivered, in particular the experimental and complex nature of the programme and the likelihood that interventions would evolve over the course of implementation.
- A.2 As a result, mixed methods were deployed. These included quantitative methods (e.g. beneficiary surveys), qualitative methods (e.g. longitudinal cases studies that had developmental aspects), participatory methods (e.g. process evaluations), and comparative methods (e.g. assessing the perspectives of stakeholders in Pilot and non-Pilot areas). The Framework was structured around nested designs and methods, with evidence gathered and triangulated from different methods to confirm and corroborate findings.
- A.3 The evaluation tested impact and causal relationships through a combination of methods:
- setting out theories of change and associated logic models and tracking progress in implementation (inputs and activities) and delivery of outputs and outcomes through monitoring, stakeholder consultations, and longitudinal case studies
 - surveys of beneficiaries, with the intent to consider comparisons over time (using pre-intervention assessments and a post-intervention beneficiary survey)
 - surveys/consultations with stakeholders in Pilot and two non-pilot comparator areas
 - evidence on changing contextual conditions.
- A.4 Ongoing learning was informed mainly by the exploratory longitudinal case studies (i.e. theory building/testing) and the process evaluation, including through in-depth consultation with stakeholders and elements of action learning (on a modest scale) with Pilots, which both encompassed elements of a developmental evaluation.

Reflections on the approach taken

The importance of the developmental approach

- A.5 The developmental aspects of the approach have proved to be essential in reflecting on the changing nature of the elements of the programme at pilot level and also the changing nature of the wider context that initiatives have been implemented within.
- A.6 The process evaluation work with individual Pilots involved five separate rounds of visits over the evaluation period. These have highlighted how the Pilots' individual programmes have evolved over time, including how and why decisions were taken to enhance a particular

project, change another project's focus, or indeed stop a third project altogether. A simple retrospective assessment that tried to reflect on experiences only towards the end of the RGN programme may not have shown the evolution in the same way as the longitudinal approach. In addition, the developmental aspects of the research have allowed the evaluation team to observe how there have been changes in focus and some nuances in the outcomes expected.

- A.7 In a similar way, the longitudinal case studies have also provided a mechanism for exploring issues of this type. For project case studies, there have been up to three rounds of case study visits to gather feedback - from project deliverers, beneficiaries and other parties - on progress, changes in project delivery, and emerging outputs and outcomes. Whilst in some cases, such visits have reinforced messages from earlier rounds, they have also enabled the evaluators to understand in more detail the "project journey" from different perspectives. As well as capturing internal delivery issues and how these have been addressed, the case studies have identified factors in the wider environment that have had an effect on delivery, e.g. relating to how RGN projects are impacted by or impact on other interventions in the landscape, and also the local socio-economic context.
- A.8 Therefore, these qualitative aspects to the evaluation, with their longitudinal and developmental elements, have significantly contributed to the evidence base on, for example understanding:
- how projects and pilots have developed and changed over time, including how they have responded to challenges and barriers
 - changes in the focus of projects and pilots, including through nuances in the expectations of intended outcomes
 - the ways in which wider contextual factors have affected projects and pilots at different times of delivery
 - the nature of cause and effect, by testing and revisiting expectations on the intended outcomes.

The evidence on impact

- A.9 In developing the evaluation framework, the use of comparison or control groups was considered as an option in establishing the counterfactual. However, it was agreed with Defra that an assessment of the counterfactual using these methods was not appropriate in the context of the RGN Pilot Initiative, given the nature of the interventions (which were not 'simple') and also their scale (being too small for the effects to show up in secondary data).
- A.10 The evaluation has shown that these issues have indeed been characteristics of the interventions supported. For example, taken at the Pilot level, there are multiple potential causes of intended outcomes; this has been exemplified by the interaction between individual projects as well as the interaction between projects and the wider landscape. The findings have also shown that the intended outcomes have varied depending on the nature of beneficiaries, which has reflected differing ambitions with respect to enterprise and business growth. In addition, many of the projects have been small scale, which was partly intentional (to test demand) and partly reflective of the extent of the expected "market" for projects. The points noted above under the reflections on the developmental approach also highlight a

fundamental issue that the programme was arguably never in a 'steady state' that would have allowed an empirical impact evaluation to be meaningful in terms of its results.

- A.11 Some of these issues clearly reflect the nature of policy and programme design. The result has been that the assessment of the causal relationships and impact of the RGN Pilot Initiative has drawn on evidence from a survey of beneficiaries, corroborated with feedback from other sources. These include, in particular:
- a comparative assessment between Pilot and non-pilot areas, which has included consideration of whether activities akin to RGN interventions have gone ahead anyway in those non-pilot areas.
 - the evidence from process evaluation visits and the longitudinal project case studies, which have enabled a review of the processes of cause and effect at project level.
- A.12 These sources have provided evidence on the causal relationships and contribution that different activities have made in different contexts for different types of beneficiary, and have been used to develop estimates of the value of RGN support. The evaluation has also considered how far intended logic chains at Pilot and project level have been delivered as postulated by revisiting these logic chains as part of consultations and project-level case studies, thus testing relationships between cause and effect (i.e. the theory of change). One limitation was that it proved not to be possible to include a comparison of pre- and post-intervention outcomes. This was because pre-intervention data could not be collected on a consistent and comprehensive basis across the five Pilots due to challenges in implementing this through the monitoring processes; and this in itself should be seen as a "lesson".
- A.13 The main limitation of the approach to the impact evaluation is that the evidence cannot provide straightforward findings on the overall impact of the RGN Pilot Initiative, and that the strength of claims that can be made about cause and effect are limited. However, given the nature of the policy design, and the varying ways in which the RGN Pilot Initiative has been implemented across five different Pilots, evaluation conclusions were always going to require a degree of nuancing.

Lessons for evaluations of similar programmes

- A.14 Looking to evaluations of similar programmes in the future, there are three key lessons:
- First, if empirical impact evaluation is required, then this needs to be recognised in policy design by ensuring that cause and effect can be tested, e.g. through interventions that are delivered consistently and to a sufficient scale.
 - Second, theory-based approaches (such as the one we have used) benefit from multiple sources of evidence to corroborate the findings from different sources and the revisiting of logic chains. Quantitative estimates can be produced, though the narrative around these is also important in setting out the strength of the claims that can be made on cause and effect.
 - Third, for programmes that are likely to evolve over time, developmental techniques are important in documenting these changes so that process and impact findings can

be interpreted effectively. These techniques require longitudinal approaches to avoid retrospective rationalisation after the event.

Annex B: Detailed methodology for the assessment of net economic impacts

- B.1 This short annex details the approach we used to calculate net GVA impacts for the programme as a whole, detailing each stage of the process and underpinning assumptions where appropriate. This analysis is based on the findings of the RGN beneficiary survey (completed in summer 2015), and it calculates GVA on the basis of turnover impacts.
- B.2 In the beneficiary survey, questions were routed according to whether the beneficiary was a pre-existing business before RGN support, a new start business, or an individual. Therefore, the responses on turnover were analysed separately for pre-existing businesses and new starts, but following the same approach for each group. These two groups – pre-existing businesses and new starts – accounted for 82% of all respondents. Individuals, therefore, accounted for a small share of all beneficiaries. Only 9% of these reported a change to salary levels due to participation in the RGN programme. Given the small numbers involved, we have not also calculated the GVA impacts associated with individuals involved in the programme as this is unlikely to change the overall net GVA impacts notably.

Table B-1: Gross to net analysis of achieved and future potential impacts for pre-existing businesses and new starts

Analysis and assumptions	
Impacts achieved to date	
Achieved gross turnover attributable to RGN	<ul style="list-style-type: none"> Beneficiaries were asked in the survey whether their turnover now was higher/lower/the same (compared to just before engaging in RGN), due to their participation in RGN. Where turnover had changed, and this was attributable to RGN, beneficiaries were asked to quantify this change. All of the following analysis has been cut by type of support received.
Gross to net conversion	
<ul style="list-style-type: none"> Leakage 	<ul style="list-style-type: none"> Beneficiaries were asked for their current business postcode. This was mapped by SQW using GIS. Where beneficiaries were based outside of the LEP geographies covered by the Pilots, this was considered leakage.
<ul style="list-style-type: none"> Deadweight 	<ul style="list-style-type: none"> Beneficiaries were asked whether, in the absence of RGN support, they would have been able to achieve the turnover outcomes above. Responses were coded as follows: <ul style="list-style-type: none"> 'Yes, completely' – full deadweight 'Yes, but later' – partial deadweight - pro-rated, depending on approximately how much longer the beneficiary thought it would have taken you to achieve the outcomes: under a year = coefficient of 0.25 additional; 1-2 years = 0.5 additional; 2+ years = 0.75; don't know = 0.5 'Yes, but on a smaller scale' - partial deadweight - pro-rated according to beneficiary estimate of how large the business would be now in terms of turnover if they had not been involved with RGN. 'Don't know' responses allocated coefficient of 0.5 'Yes, but at a lower quality' - partial deadweight, allocated coefficient of 0.5 'Would probably not have achieved outcomes at all' – nearing no deadweight, allocated coefficient of 0.8 'Would definitely not have achieved outcomes at all' - no deadweight, allocated coefficient of 0.8 Above coefficients are multiplied and applied to the gross turnover attributable to RGN after leakage.

Analysis and assumptions	
• Displacement	• Beneficiaries were asked what percentage of current sales are accounted for by customers in the LEP area. Beneficiaries were then asked, if their business were to cease trading tomorrow, whether they thought any of their competitors would take up their current sales over the next year, and if so, the proportion of sales taken by competitors. The proportion of sales in the LEP area that would be taken by competitors if the business was to cease trading was then applied as a displacement coefficient.
• Substitution	• This has not been included in the analysis. Qualitative research for this evaluation suggests that support would not be available to these businesses in the absence of RGN.
• Multipliers	• A combined multiplier of 1.25 was applied, based on mean benchmarks provided in "research to improve additionality" by BIS (2009) for sub-regional business development and competitiveness.
Net attributable turnover impacts achieved to date	• Resultant value from analysis above, at the level of each beneficiary
Conversion to net GVA impacts achieved to date	<ul style="list-style-type: none"> • Turnover converted to GVA at the level of each beneficiary • Assumed the following, based on ONS ratios: <ul style="list-style-type: none"> ➢ GVA accounts for 45% of turnover for micro-businesses (0-9 employees) ➢ 32% for small businesses (10-49) ➢ 31% for medium businesses (50-249) ➢ 23% for large businesses (250+). • Based on the size of the business at the time of the survey • Source: http://www.ons.gov.uk/ons/rel/abs/annual-business-survey/median-value-added-per-registered-business--2013/sty-abs-median-2013.html
Grossing up to the level of the programme	<ul style="list-style-type: none"> • Calculation of number of beneficiaries across the programme (i.e. population) by broad categories of type of support, based on Q11 monitoring data. • Estimated proportion of pre-existing businesses and new starts within each 'type of support' category, based on survey averages. • Estimated number of pre-existing and new businesses in each 'type of support' category. • Calculation of proportion of beneficiaries in each category observing change turnover, based on survey findings • Calculation of average net GVA impact per beneficiary observing a change and able to quantify, by type of support received • Multiply estimated number of beneficiaries observing change by average net GVA impact per beneficiary to give total net GVA impact, by type of support.
Future potential benefits	
Future potential gross turnover attributable to RGN (over the next three years)	<ul style="list-style-type: none"> • Beneficiaries were asked in the survey whether they expect the support from RGN to lead to a change in their business turnover in the next three years, and if so, whether this will be higher/lower due to RGN, and the scale of this difference attributable to RGN. Future turnover impacts were then calculated, assuming a gradual build up between the time of the survey and 2018. • All of the following analysis has been cut by type of support received.
Gross to net conversion	
Leakage	• As above
Deadweight	• As above
Displacement	• As above
Substitution	• As above
Multipliers	• As above

Analysis and assumptions	
Future potential Net attributable turnover impacts (over the next three years)	<ul style="list-style-type: none"> Resultant value from analysis above, at the level of each beneficiary
Conversion to net future potential GVA impacts (over the next three years)	<ul style="list-style-type: none"> As above, although coefficients were based on the expected size of the business by 2018 (based on the beneficiary's view).
Grossing up to the level of the programme	<ul style="list-style-type: none"> As above Plus, future impacts were discounted at a rate of 3.5% pa in line with HM Treasury guidance and optimism bias was applied at a rate of 20%.

Source: SQW

Annex C: Acronyms used in this report

Defra	Department for Environment, Food and Rural Affairs
C&W	Warwickshire
EAFRD	European Agricultural Fund for Rural Development
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
EZ	Enterprise Zone
GEO	Government Equalities Office
GPF	Growing Places Fund
GVA	Gross value added
HotSW	Heart of the South West
LEP	Local Enterprise Partnership
LGF	Local Growth Fund
M&E	Monitoring and evaluation
MES	Micro-Enterprise Scheme
MOD	Ministry of Defence
RDA	Regional Development Agency
RDPE	Rural Development Programme for England
REG	Rural Economy Grant
RGF	Regional Growth Fund
RGN	Rural Growth Network
s31	Section 31 (of the Local Government Act, 2003)
S&W	Swindon and Wiltshire
SEP	Strategic Economic Plan
SME	Small and medium-sized enterprise
TEN	The Enterprise Network
UEZ	University Enterprise Zone
WLE	Women-led enterprise

Source: SQW

Annex D: List of consultees

D.1 In the tables below, we list those that were consulted – some multiple times – through the monitoring and evaluation process. We acknowledge the inputs that all of these people have made to the monitoring and evaluation of the RGN Pilot Initiative.

Process evaluations

Consultee	Organisation (at the time of consultation)
Warwickshire Pilot	
Dave Hill	Warwickshire County Council
Elaine Weston	Warwickshire County Council
Linsey Luke	Federation of Small Businesses
Matthew Epps	Warwickshire County Council
Nicolas Garnier	Pera (delivery partner)
Sian Williams	Warwickshire County Council
Tim Powell	University of Warwick Science Park (delivery partner)
Cumbria Pilot	
Catherynn Dunstan	Cumbria Chambers of Commerce
Kevin Little	Cumbria Chambers of Commerce
Paul Dodson	Cumbria County Council
Sharron Rourke	Cumbria County Council
Suzanne Caldwell	Cumbria Chambers of Commerce
Heart of the South West	
David Hynd	Peninsula Enterprise (business support delivery partner)
Dr Stephen Bird	RGN Board Chair / LEP Board Member / South West Water
Heather Hillman	Devon County Council
Jackie Tolliday	Devon County Council
Matt Loble	Exeter University
Nigel Stone	RGN Board Member / Exmoor National Park
Paul Hickson	Somerset County Council
Samantha Seddon	Somerset County Council
Steve Turner	Devon County Council
Tim Jones	RGN Board Member / LEP Board Member
Victoria Gage	Devon County Council

Consultee	Organisation (at the time of consultation)
North East Pilot	
Aileen Straughan	Northumberland County Council
Anthony Braithwaite	North East Farming and Rural Advisory Network
Cameron Scott	Northumberland County Council
Dinah Jackson	North East Local Enterprise Partnership
Gillian Roll	North East Local Enterprise Partnership
Heather Smith	Northumberland County Council
Iain Ogilvie	Northumberland County Council
Julie Bullen	Arch
Lisa Harwood	Arch
Other attendees at the Delivery Group Meeting	Northumberland County Council, Gateshead Council, Arch (Northumberland Development Company) and NEEAL
Ray Browning	Northumberland County Council
Sarah Slaven	Durham County Council
Steve Reay	Gateshead Council
Swindon and Wiltshire Pilot	
Chris Simpson	Wessex Chamber of Commerce (business support delivery partner)
Julian Head	Wiltshire Council
Kate Forrest	Wiltshire Council
Maj Adrienne Winchester	43rd (Wessex) Brigade & member of TEN Advisory Board
Mark Bennett	RGN Board Member and LEP Board Member
Peter Beech-Allen	Wessex Forum Ltd
Rob Perks	Wessex Chambers of Commerce (business support delivery partner)
Tim Martienssen	Wiltshire Council

Case studies

Name	Organisation (at the time of consultation)
Eden Ladies' Network, Cumbria Pilot	
Catherynn Dunstan	Cumbria Chamber of Commerce
Jackie Kirkpatrick	Project lead
Eight beneficiaries (anonymous)	
Holsworthy Agri-Hub, HotSW Pilot	
Sean Kearney	Torridge District Council
Andy Champion	Torridge District Council
Peter Quincey	Torridge District Council
Vanessa Saunders	Torridge District Council
Doug Jenkin	Torridge District Council
Jackie Tolliday	Devon County Council
Steve Turner	Devon County Council
Mark Bromell	Kivells
Ten beneficiaries (anonymous)	
Military business support, Swindon and Wiltshire Pilot	
Kate Forrest	Wiltshire Council
Dee Temple-Multon	Wessex Chambers
Chris Simpson	Wessex Chambers
Major Taniya Morris	MOD
Ten beneficiaries (anonymous)	
Small Business Loans Scheme (CWRT), Warwickshire Pilot	
Andrew Scarborough	CWRT
Mike Musson	CWRT
Mike Bygrave	CWRT
Sally Arkley	CWRT
Five beneficiaries (anonymous)	
Knowledge Exchange for Warwickshire Scheme (KEWS), Warwickshire Pilot	
Derek Hall	Coventry University
Andrew Wilcock	Coventry University
Helen Lau	Coventry University
Matthew Epps	Warwickshire County Council
Elaine Weston	Warwickshire County Council

Name	Organisation (at the time of consultation)
Clawthorpe Hall Employment Site and Growth Hub, Cumbria Pilot	
Ed Duckett	Duckett Building Services
Claire Robinson	Clawthorpe Hall Business Centre & Spotted Dog Children's Centre
Joanne Golton	South Lakeland District Council
Ali Brammall	
Catherynn Dunstan	Cumbria Chamber of Commerce
Tracy Hunnam	
One existing tenant at Clawthorpe Hall Business Centre	
North East Rural Business Support Programme, North East Pilot	
Andy Dean	North East Enterprise Agency Ltd (NEEAL)
Sue Parkinson	North East Enterprise Agency Ltd (NEEAL)
Caroline Preston	Gateshead Council
Sarah Marshall	EDBS
Chris France	NBSL
Melanie Thompson-Glen	Juno Consulting
Paul McEldon	North East Business Innovation Centre and Chair of NEEAL
Six beneficiaries (anonymous)	
Wooler Growth Hub, North East Pilot	
Neil Wilson	Glendale Gateway Trust
Tom Johnston	Glendale Gateway Trust
Gemma Douglas	Glendale Gateway Trust
Melanie Thompson-Glen	Juno Consulting
Seven tenant businesses (anonymous)	
Funding for Innovation, Warwickshire Pilot	
Judy Lambourne	Coventry University Enterprise Ltd
Five beneficiaries (anonymous)	
Castledown Enterprise Centre, Swindon and Wiltshire Pilot	
Kate Forrest	The Enterprise Network
Peter Beech-Allen	The Enterprise Network
Godfrey Tilney	The Enterprise Network/Castledown Enterprise Centre
Russell Frith	The Enterprise Network/Castledown Enterprise Centre

Name	Organisation (at the time of consultation)
Helen Winchcombe	The Enterprise Network
Five beneficiaries (anonymous)	
Somerset Network of Enterprise Centres, HotSW Pilot	
Phil Merrick	Somerset County Council
Matthew Ballard	Somerset County Council
Samantha Seddon	Somerset County Council
Six businesses (anonymous)	

Source: SQW

Comparator consultations

Name	Organisation (at the time of consultation)
Lancashire	
Sean McGrath	Lancashire County Council
Ann Turner	Myerscough College
John Welbank	Rural Futures
Elliott Lorimer	Lancashire County Council
Cllr Peter Gibson	Leader, Wyre Council, ex-LEP Board member
New Anglia	
Martin Collison	Collison and Associates
Alastair Rhind	New Anglia LEP
Mark Pendlington	New Anglia LEP Board Member
Ches Broom	Easton College
Jon Clemo	Norfolk RCC
Graeme Lockey	West Suffolk Councils
Pat Holthorn	Waveney LEADER

Source: SQW

Wider consultations (Interim Evaluation)

Name	Organisation (at the time of consultation)
Yolanda Rizzi	Defra
Gordon Jones	Defra
Joanne Gill	Defra
Tracey Boscott	GEO
Roger Allonby	Defra
Andy Dawber	BIS
Paul Cowie	Centre for Rural Economy

Source: SQW

Annex E: Pilot level synopses

- E.1 The summaries which follow provide a distillation of each of the five RGN Pilots (presented alphabetically). In each case, they distil the original objectives of the Pilot programme (as specified at the outset); the governance and management arrangements that were put in place to manage delivery; the portfolio of projects that was delivered and – within this – the principal changes that occurred during the Pilot-level delivery journey; the approach adopted to supporting women's-led enterprise (WLE); and the links that were developed between different elements of the programme, particularly (physical) enterprise and business support components. These synopses distil a great deal of detail and complexity but they represent an important precis of Pilots' activities in delivering the overall RGN Pilot Initiative.
- E.2 The five synopses draw on different strands of evidence, but particularly the five rounds of process evaluation that were completed between spring 2013 and autumn 2015. *The observations we make need to be seen in the context of this overall timeframe; further progress will have been made in some cases after the evidence-gathering for the Final Evaluation was completed.*

Cumbria RGN Pilot – Overall synopsis (to autumn 2015)

- E.3 The Cumbria RGN Pilot planned to test new approaches to supporting rural businesses through the use of growth hubs, new employment sites and increased level of local networking. The programme was designed to enhance and supplement activity being taken forward through the new Cumbria Growth Hub initiative, which aimed to provide a one-stop-shop for all business support in Cumbria.
- E.4 In terms of the rationale for RGN funding and additional support for rural businesses, a wide range of barriers were identified in rural Cumbria. This included: lack of suitable physical infrastructure, poor broadband, distance from markets, high fuel/travel costs, poor transport links, ageing population, high out-migration of young people, and a lack of high skilled jobs.
- E.5 Through the RGN Pilot programme, local partners aimed to “*grow a truly enterprising and successful rural economy and become a beacon of what's achievable*”. The measurable objectives as stated in the Delivery Plan were to: create six employment sites; establish 11 growth hubs; enhance three existing networks enhanced and 3 new networks; create 480 new businesses; create 900 jobs; and engage 7,000 participants in networks.

Governance and programme management arrangements

- E.6 Cumbria County Council was the accountable body for the RGN Pilot but the programme of activity was managed jointly by the County Council and Cumbria Chamber of Commerce. Since the two main RGN partners had years of experience of working together, it was decided at the outset that there was no need to set up a new board or steering group. A management group was set up with representatives of the County Council and the Chamber of Commerce and a RGN stakeholder 'advisory' group was also set up with members of the LEP. The main aim of this group was to promote and secure RGN funding at the start of the initiative.

Portfolio of projects, and how this evolved

- E.7 The Cumbria RGN Pilot identified a mix of capital and revenue projects and these were implemented broadly in line with the Pilot's original plan. Over the years of implementation, the main changes were in relation to the location of the employment sites and the timescales for building these new premises; these slipped by at least a year in most cases.

Table E-1: Changes during implementation

Programme component as specified in the original Cumbria RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
Growth hubs: the development of 11 physical hubs with multi-use rooms for client meetings, training, networking, mentoring and remote learning. Since Cumbria was a BDUK pilot, these hubs were to be prioritised for superfast broadband. The growth hubs were planned for Brampton, Wigton, Alston, Appleby, Blencathra, Cleator Moor, Ambleside, Sedbergh, Clawthorpe Hall, Ulverston and Millom	<p>Growth hubs were set up in community facilities or existing enterprise centres and funded through RGN to provide facilities for a range of events, training and hot-desking. Network groups and business advisers funded through RGN could use these facilities free of charge, with the aim of spreading business support activity across rural Cumbria.</p> <p>The concept worked well at some sites. Millom, Brampton and Cleator Moor were well used for events, hot-desking and business support. Clawthorpe Hall and Ambleside were reasonably well used for events and the Sedbergh Hub, which opened late, picked up activity over the summer of 2015 and will continue to be funded by RGN to January 2016.</p> <p>Wigton, Ulverston and Appleby did not work well as growth hubs due to lack of advisor usage, and in some cases due to disagreements between hub owners and business advisors/trainers.</p>
Employment sites: the creation of six employment sites (within the 11 hubs) providing workspace to meet the needs of the local areas. The original selected employment sites were Alston, Blencathra, Ambleside, Clawthorpe Hall, Ulverston and Millom	<p>The creation of the employment sites took longer than expected. As of October 2015, five employment sites had been completed, but two of these sites (at Kirkby Stephen and Cleator Moor) were replacement projects for the planned sites at Blencathra and Alston.</p> <p>The changes in the Blencathra employment site represented the biggest change in the Cumbria RGN Pilot programme and took up a lot of management time. The Blencathra project was withdrawn when the site owner pulled out at the last minute. Two proposed sites at Alston had to be withdrawn due to contractual issues.</p> <p>The first approved employment site at Clawthorpe Hall was significantly delayed, with the latest opening date expected to be December 2015.</p> <p>In autumn 2015, additional employment site projects were identified to use up the remaining RGN capital funding. The sites were in Appleby and Kirkby Stephen (which was an extension of the existing site, following withdrawal of the Alston project in September 2015).</p>
Support for thematic (sectoral) networks: covering women's enterprise; food and drink; digital and creative; social enterprise; agribusiness/forestry; adventure capital/country sports. The intention was that these networks would provide some training, advice, peer to peer	<p>Various B2B networking groups were supported, in most cases to provide funding for a coordinator, the organisation of events and some one-to-one business support. These thematic networks included adventure capital, agri-forestry, digital and creative, food and drink,</p>

Programme component as specified in the original Cumbria RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
support but also signpost individuals into the core Growth Hub offer	social enterprise and the rural women's network. RGN also funded a family business network. Although the activity delivered by these networks was relatively small scale, most delivered against their agreed targets. The women's network, which again took some time to set up (the original partner Action for Communities pulled out at the start of the programme), was considered to be particularly successful and it helped to create a hierarchy of local networks.
Creation of a rural growth hub web portal: supporting the development of the Cumbria Growth Hub web portal and also part-funding the delivery of start-up and business support activity delivered by the Chamber's growth coaches	The Cumbria Growth Hub web portal provided a gateway for promoting the various support initiatives and providing information on all of the new networking opportunities.
Support and pilot activities: such as rural planning facilitation and pilot schemes addressing specific challenges in rural communities.	Various small scale pilot projects were supported such as Cumbria Rural Enterprise Agency's support to local businesses on renewable energy.

Source: SQW, drawing on process evaluations

Approach to WLE

- E.8 Support to women's led enterprise (WLE) was a key focus of the Cumbria RGN Pilot programme. Support was delivered through the Chamber's main business support programme (women were one of the priority groups) and also through the funding of local women's networks across Cumbria. WLE activity was led by the Chamber and helped integrate the support for individual networks with the wider Cumbria Growth Hub initiative.
- E.9 As well as helping to reinvigorate some existing groups, four new networks were created: Eden Ladies' Network, 'Networking for You' (pan-Cumbria), Clawthorpe Rural Women's Network, and Millom Rural Women's Network. The networks held workshops focusing both on generic start-up issues (e.g. book-keeping, marketing) and issues which were more specific to women (assertiveness and confidence building). The quality of speakers and trainers and the integration with the Growth Hub initiative all contributed to its success.
- E.10 Although economic conditions may have been a factor, the process evaluations found that the new support and networking opportunities through the Cumbria Growth Hub and RGN helped to generate new interest amongst WLEs. Project managers were surprised by the level of demand and the networking activity helped to generate higher numbers of women getting involved in the main Growth Hub support delivered by the Chamber. The provision of networking opportunities and training events taking place in rural communities was viewed as being quite different from what had existed previously in terms of scale and local delivery. The geographic spread of networking events was used by businesses for promotion activities outside their immediate community.

Links between hubs and business support

- E.11 The Cumbria RGN Pilot aimed to develop growth hubs as "one-stop-shops" where businesses could go to training and networking events, access one-to-one business support and drop-in to use hot-desking facilities. In order to incentivise use of the hubs, networks that were

formally part of the Cumbria Growth Hub could use the local hubs for free (since the hubs also received revenue funding). In most hubs, this approach worked well and the hubs were well-used by the different RGN funded networks (Cleator Moor, Brampton and Millom were the best examples, characterised by proactive centre managers and visible locations). That said, there were a couple of sites where the approach did not work out due to disagreements between hub operators and network coordinators.

Overall reflections on activities delivered by Pilot

- E.12 Overall the Cumbria RGN Pilot programme delivered broadly in line with the original Delivery Plan. However, there were significant delays to some projects especially the creation of the employment sites. RGN support contributed to the Cumbria Growth Hub initiative, which brought a range of support under one umbrella. This single branding, as well as the mix of support, helped to increase demand for business support from across the county, particularly start-up support for women. Testing this new distributed model of business support was important. The Pilot found that some rural locations were more effective/appropriate for growth hubs than others.

Heart of the South West (HotSW) RGN Pilot – Overall synopsis (to autumn 2015)

Original objectives, as specified in 2012/13

- E.13 Issues facing rural parts of Devon and Somerset included low wage and low productivity jobs, high levels of part-time working, low levels of innovation, and rural isolation more generally. The area suffered from a dearth of appropriate business workspace (especially small scale, flexible space). There were also planning restrictions in the context of significant protected landscapes. In this context, the HotSW Pilot set out to “create a sustainable rural economy through developing a network of enterprise hubs, which act as a focal point for a range of support for our micro and small business sector”. The growth of high quality jobs was identified as particularly important.
- E.14 The HotSW RGN Pilot adopted a “ladder of business accommodation” approach and aimed to develop a “network” of enterprise/incubation space, flexible work hub space and move on space. The Pilot also planned a programme of business support, including a specific WLE programme, improved access to finance, and access to academic support. In addition, the Pilot set out to fund two “pilots within a pilot”: a whole community pilot approach, to encourage enterprise among young people, and a family business succession planning pilot.

Governance and programme management arrangements

- E.15 An RGN Board was set up to steer and oversee the management of the HotSW RGN Pilot. The Board was chaired by a private sector LEP Board member, and included representatives from the County Councils, University of Exeter, National Parks, AONBs and LAGs. Participation of the University and National Park was particularly useful – the University brought in new, innovative ideas (for example, around the succession planning pilot), and the National Park helped to ensure the Pilot’s “reach” extended to very rural and remote areas.

- E.16 The RGN Board was a sub-group of the LEP's Rural Special Interest Group. This was important in establishing links to wider strategic processes, and will continue to be important in terms of the RGN legacy. Board meetings were held on a monthly basis, moving to quarterly meetings towards the end of the programme. The governance function worked well: members were quite critical and challenging, but this was important in keeping the delivery process moving and, where necessary, holding delivery partners to account. However, it was seen as demanding by those involved – the resources needed to govern and manage a programme of this nature (especially in terms of its complexity and flexibility) should not be underestimated.
- E.17 Devon County Council was the accountable body and managed the Pilot on a day-to-day basis. In relation to the business support aspect of the Pilot, Peninsula Enterprise was commissioned to manage a consortium of delivery partners. In hindsight, some consultees questioned whether this had led to “too many management layers”, partly because of the distance this created between the funder and delivery partners on the ground (and concerns that some partners have not been fully clear on what the Pilot is seeking to achieve).

Portfolio of projects, and how this evolved

- E.18 The HotSW RGN Pilot maintained its broad focus, as set out in the original plans – a large share of its funds were focused on capital builds, a number of which were large-scale, complex projects, often involving a multitude of funding partners. Some of these proved challenging to deliver, mainly due to planning issues, and so there was some slippage in timescales. That said, other parts of the Pilot were delivered to plan, including some capital builds such as Holsworthy and Bicton, and the “pilots within a pilot”. The original plan contained little specificity in relation to business support, innovation, networking and WLE activities. Following a competitive tendering process, a more detailed plan of activities was developed (see table below).

Table E-2: Changes during implementation

Programme component as specified in the original HotSW RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
Seven enterprise hubs at Bicton College, Dartington Estate, Holsworthy Agri-hub, Okehampton, Highbridge, Minehead and Dulverton, and Somerset workhubs.	<p>The portfolio of capital projects has been advanced, and some are complete and operational (e.g. Holsworthy agri-hub and Bicton College). Planning issues delayed some of the more complex/larger schemes. For example, planning issues delayed the Dartington Estate (construction now complete) and Okehampton (ground works now underway).</p> <p>However, the portfolio of enterprise hubs was not particularly well networked, as per the original Pilot vision. This was, in part, due to delays in completing some projects and the fact that others were under construction (through to autumn 2015).</p>
Business support programme , innovation and networking, and WLE	<p>This involved business diagnostics, 1-2-1 support, a specific WLE programme, referrals and vouchers for further support (a “<i>buy with confidence scheme</i>”). The innovation aspect of support did not commence until Oct/Nov 2014.</p> <p>Performance against targets for the general support was initially slow, but the programme caught up towards the end.</p>

Programme component as specified in the original HotSW RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
	WLE activities proved very popular, and as a result, more funding was invested to boost capacity.
Community entrepreneurship pilot	The pilot involved enterprise workshops in schools. It was completed on time and generally seen as successful. It led on to further work around enterprise in education.
Family succession pilot	This pilot involved a 2-day intensive training course for professional succession advisers in Switzerland, the development of a toolkit, and then subsequent events in HotSW. It was delivered on time, to plan, and was seen as very successful in terms of the difference it made to the mindsets and succession planning approaches of those involved.
---	The FabLab project introduced in 2014, and was not part of the Pilot's original plans. It sought to build on the FabLab Devon in Exeter Library but providing a network of spaces/equipment (including 3D printing) across the county. Some consultees argued that the flexibility of RGN enabled the Pilot to take advantage of unforeseen opportunities, but others questioned the fit with RGN's core objectives.

Source: SQW, drawing on process evaluations

Approach to WLE

- E.19 WLE was the largest single strand of the mainstream business support programme. It encompassed a wide range of activities, including half-day taster sessions, “women do business” hubs, and “women in business action groups”. The latter were the most intensive form of support and structured along action learning lines, with 6-8 women meeting 4-5 times over a period of months.
- E.20 WLE support was consistently described as one of the highlights of the HotSW Pilot by stakeholder consultees. It exceeded its targets and was considered to have “tapped into a seam of demand” that few had previously recognised fully. This was explained particularly in terms of socio-economic changes post-recession and the increasing importance of women in the rural economy. In addition, the fact that support was delivered at a very local level by a local delivery partner (Women’s Development Unlimited) in small market towns was seen as critical.
- E.21 However, some elements – like the bursary to join a network – did not generate a great deal of demand. The inference from that was that the cost of joining a network was rarely the principal barrier to participation. Instead, the really key concerns were about confidence and accessibility.
- E.22 A number of the local groups formed through the WLE strand outlived the formal provision of support, suggesting that beneficiaries attach real value to their participation.

Governance and programme management arrangements

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- E.25 However, some elements – like the bursary to join a network – did not generate a great deal of demand. The inference from that was that the cost of joining a network was rarely the principal barrier to participation. Instead, the really key concerns were about confidence and accessibility.
- E.26 A number of the local groups formed through the WLE strand outlived the formal provision of support, suggesting that beneficiaries attach real value to their participation.

Links between hubs and business support

- E.27 There was limited evidence of linkages between the hubs and business support in the period to autumn 2015. Three factors appear to have affected this:
- first, as noted above, the construction of some hubs was delayed and/or (as of autumn 2015) they were yet to open
 - second, there was no contractual requirement for the RGN-funded business support to be delivered in RGN-funded hubs, as in other Pilot areas. Pragmatically, there was a need for flexibility but given the overall ethos of the RGN Pilot Initiative, more widespread and consistent join up could have been possible
 - third, in some instances there was a real “coming together” with the managers of enterprise hubs working closely and proactively with the support providers. However, in other cases, the two parties did not “gel” and/or the venue was not considered appropriate. Under those circumstances, alternative locations were often found for the delivery of support.

Overall reflections on activities delivered by Pilot

- E.28 The HotSW Pilot sought to progress some challenging and complex capital builds, where the RGN voice was one of many. Some of these projects took longer to progress than anticipated, but nonetheless, they have the scope to generate substantial impacts on their respective local economies in the future. WLE activities were very successful – especially those involving action learning. Focusing on confidence, and hosting events in accessible locations, were also important factors in their success. With hindsight, the hubs and business support elements of

this programme could have been more closely linked – a contractual agreement might have been helpful.

North East RGN Pilot – Overall synopsis (to autumn 2015)

Original objectives, as specified in 2012/13

- E.29 The original aim of the North East RGN Pilot was to pilot four approaches to enterprise support and development in the rural areas: live-work; smart-work; incubation; and creative industries. The Pilot was also focused on helping to retain and grow micro and small enterprises; operating a rural economy grant; developing a more flexible planning system; and providing intensive and targeted business support to firms based in rural communities across Northumberland, Durham and Gateshead.
- E.30 The main issues and barriers to rural growth were identified as the lack of small office accommodation to encourage the growth of new and existing businesses; limited access to services including business support; poor broadband access; low wages and low levels of GVA.
- E.31 The North East RGN Pilot aimed to grow the rural economy by: creating 53 new business / smart work space units; supporting 200 businesses (with 150 in priority sectors and 50 women led businesses); helping to create 40 new businesses; helping to create or safeguard 300 jobs; and increasing GVA by £6m.

Governance and programme management arrangements

- E.32 Although Northumberland County Council acted as the accountable body for the North East RGN Pilot, the management of the North East RGN Pilot programme involved Durham County Council and Gateshead Council and a broad range of other public and private sector representatives. In terms of governance structure, there was a Programme Steering Group, a Delivery Group which managed operational issues and both the Small Business Growth Fund (RDPE) and Flexible Enterprise Development Fund (FEDF). In addition, the Delivery Group was supported by four task groups.
- E.33 The partnership approach was a key strength of the North East RGN Pilot and stakeholder feedback indicated that the RGN Pilot helped to raise the profile of the rural economy in the North East and had some influence on the Strategic Economic Plan and European Structural Investment Fund Strategy. Generally, the management structures worked well and partners adopted a transparent and inclusive approach.

Portfolio of projects, and how this evolved

- E.34 The table below sets out the portfolio of projects and summarises the process of implementation (through to autumn 2015). All six areas of project activity were delivered with the exception of the new approach to planning which was linked to the development of live-work units. As anticipated, the development of enterprise hubs and the delivery of additional business support in rural areas were the two main strands of activity of the North East RGN Pilot programme

Table E-3: Changes during implementation

Programme component as specified in the original North East RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
<p>Enterprise hubs: four hub clusters were planned across North Northumberland (creating smart-work space in Wooler and Alnwick), West Northumberland (piloting live-work units on the Charlton and Hesleyside Estates), Middleton-in-Teesdale (incubation units), and Derwent Valley (creative industries hub)</p>	<p>The Pilot originally planned to create six hubs. By the end of the programme, 11 hubs had been created across 13 sites in (from north to south) Wooler, Lee Moor, Alnwick, Hawkhill, Amble, Kirkley Hall, Dissington Hall, Hexham, Gibside, Middleton and Castle Eden.</p> <p>The biggest change within the North East Pilot programme was the decision to withdraw plans for the live-work units after a feasibility study found insufficient local demand. As a result, half of the North East's capital programme was reallocated to funding alternative hubs. Six more hubs were funded and double the number of units were created with the same level of funding.</p>
<p>Enterprise support: a package of intensive business support, mentoring and facilitated networking for business located in and around the hubs</p> <p>Delivery of a Micro Enterprise Grants Scheme for micro businesses, targeted within the Pilot area</p>	<p>The two-year rural business support programme supported existing SMEs and new starts and was delivered by NEEAL (North East Enterprise Agencies Ltd), a consortium of local enterprise agencies, and Gateshead Council. A team of Rural Economic Development Officers was recruited to undertake initial diagnostics, signpost to other support, organise workshops and deliver one-to-one support for growth businesses or those in priority sectors. Where required REDOs could help businesses apply for grants through the Small Business Loan Fund (funded by RDPE) and the Flexible Enterprise Development Fund.</p>
<p>New approach to planning: as part of the development of live-work units, Northumberland National Park Authority planned to test and develop simplified planning policies to encourage enterprise activity</p>	<p>Activity was linked to the proposed live-work units which were withdrawn due to insufficient local demand.</p>
<p>Rural economy research: work with Newcastle University's Centre for the Rural Economy (CRE) to undertake research on enterprise hubs and rural networking</p>	<p>Some initial research was undertaken by CRE on enterprise hubs and this informed the creation of a network of hub operators, 'Rural Connect'. This network was set up in 2014 and – by autumn 2015 – included 35 hubs in the North East (all hubs not just those funded by RGN) to learn from each other and jointly promote hub facilities. This is an example of a project that was not envisaged at the outset but evolved as the programme developed and helped to bring together organisations involved in supporting rural enterprise.</p>
<p>Broadband support: provide additional support where required to stimulate business demand for superfast broadband</p>	<p>A Digital Broadband Engagement Officer was recruited to work with the Digital Durham and iNorthumberland broadband teams. However, when this person left the post, RGN partners decided not to continue with this strand of activity (as there was sufficient support through existing broadband teams).</p>

Source: SQW, drawing on process evaluations

Approach to WLE

- E.35 Women Led Enterprises (WLEs) were a priority group for the North East's RGN Pilot. Although there were no specific WLE projects, the rural business support programme actively promoted its services to women and there were some bespoke WLE events. The monitoring data showed around half of beneficiaries were women and there was a high representation of women in the team of REDOs (seven out nine). Some of the support to local business groups had a strong focus on women's enterprise such as the work with creative businesses in Allendale and support for women's networks in Gibside and Upper Teesdale. The North East RGN Pilot deliberately mainstreamed its support for WLEs and based on the feedback from stakeholders and monitoring data, it would appear that this approach worked well.

Links between hubs and business support

- E.36 One of the key principles of the North East RGN business support programme was to make sure that it built on existing support and infrastructure. As a result, a lot of the business support was delivered at the enterprise hubs through workshops or one-to-one REDO support to tenants. The links between hubs and business support were further strengthened when the NEEAL project manager was commissioned – in addition – to set up and facilitate the new network of hub operators, 'Rural Connect'.
- E.37 As evidenced in the Wooler case study (see Chapter 4), the REDOs' support was seen by businesses as part of the package of support available at the hubs. Whilst this was highly valued by businesses at the time, the final round of process and case study consultations highlighted there was a gap in business advice following the end of the rural business support programme in March 2015. That said, through the Rural Connect network the hub operators are now better integrated into wider business support to be able to provide some basic advice and signposting.

Overall reflections on activities delivered by Pilot

- E.38 Demand for business support was high, which was important since the aim was to engage with a wider (and more rural) pool of businesses. There was strong demand for grants provided through the programme. There was also reasonably high demand in terms of hub occupancy. However, levels of demand varied depending on the local area, availability of other business space, and how proactively the Hub was promoted. The level of interest in the Pilot from hub managers was higher than expected. The hub commissioning process generated interest from public, private and third sector organisations (National Park, Northumberland College, privately run stately homes).

Swindon and Wiltshire RGN Pilot – Overall synopsis (to autumn 2015)

Original objectives, as specified in 2012/13

- E.39 The S&W Pilot planned to adopt a "hub and satellite" model of physical workspace, which would be connected via "enhanced communication infrastructure" and business services/support delivered at the centres. These components would be brought together

effectively as a network. The focus of this Pilot was on “hidden” rural populations, especially military personnel and spouses, and women.

E.40 The Pilot’s main aims were to:

- increase employment and economic activity in rural areas
- inspire entrepreneurial attitudes and behaviour, especially amongst military populations and women
- develop a pilot that has sufficient critical mass to be economically viable, scaleable and ultimately self-funding.

E.41 These objectives were set in a context of rural isolation issues, poor connectivity, high female unemployment rates and – a differentiating characteristic of the Wiltshire rural economy – a high military population living the area (with limited access to enterprise support, limited networks outside of the MOD, under-employment and challenges associated with transient lifestyles, but at the same time significant opportunities associated with military leavers, redundancies and the latent economic capacity of spouses).

Governance and programme management arrangements

E.42 An Advisory Board was established at the outset to oversee the delivery of the RGN Pilot. This consisted of representatives from the LEP, the MOD, the Business Support Service and the two Councils. During the early stages of delivery, it was recognised that the Board would benefit from more private sector representation; thereafter private sector satellite centre managers were invited to join, and this provided a useful commercial perspective on the Pilot’s approach.

E.43 Through work of the Advisory Board, relations with the MOD improved significantly. This was aided by having a Senior MOD representative on the Board who could both influence and “open doors” within the MOD and understood the enterprise imperative of RGN. There were also good links with wider strategy planning activities across the LEP: the Advisory Board Chair was a LEP Board member and sat on the ESIF committee, a number of the Advisory Board members also attended the LEP rural economy sub-group. However, at the same time, some distance from the LEP was useful – the Pilot was able to progress, without the need for management from the LEP.

E.44 The Board met monthly initially, although in the later stages, this moved to quarterly meetings. It found a substantial amount of its time was dominated by REG and capital works to begin with, before widening its focus to more strategic aspects of delivery.

E.45 The Pilot had a dedicated manager, employed by Wiltshire Council, who liaised with projects on a regular basis to discuss operational issues and track progress and provided links to the ESIF officer working group. At an operational level, the Pilot Manager was supported by a small team of centre managers and a communications consultant.

Portfolio of projects, and how this evolved

E.46 In S&W, the RGN Pilot was branded as “The Enterprise Network” (TEN). This comprised enterprise centres (Castledown, the White Horse Centre and the Manor House), wider satellite

centres, a business support service (which included networking events and activities) and a specialist advice grant, alongside wider broadband and intranet activities, communications. In addition, the TEN branding encompassed the Rural Enterprise Grant Scheme.

- E.47 The portfolio of projects was delivered broadly in line with the Pilot's original plan, with some adjustments to activities in response to changing contextual conditions and learning during the delivery process, as outlined in the table below.

Table E-4: Changes during implementation

Programme component as specified in the original Warwickshire RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
Physical workspace: hot-desking, start-up space and networking space. This includes core enterprise centres, and wider public and private sector led satellite centres [plus a centre in Salisbury, an urban location and therefore not RGN funded but part of the TEN package].	<p>Hubs and satellites opened as planned, and a centre manager network was created to share best practice (the latter was not part of the original logic chain but has proved helpful).</p> <p>There were some issues around low occupancy in some areas (especially Castledown).</p> <p>Uptake of hot-desking was low, but the "co-working" offer was more popular (on a monthly subscription).</p> <p>The creation of private sector led satellite centres took longer and was on a smaller scale than expected, partly due to lower demand from the private sector.</p>
Business support service, including flexible 1-to-1 and 1-to-many advice, specialise advice, mentoring and coaching, and networking events.	<p>This was delivered by Wessex Chambers of Commerce ("<i>Wiltshire Business Support Service</i>", now "<i>Inspire</i>"), which involved the delivery of business support and advice, networking events (including a series of WLE events) and 1:1 mentoring by advisers. Support was available to all rural businesses, but provision was increased for WLE and military populations.</p> <p>There was a shift in the focus of military support, following a reduction in the number of military leavers and further research into demand, towards a focus on military spouses.</p> <p>There was also a shift towards more targeted WLE support (see below) and increased investment in this area.</p>
--	<p>In addition to the business support above, Wiltshire Business Support Service also administered a Specialist Advice Grant. Specialist advice which was part of the original plan, but not specifically in the form of a grant. This was introduced in October 2013 in response to demand and a gap in provision, and taken up quickly.</p>
Broadband and intranet to connect the hubs and satellite centres, and provide superfast broadband in all centres.	<p>Superfast broadband was delivered as planned, and events were successfully streamed across centres.</p>
Communications strategy	<p>A communications strategy was developed during the early stages of the Pilot for the TEN programme as a whole. This included a website refresh, the creation of an intranet for centre tenants, and a Twitter account.</p>

Source: drawing on process evaluations

Approach to WLE

E.48 WLE was a core priority within the business support activities, and RGN provided additional resources to increase delivery capacity for WLE support. Initially, this mainly comprised “generic” business support available to women in rural Wiltshire, but in spring 2014, a specific calendar of WLE was developed in 2015. This was designed to reflect the findings of an OECD report at the time on barriers to WLE, and so events were held on issues raised in the research (networking, aspirations, time management and access to finance). These WLE activities were considered by S&W consultees as one of the greatest successes of the Pilot because of high take-up and positive feedback from those involved on the difference it made to them and their business. Key factors influencing this were:

- building on OECD evidence, which helped to identify relevant and significant issues
- personalities that led the events, including inspirational females who could talk about “real life stories”
- the ability to network at events
- having a diverse, flexible offer – which was well connected to other aspects of TEN – and doing so at scale with some continuity (in the past, a small number of WLE events had been held, but on an ad hoc basis)

Links between hubs and business support

E.49 The physical hubs, business support and grants offer were well-integrated and tightly managed as a “one-stop-shop” for businesses and those interested in starting up a business. The consistent use of TEN branding helped in this respect, and the various aspects of TEN were seen as very complementary. The co-location of business support at the centres was also important - business support available to tenants on their doorstep, and business support events held at the centres to raise awareness of the workspace on offer – and a single provider was used to deliver business support, networking events and the specialist advice grant.

Overall reflections on activities delivered by Pilot

E.50 The S&W Pilot created a coherent “network of support” which provided a well-integrated and complementary package of support. Common branding was critical, along with tight management to “hide the wiring”. By the end of the RGN funding, the model was nearing self-sustainability. Including centres in urban areas was important for overall viability (i.e. helping to finance centres in remote rural areas as they became established).

Warwickshire RGN Pilot – Overall synopsis (to autumn 2015)

Original objectives, as specified in 2012/13

E.51 With an emphasis on growth and innovation, the Warwickshire RGN Pilot aimed to provide a package of support to help rural businesses to grow and to provide support for new start-ups. This was against a backdrop of parts of the county, in particular in the south of Warwickshire, having good start-up rates but below average business growth rates, high business failure

rates, and below average levels of productivity. In the north of the county, where start-up rates were lower, there was to be outreach and support for enterprise.

- E.52 The main objectives of the Warwickshire RGN Pilot were to create wealth and jobs by delivering, within three years: help to 400 businesses in rural Warwickshire to develop and grow and to 120 individuals (including 60 women) to start a new business; creating and safeguarding 500 jobs; and increasing GVA by £50m.

Governance and programme management arrangements

- E.53 There were three key elements to the structure and operation of programme governance and management:

- A Programme Board, set up for the RGN Pilot and comprising senior elected members of Warwickshire County Council (WCC) and officials of WCC, received papers from the Programme Manager for discussion and agreement on delivery actions. This was particularly important in the early days of the Pilot as key decisions had to be taken, and then later to agree any changes to the programme or new funding.
- The Programme Manager chaired an operational group, which involved the delivery partners and met every 2-3 months. This was important in fostering collaboration between the delivery partners, and it has been recognised in the process consultations with WCC and delivery partners as a key strength of the Pilot.
- The Programme Manager also met with projects on a regular basis to check on progress and to assist on particular issues as they arose.

- E.54 The LEP's Rural Business and Farming Focus Group also provided a strategic lead for the initial proposal for Warwickshire to become one of the RGN Pilots, and then the development of the RGN delivery plan in Spring/Summer 2012. This group was then merged with the LEP's SME Business Group as part of a wider rationalisation of the LEP's business groups in late 2012. The RGN Board reported to this group at the start, though once the programme was up and running, this became less frequent. The links with the LEP were then maintained through individuals, for example from the Programme Board, delivery partners who sat on LEP sub-groups, and a LEP board member who was on the awarding panel for micro-enterprise grants.

Portfolio of projects, and how this evolved

- E.55 The original portfolio for the Warwickshire RGN Pilot involved six workstreams of activity, which are set out in the table below, along with notes on how these activities evolved. As is evident, the Pilot largely delivered the original programme of activities, with the provision of core business support, and a focus on growth and innovation, including through access to finance. Some aspects of the programme changed and evolved, responding to local contextual issues and in-programme learning and feedback.

Table E-5: Changes during implementation

Programme component as specified in the original Warwickshire RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
Enterprise and business growth: specialist support for start-ups and growth businesses, delivered by Pera through two separate projects.	The start-up project was larger than originally planned given the high levels of take-up. On-going learning also informed the delivery of the

Programme component as specified in the original Warwickshire RGN Pilot logic model	Notes on changes during implementation (to autumn 2015)
	start-up and growth support, e.g. with more flexibilities on the extent of assistance.
Women-led enterprise: specialist women-friendly and accessible support for start-ups, and specialist coaching for growth businesses.	This was primarily delivered as part of Pera's two enterprise and business growth projects, delivering support for start-ups and coaching, rather than as a distinct service.
Property: a new (private sector funded) Rural Innovation Centre at Stoneleigh Park providing business space. In addition, the original intent was for at least two further enterprise centres – one in the north and one in the south of the county – which were to provide business space, hot desk facilities and business support.	The “two further centres” were not established as fixed centres. Instead a range of facilities (e.g. existing business centres, hotels and community centres) was used to provide services. This partly reflected a supply problem of appropriate property in north Warwickshire for a new business centre, and also a decision for the Programme to focus on support for business rather than physical space.
Innovation and technology: specialist support with a focus on the innovation journey (through a knowledge exchange project and an innovation networks project); and the demonstration of new technologies (through an electric vehicle demonstrator project).	There was less activity here, which reflected difficulties in project delivery for the knowledge exchange project, which was closed early, due to a lack of demand, businesses being attracted to other more appropriate support from Coventry University, and difficulties in recruiting graduates.
Access to finance: an RDPE-funded micro enterprise grant scheme; a new access to finance service to help rural businesses access RDPE and other funding programmes; and a small business loans scheme to test demand and fill gaps in provision.	Additional funding was allocated to the micro enterprise grants scheme, given the successes of early rounds, and a small amount of extra support was available through the specialist access to finance advice, which was delivered by the University of Warwick Science Park.
Networking and communication: the intention was for a ‘physical’ and ‘virtual’ network to encourage business-to-business networking, including through a series of events, and ensure links with the business support and innovation and technology activities.	Whilst a business-to-business website was established by Warwickshire County Council, the main networking was found to be organic, i.e. through businesses meeting one another at workshops and events, and through signposting by delivery providers and other organisations.

Source: SQW, drawing on process evaluations

Approach to WLE

E.56 The approach to WLE was built into (i.e. mainstreamed) particular project components, rather than delivered as a separate stream of activity. It was especially a focus for the core start-up and growth support projects delivered by Pera, and there were specific outputs targets relating to supporting women entrepreneurs and women-led businesses. The achievement against these targets was good with 130 of the 210 individuals assisted to start a business being women and 198 of the 341 businesses assisted (with 12 hour assists) women-led. The lessons indicate that this achievement was due to a mix of factors:

- many rural start-ups are women-led/jointly women-led
- the personalities of Pera's advisors, which included several women
- the core support was cross-cutting in terms of sectors
- the targets helped to focus efforts on ensuring women-led businesses were reached

- the contribution from Women in Rural Enterprise (WiRE), which helped to sustain progress (though targets were being achieved for women-led businesses and women entrepreneurs before WiRE became involved).

Links between hubs and business support

- E.57 Compared to other RGN Pilot areas, there was relatively little emphasis in Warwickshire on physical hubs. The Stoneleigh Park Rural Innovation Centre was the single physical centre that was developed by refurbishing an existing building on the Park, and this was used as a venue for business support to some degree. It did, however, involve the development of a public-private partnership with LaSalle, which meant the private sector funded the majority of the costs, and occupancy has been high since the outset (it has been fully let, or near to, since opening. As a result of its success, LaSalle are now funding a larger second phase). Instead of new centres in north and south Warwickshire to provide business space and access to services, the Pilot used a range of different facilities to provide services only. The process consultations indicated that this turned out to be a positive development. Although there were some issues with individual facilities (e.g. due to noise of neighbouring uses), those delivering support, and in particular Pera, found that taking services to where businesses are based (and so using a mix of venues and forms of provision) was effective rather than being fixed on specific places.

Overall reflections on activities delivered by Pilot

- E.58 The Warwickshire RGN Pilot provided support into rural areas that would not have received it to the same extent otherwise. A common point of feedback was that businesses and individuals had previously considered that support was “not for them”, and something that did not reach their communities. Having a mix of support types (e.g. one-to-one and one-to-many through workshops), flexibility (e.g. different intensities of assists and the ability for providers to share businesses), and a combination of activities (e.g. core support, finance support and support for innovation) were all important. The core and financial support were effective in delivering against their targets.

Annex F: Synopsis of case study projects

Table F-1: Synopsis of case study projects

Name of project	<u>Looking forward from 2013: Original rationale for intervention – and how the Pilot/project thought change would happen</u>	→ → → <i>Actual delivery journey (2013-2015)</i> → → →	What had been learnt – through implementation – by autumn 2015
Castledown Enterprise Centre	<p>The Lugershall/Tidworth area on the Salisbury Plain in east Wiltshire is sparsely populated – although there is a large military population in the wider area</p> <p>Aside from the military, there are few employment options – and employment rates are low</p> <p>Through the provision of flexible premises, networking space and an amenity from which to deliver business support, local people – including some with military connections – will be supported to form and grow businesses</p> <p>This will be achieved by refurbishing the existing business unit</p>	<p><i>The fit-out of the enterprise centre took about three months longer than expected; it opened in June (rather than March) 2013. Between Visit 2 (spring/summer 2014) and Visit 3 (summer/autumn 2015), the broadband infrastructure was significantly improved.</i></p> <p><i>Some business support has been delivered from Castledown and latterly, provision has been made for broadcasting business support sessions across Wiltshire's four enterprise centres</i></p> <p><i>However, the rate of uptake (of accommodation) has been very slow (although we understand that progress was made in autumn 2015, after Visit 3)</i></p> <p><i>Over time – and in response – the amount of resource devoted to Centre management has increased. There has been significant churn in relation to the post of centre co-ordinator</i></p> <p><i>In addition, approaches to marketing have evolved and latterly, marketing has focused on Hampshire as well as Wiltshire. The early focus on the military has created perceptions that have proved hard to shift in promotional terms.</i></p>	<ul style="list-style-type: none"> • It seems probable that the scale of potential demand was over-estimated at the start. Within this, the initial emphasis on the military was inappropriate (given the sparsity of the setting) and a formal demand assessment might have been helpful (before embarking on the refurbishment) • In practice, there has been relatively little demand for hot desks (on the terms on which they were made available). There has been more (but still limited) interest in the small business units • At Visit 3 (summer/autumn 2015), the centre had three tenants and an occupancy rate of 15%; although there had been some churn, this was unchanged from Visit 2 (spring/summer 2014). We understand the occupancy rates increased after Visit 3 • Despite slow patterns of take-up, tenants report benefiting from the support delivered through Castledown and through some informal networking.
Clawthorpe Hall Growth Hub and Employment Site	<p>Evidence suggests that there is a shortage of business accommodation in South Lakeland</p> <p>Clawthorpe Hall is an existing – and successful – Business Centre which will be extended in two ways:</p>	<p><i>In the sense of “activities”, the Growth Hub element of the project has been delivered broadly as planned</i></p> <p><i>However, the Growth Hub has not been used by either local businesses or local business advisers (including those involved in the wider Cumbria RGN Pilot). The</i></p>	<ul style="list-style-type: none"> • The Growth Hub is not leading to outcomes associated with the growth of local SMEs • The employment space was – at the time of Visit 3 – yet to be completed and hence it is not possible

Name of project	<u>Looking forward from 2013: Original rationale for intervention – and how the Pilot/project thought change would happen</u>	→ → → <i>Actual delivery journey (2013-2015)</i> → → →	What had been learnt – through implementation – by autumn 2015
	<ul style="list-style-type: none"> designating it as a Growth Hub and using it as a venue for the delivery of business support and for business networking increasing the premises provision <i>in situ</i> <p>The consequence will be that new businesses move in to Clawthorpe Hall; and existing businesses – both tenants and those based elsewhere – will grow as a result of business support and networking</p>	<p><i>intention now is that the facilities will instead be marketed to larger corporate clients</i></p> <p><i>There have been substantial delays in terms of developing the new employment provision. The original deadline for completion was March 2014. By Visit 3, the estimated completion date was October 2015. The delays are explained in terms of:</i></p> <ul style="list-style-type: none"> <i>difficulties in securing match funding</i> <i>lack of project management capacity</i> <i>challenges in securing contractors owing to an upturn in construction activities locally.</i> 	<p>to comment on whether there is local demand on the scale assumed at the outset</p> <ul style="list-style-type: none"> The original assumed relationship between cause and effect (i.e. the theory of change) is looking fragile at this juncture. There may be a “vicious circle” in here – i.e. had the employment site been delivered, the Growth Hub might have worked better On reflection, a project of this nature in a location that would not naturally generate “footfall” - i.e. it is not in a market town – was always likely to struggle
Eden Ladies’ Network	<p>Women in Appleby/Upper Eden Valley who are running businesses (or aspire to run businesses) are often very isolated.</p> <p>Networking will build women’s confidence, improve their skills and reduce their sense of isolation.</p> <p>It will also provide a basis for collaboration and trade.</p>	<p><i>The Network emerged prior to the formation of the Cumbria RGN Pilot, driven largely by the energy and enthusiasm of the founder, with support from the Cumbria Chamber of Commerce. The founder’s early role in recruiting members and persuading them to turn up to Network meetings was critical</i></p> <p><i>The Network became more formalised once Defra/GEO RGN funding was in place and – having previously met at different locations – it was delivered at one venue (in Appleby)</i></p> <p><i>A change of Network co-ordinator, and then ill-health, meant that some meetings had to be cancelled. Sustaining interest, “freshness” and attendance proved challenging in this context</i></p>	<ul style="list-style-type: none"> Women are interested in networking and they report gaining benefits from it – particularly in building confidence and developing business relationships; and there are examples of women forging links and “doing business” with each other However for the Network as a whole, achieving critical mass and sustaining engagement is difficult – particularly when the Network is very dependent on a small number of specific individuals and when participants drop in and out for reasons that are hard to anticipate
Funding for Innovation (F4I)	<p>The project will address two barriers to innovation for rural SMEs: the lack of affordable finance and skills</p> <p>Small grants will be invested in new processes, products or services – through collaborative projects –</p>	<p><i>Delivery partners and stakeholders actively promoted the project early on</i></p> <p><i>However, initial uptake was slow and three explanatory factors were identified mid-stream:</i></p>	<ul style="list-style-type: none"> The existence of demand for small scale innovation grants in rural Warwickshire has been demonstrated across a broad range of sectors

Name of project	Looking forward from 2013: Original rationale for intervention – and how the Pilot/project thought change would happen	→ → → Actual delivery journey (2013-2015) → → →	What had been learnt – through implementation – by autumn 2015
	<p>which in turn will help firms to grow (collaboration is key to addressing skills issues)</p> <p>There will be a particular focus on environmental sectors, plus retail and agriculture (mainly because of their ineligibility for ERDF)</p> <p>The project will test the level of demand for small scale innovation grants</p>	<ul style="list-style-type: none"> the difficulty of identifying SME collaborators uncertainty surrounding match funding – and whether “time devoted by the business” could count the focus on specified sectors <p>Subsequently, the project was simplified to address all three points, and demand increased</p>	<ul style="list-style-type: none"> Business-to-business collaboration as a route to skills development however has proved difficult to implement; in most cases, this element failed <p>Grants have been used to fund innovation projects but it is too early to take a view on the extent to which these will lead to business growth</p>
Holsworthy Agri-Hub	<p>In the context of a remote rural economy which is very dependent on agriculture, the process through which change will happen is defined over two phases of delivery</p> <p><u>Phase 1:</u></p> <ul style="list-style-type: none"> Improved quality/scale of livestock market facilities will attract farmers from a wider catchment and allow for a higher value market (e.g. rare breeds) Creation of a market place “hub” will encourage networking, particularly between farmers and ancillary services (with the latter making use of kiosks) A Café within the “hub” will be used for training and business support on non-market days in order to improve skills <p><u>Phase 2:</u></p> <p>Co-location of the market, hub and phase II employment land will create critical mass across a wider range of employment-related activities</p>	<p><i>The delivery of physical elements of Phase 1 proceeded to plan and construction was completed in August 2014</i></p> <p><i>However, training and business support has not been delivered through the café on non-market days; this element of the project has been lost in delivery in the context of changes in personnel</i></p> <p><i>Phase 2 of the project (which was important in terms of the expected scale of overall project impacts) is moving slowly. Planning applications have been submitted, but it will take some time before the site is progressed, with implications for achieving critical mass.</i></p> <p><i>A large share of the private sector leverage for this project (£8m) was dependent on the redevelopment of the old livestock market. Despite acquiring the site, Tesco has stated that it no longer intends to build there and hence the leverage is lower than expected.</i></p>	<ul style="list-style-type: none"> There has been demand for the new livestock market – bolstered by intensive marketing prior to the launch. The volume and value of trade has increased, and the catchment area has broadened Demand from ancillary businesses has been high and additional kiosks have been constructed to accommodate these businesses on market days although this appears to be generating limited impacts currently The importance of critical mass has been recognised. However, a strong sense of networking across the market place “hub” may not materialise fully until Phase 2 is developed (noting that Phase 2 will not be delivered quickly) – and this in itself is presenting some risks The Agri-Hub project is not currently improving skills outcomes – although the original intention was to do so

Name of project	<u>Looking forward from 2013:</u> Original rationale for intervention – and how the Pilot/project thought change would happen	→ → → <i>Actual delivery journey (2013-2015)</i> → → →	What had been learnt – through implementation – by autumn 2015
Knowledge Exchange for Warwickshire (KEWS)	<p>Coventry University has a track record in knowledge transfer schemes and it understands the barriers to engagement experienced by smaller SMEs.</p> <p>It will therefore adapt and tailor an existing scheme to smaller SMEs and test this with rural businesses. They will be able to benefit from academic engagement and graduate placements.</p>	<p><i>Some 17 businesses were potentially interested, but this translated into only one KEWS project. The project was formally terminated in early 2015.</i></p> <p><i>The reasons for its limited uptake included:</i></p> <ul style="list-style-type: none"> <i>difficulties in raising the profile of the scheme – and the possibilities offered by competing schemes</i> <i>difficulties recruiting graduates (many of whom do not have a car) that could work with rural SMEs</i> <i>competition for graduates from a major local employer</i> 	<ul style="list-style-type: none"> The original relationship between cause and effect (the theory of change) assumed some level of demand from rural SMEs for knowledge transfer projects. Along with demand for other types of innovation support, this appears to have been confirmed (although the consequence has been the uptake of other schemes) However, the KEWS project was probably the “wrong” solution. It did not itself really work for a range of reasons – some administrative and some linked to contextual factors
North East Rural Business Support Programme	<p>The project will address rural SMEs’ lack of engagement in mainstream business support</p> <p>Support will be developed through a distributed hub model with a team of locally-based Rural Enterprise Development Officers (REDOs) providing coaching and signposting</p> <p>Networking will increase as a consequence, and rural SMEs will engage better in existing business support schemes</p> <p>Existing rural SMEs will grow and new ones will be created</p>	<p><i>The project was delivered by North East Enterprise Agencies Limited (NEEAL), a consortium of local enterprise agencies</i></p> <p><i>REDOs were equipped to work closely with businesses on a flexible basis; this allowed “the offer” to evolve continuously. Much of the REDO support was delivered at the enterprise hubs</i></p> <p><i>The original “referral model” was difficult to implement as “other programmes” were simultaneously being cut</i></p> <p><i>High levels of demand were generated without any proactive marketing because the REDOs brought existing relationships and were well ensconced in local areas from the outset</i></p> <p><i>One project manager was also involved in “Rural Connect” (linking hub operators) and this provided further synergies with other parts of the RGN Pilot programme, particularly in the later stages of delivery</i></p>	<ul style="list-style-type: none"> Rural SMEs have been strongly engaged. They have been signposted on to mainstream provision where this has been available, and other RGN funded support such as the Flexible Enterprise Development Fund The distributed hub model – using locally-based REDOs – has proved to be effective The project has exceeded all of its output targets. It has engaged businesses from a wide range of sectors and over half of the outputs have related to women Whilst new businesses and jobs have been created, the extent to which the businesses supported by the programme have long term growth potential is as yet unclear

Name of project	<u>Looking forward from 2013: Original rationale for intervention – and how the Pilot/project thought change would happen</u>	→ → → <i>Actual delivery journey (2013-2015)</i> → → →	What had been learnt – through implementation – by autumn 2015
Somerset Network of Enterprise Centres	<p>Investment in three enterprise centres will increase provision for small businesses – and a demand study has indicated that there is currently a shortfall. The intention is to provide both small office units and hot desks.</p> <p>Networking from each of the centres – and to a degree across them – will reduce rural isolation.</p> <p>The consequence of better provision and increased networking will be business growth.</p>	<p><i>Overall, the project has been delivered broadly as planned although with delays. By autumn 2015, Highbridge had some tenants; the other two enterprise centres had no tenants</i></p> <p><i>At Highbridge, design changes were needed to secure planning permission in the aftermath of the winter 2014 floods</i></p> <p><i>At Minehead, there have been unforeseen design and engineering challenges which have delayed completion (which is not expected until early 2016)</i></p> <p><i>Although not formally part of the Pilot programme, Torbay Development Agency (TDA) was appointed to manage the network of enterprise centres and this role is proving to be important. However, the process of appointment took longer than had been planned</i></p>	<ul style="list-style-type: none"> At Highbridge, the pattern of uptake has been mixed. Although early days, demand so far has been stronger for the industrial units than for accommodation in the Innovation Suite. Highbridge is close to J22 on the M5, and this may be a factor After a few weeks of occupancy, beneficiaries – several of which had previously been home-based – referred to the sense of a “buzzing small business community” at Highbridge; the role of the TDA manager seemed to be important in this context. After a matter of weeks, it is too early to comment on outcomes and impacts – although beneficiaries are anticipating growth The other two enterprise centres have yet to be occupied
Warwickshire Small Business Loans Scheme	<p>The project will provide loans (usually of around £10-15k, but the maximum available will be up to £50k) to address unmet demand from rural SMEs to access finance, and it will help them to grow</p> <p>It will also test the level of demand for finance in rural areas</p>	<p><i>Initial uptake was strong with risks of over-subscription, possibly because of pent-up demand. In this context, active promotion was stopped</i></p> <p><i>In parallel, new alternative provision came on-stream through the delivery provider (e.g. as part of national Start-Up Loans scheme)</i></p> <p><i>Marketing was subsequently consolidated across different schemes, leading to adequate demand in later stages of delivery</i></p>	<p>The existence of demand from small rural businesses in Warwickshire for loan finance has been demonstrated, including amongst start-ups and early stage businesses</p> <p>The outcomes of the loan finance have been mixed to date. Where outcomes are identified, impacts should follow by:</p> <ul style="list-style-type: none"> precipitating or accelerating enterprise creation enabling established companies to move to new premises, invest in equipment and improve cashflow
Wiltshire Military Business Support	<p>There is a significant military presence within rural Wiltshire and it is probable that that MoD will restructure operations over the next few years</p>	<p><i>The project had a very slow start, in part because the scale of military redundancies was very much lower than originally anticipated</i></p>	<p>Some elements of the original relationship between cause and effect (i.e. the theory of change) have been challenged. In particular:</p>

Name of project	<u>Looking forward from 2013: Original rationale for intervention – and how the Pilot/project thought change would happen</u>	→ → → <i>Actual delivery journey (2013-2015)</i> → → →	What had been learnt – through implementation – by autumn 2015
	<p>There is an opportunity/need to make military leavers and military spouses more aware of the opportunities for enterprise; and to give those that are interested the confidence and skills to set up a new business</p> <p>In response, the project will provide tailored support (both one-to-one and through events) to military leavers and spouses</p> <p>The outcome will be new businesses created by individuals with a strong military connection</p>	<p><i>It also evolved because relationships with MoD improved. Initial plans to provide a tailored programme of support for the military changed, as access “within the wire” improved and the decision was taken to signpost leavers/spouses to generic support rather than provide a radically different product. However, demand (and associated RGN expenditure) remained relatively low.</i></p> <p><i>A demand study was commissioned – in summer 2014 (i.e. a year after the start of the project)</i></p> <p><i>Informed by the findings from the study – and in the light of the much-reduced scale of redundancies – the focus of the project shifted to military spouses, rather than leavers, and a tailored programme of support and events was re-introduced specifically for this audience.</i></p>	<ul style="list-style-type: none"> the overall scale of the need/opportunity (which has been significantly smaller than anticipated at the start) competing views locally on whether military leavers/spouses need totally bespoke support or better signposting to generic support – in practice, both have been important <p>Nevertheless, the requirement to anticipate the challenges facing a large group of people remains (and hence elements of the original rationale are corroborated)</p> <p>Albeit on a limited basis, there are signs of changing perceptions and attitudes in relation to the possibility of military leavers/spouses creating new enterprises</p>
Wooler Growth Hub	<p>In a small market town, situated within a rural area with a high incidence of home-based businesses and a shortage of office accommodation, the provision of new small business units at an existing community facility in will allow existing businesses to grow and new ones to be formed</p> <p>In addition, the provision of smart workspace (hot desks) and training facilities will form the heart of a Work Hub. This in turn will become a focus for business support and advice which will equip a wider population of businesses to grow</p>	<p><i>The delivery process proceeded almost exactly as intended:</i></p> <ul style="list-style-type: none"> <i>the new business units were completed on time</i> <i>the training facilities were completed and subsequently used to deliver business support (including the RGN funded rural business support programme)</i> <p><i>The smart workspace was also completed on schedule but – in February 2015 – it was converted to provide additional office accommodation owing to the lack of demand</i></p>	<ul style="list-style-type: none"> There is demand for office accommodation (with high quality broadband) within a community facility in a small market town There is little demand for hot desking space within the same context Delivering business support from the same location has created synergies and a sense of critical mass Firms that have moved into the new accommodation have engaged in – and report that they benefit from – networking. However the project is not creating jobs at the rate that was anticipated