



## **National Impact Assessment of LEADER**

### **Impact Report - FINAL**

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# 1 Introduction

## Background and Context

1.1 This report is the final impact assessment of LEADER which was commissioned by Defra to fill an evidence gap regarding the economic impact of the LEADER approach, identified in an internal review during 2009. LEADER was introduced as a pilot programme in each of the EU Member States in 1991 and has therefore been in existence, albeit in different forms and against varying contexts, for a considerable time. The LEADER approach has now been mainstreamed as part of the Rural Development Programme for England (RDPE) and is a delivery mechanism rather than a funded programme as has been the case in the past. Given it been in existence for some time and has entered a new mainstreamed phase, the time is right to take stock of LEADER and its economic contribution to date.

1.2 Despite a number of programme evaluations in England, other Member States and EU-wide, the available economic impact data remains weak. This report is therefore an attempt to provide some quantifiable data, as robustly as possible, on the economic contribution of LEADER derived from its range of social, environmental, agricultural and economic support activities. The review has been undertaken during 2010, approaching the mid-point of the current RDPE, with a view to helping inform the policy approach to LEADER post-2013. Although the report is not specifically focused on the LEADER approach under the current RDPE, the work has been undertaken ahead of the completion of the Mid-Term Evaluation (MTE) of the RDPE, and the findings can be used to support the MTE and its recommendations. As the report states later on, the delivery of RDPE did not commence until January 2008 following Commission approval in December 2007, and so in reality, in delivery terms, the review was undertaken when the RDPE was about one third to delivery.

1.3 This report is designed to be stand-alone and focuses on the analysis of primary and secondary research data undertaken as part of the review. Other work has been carried out as part of the overall commission and these reports should be read in conjunction with this impact assessment. The accompanying reports are:

- The Story of LEADER in England from 1991 to the present;
- Good practice from the Devolved Administrations; and
- Good practice and lessons from LEADER in the EU.

1.4 In addition, a separate method report has been produced which explains in more detail the approach taken and the methods used for estimating economic impact.

## The Approach to the Impact Assessment

1.5 The impact assessment work has sought to be as robust as practical and to be consistent with Impact Evaluation Framework (IEF) principles<sup>1</sup> and Green Book Treasury guidelines<sup>2</sup>. These approaches insist on the discipline of the logic chain to guide evaluation which traces resources through to activities, outputs, outcomes and impacts and the gathering of primary research from the recipients of the funded support subject to evaluation.

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<sup>1</sup> DTI (2006) Evaluating the impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework. Updated: BIS (2009) RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework

<sup>2</sup> HMT (2003) The Green Book: Appraisal and Evaluation in Central Government

1.6 The use of primary research data and the focus on end-user beneficiaries has therefore been a critical component of the work. The impact assessment has drawn on the views of some 516 end-user beneficiaries, defined as the final recipient of the grant funding, whether this is a business, community organisation or individual. This has been supplemented by additional LEADER and related studies that have themselves gathered primary research evidence. The assessment has focused on identifying the net impact of the LEADER funding, that is, the impacts over and above what would have been achieved without the support.

## **The Scope of the Work**

1.7 The work is an impact assessment of LEADER and not an evaluation. Partly, this reflects that the focus of the work covers the implementation of LEADER since 1991 and that the arrangements have changed over successive phases which do not make it possible to evaluate the impact of LEADER investment as a single and discrete programme. Further, LEADER under the current RDPE is a delivery approach, not a funded programme, and so there is no direct LEADER funding to evaluate, rather it is the investment in project activity through the LEADER approach that is subject to the assessment.

1.8 Further, the impact assessment seeks to identify the effectiveness of interventions to understand why this was the case and how many of the benefits could or would have been realised without LEADER. This again moves away from pure ‘evaluation’ which compares the impact of LEADER in each successive phase. Rather, this is a review of the type of activity and combinations of activity that have the greatest impact and value for money at the local level, and the role of the LEADER approach in securing these impacts.

1.9 Throughout, the intention has been to identify the types of activity that the LEADER approach is best suited to delivering, and the role that the approach plays in achieving the impacts identified. The impact assessment has centred on identifying the scale of impact at the local level and on what would have been achieved without the LEADER programme funding or the funding delivered through the LEADER approach.

1.10 The scope of the *primary* research is, necessarily, limited to the period since 2000 i.e. the LEADER+ programme and the LEADER approach funded activity under the current RDPE. Within this, the primary research is skewed towards the current RDPE projects, given the challenge in identifying records for individual ‘end-user’ beneficiaries going back more than three years. This needs to be considered when interpreting the results; many of the projects under the current RDPE are only recently contracted and the full impacts will yet to be realised, although our approach does allow for future forecast benefits to be estimated.

1.11 The policy context of the work has changed considerably since the study commenced in earnest in the February/March of 2010 although the fundamental purpose of the research has remained unchanged. LEADER under the current RDPE meant the Regional Development Agencies were involved in the management of LEADER for the first time<sup>3</sup> (when previously these were discrete LEADER+ programmes in the regions). The Coalition Government has already announced that RDAs will no longer exist from 2012 and so any conclusions on the role of the RDA in affecting the impact of LEADER project activity will need to be reported in this context. At the same time, the emphasis of the assessment is on

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<sup>3</sup> RDAs were asked to deliver the socio-economic elements of RDPE Axes 1, 3 and 4 (the Leader approach).

whether the LEADER approach in general (bottom-up rural development) is effective in generating local economic benefit.

## **LEADER and the LEADER Approach**

1.12 LEADER has some very specific characteristics which are important to understand when interpreting the results. LEADER has always been designed and intended to be:

- “bottom-up” and involve the community in the decision-making processes (with at least 50% representation from economic and social partners and civil society);
- As a consequence, to be locally determined and to reflect local priorities and circumstances;
- Innovative, through testing new ideas, piloting activities, undertaking more risky projects, with a view to rolling out and mainstreaming these activities;
- A relatively holistic approach to rural development i.e. with social, environmental and economic objectives, the balance of which have varied over the successive ‘phases’.

1.13 These features, many of which are a condition of the funding from the European Commission, will have a direct bearing when interpreting the results. The objectives, the approach to management and delivery and the nature of activity will necessarily generate lower impacts when compared to some other forms of public intervention e.g. inward investment or high growth support that are highly targeted and are explicitly designed to maximise economic returns.

1.14 LEADER has not confined to economic objectives (and in some cases this is not amongst the uppermost objectives at all for Local Action Groups) and the nature of LEADER is such that its impact will be greatest at the local level. This itself is an important consideration: the (economic) impact of LEADER must be assessed at the local level – comparing local level impact with regional or national programme impacts is not valid. This is to say that at a regional level, LEADER may displace activity from one part of the region into the LEADER area (e.g. a rural job). Assessed and compared at the regional level, this would create no net additional benefits, and yet there may be positive net additional benefits at the local level.

## **The Structure of the Report**

1.15 The structure of the report is as follows:

- Chapter 2 describes a brief summary of the approach and method – a separate Method Report is available which sets out the detail of method;
- Chapter 3 describes LEADER support for businesses and the benefits of this support;
- Chapter 4 quantifies the gross and net impact of interventions on LEADER supported businesses;
- Chapter 5 presents describes the range of LEADER support for local people and communities through LEADER supported community projects and organisations, including projects to attract visitors and also including a brief commentary on support for individuals;
- Chapter 6 quantifies the net impact of the LEADER support for communities and organisations;

- Chapter 7 identifies the added value of LEADER; and
- Chapter 8 presents the conclusions.



## 2 Approach to the Impact Assessment

2.1 This chapter briefly describes the approach to the impact assessment. This is a summary of the approach; more detail is included in the Method Report which expands on each of these sections. The section covers:

- the way in which the LEADER-supported project activity has been identified and the relationship between the project categorisation and the survey method, including the logic chains;
- sample sizes and response rates;
- the types of impact expected, parts of the assessment where assumptions are required and the robustness of the assessment in IEF compliance terms;
- commentary on how the impact data can be aggregated;
- the key methodological points and the benefits of the approach; and
- the use of qualitative data to support the quantitative analysis above.

### Capturing and Classifying LEADER activity

2.2 LEADER has supported a very considerable range of activity over the various phases. The following sections describe the identification of LEADER activity for each phase.

#### The LEADER Approach under the Current RDPE

2.3 In all, 769 projects were identified from 39 of the 64 LAGs who had contracted activity as of end of May 2010, worth £19.4m in LEADER funding. This data was gathered with the support of the RDAs, the RDPE network website and through direct contact with LAG managers, given that no central database of LEADER approach projects existed. Whilst this is not all project activity as of May 2010, it represented the majority of all LEADER approach project supported at that time<sup>4</sup>.

2.4 The Story of LEADER paper identifies the forecast level of expenditure through the LEADER approach, estimated at up to £170m over the lifetime of the programme. As of May 2010, it was anticipated that some £25-40m had been committed (allowing for the time taken to establish Local Action Groups and prepare Local Development Strategies). The project activity identified for the impact assessment can therefore be regarded as representative of all activity supported through the LEADER approach at that time.

2.5 Accurate output data (for example for the number of businesses assisted through the LEADER approach) was not available, and a large number of projects had been recently contracted with few if any outputs claimed at that stage. This has made it more difficult to identify whether the beneficiaries surveyed are representative of the full population of beneficiaries supported through the LEADER approach. Rather, the study has centred on ensuring the findings are as representative as possible of project activity (based on the number of projects by type and spend)..

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<sup>4</sup> It is not possible to state definitely what proportion the 769 projects of the total LEADER approach represented. Nonetheless, all RDAs and LAGs were contacted and the number of projects identified exceeded the number of projects input by LAGs onto the RDPE website.

2.6 The majority of activity supported was through Axis 3, although some Axis 1 activity has also been supported. Axis 3 focuses on encouraging private enterprise and entrepreneurship, improving services and infrastructure at a local level, encouraging tourism activities, village renewal, upgrading rural heritage and training and information for economic actors. Axis 1 involves improving the competitiveness of the agricultural and forestry sector. The five Axes of the RDPE and the individual measures under each Axis are included in Appendix B of the Story of Leader paper.

### **The LEADER+ Programme**

2.7 Running from 2000-2006, the LEADER+ Programme is now closed. The Programme supported 2,887 projects, including 1,617 delegated projects (where the project applicant applied to an umbrella fund), with total funding including match funding of £111.7m. Project activity covered four measures:

- Measure 4 – Products and services for rural areas to be more competitive (know how/tech)
- Measure 5 – Improving the quality of life in rural areas
- Measure 6 – Adding value to local products (access to markets for small production units)
- Measure 7 – Best use of natural and cultural resources – value of sites under Natura 2000.

### **LEADER I and II**

2.8 LEADER I was a pilot operating from 1991-1993 and LEADER II ran from 1994-1999. The pragmatic decision was taken not to attempt to identify end-user beneficiaries from these programmes given the time elapsed since their completion, although we have made use of secondary research which has evaluated some of this activity. Further, LEADER II was evaluated at the mid-point and at the end of the programme which has provided the study team with some (albeit limited) economic analysis.

### **Classification of Activities**

2.9 The primary research therefore focused on the current LEADER approach and on LEADER+. To allow comparison of LEADER activity over the successive 'phases', ekosgen classified activities, based on EU classifications (termed Fields of Intervention – see Method Report Annex A). This enabled a logic chain to be developed for each activity to enable intervention objectives to be related to intervention impact, the way the balance of activity has changed over time (see the Story of LEADER report) and primary research tools to be developed that can be applied to each of the activity types.

2.10 The following classifications were developed:

- Business support – covering capital investments (e.g. managed workspaces) and revenue support (e.g. advice, shared business services) and creating and developing micro-enterprises;
- Research and innovation – including energy/environmental sustainability, HEI projects including technology transfer. In actuality, the number of projects classified as research and innovation was quite low;

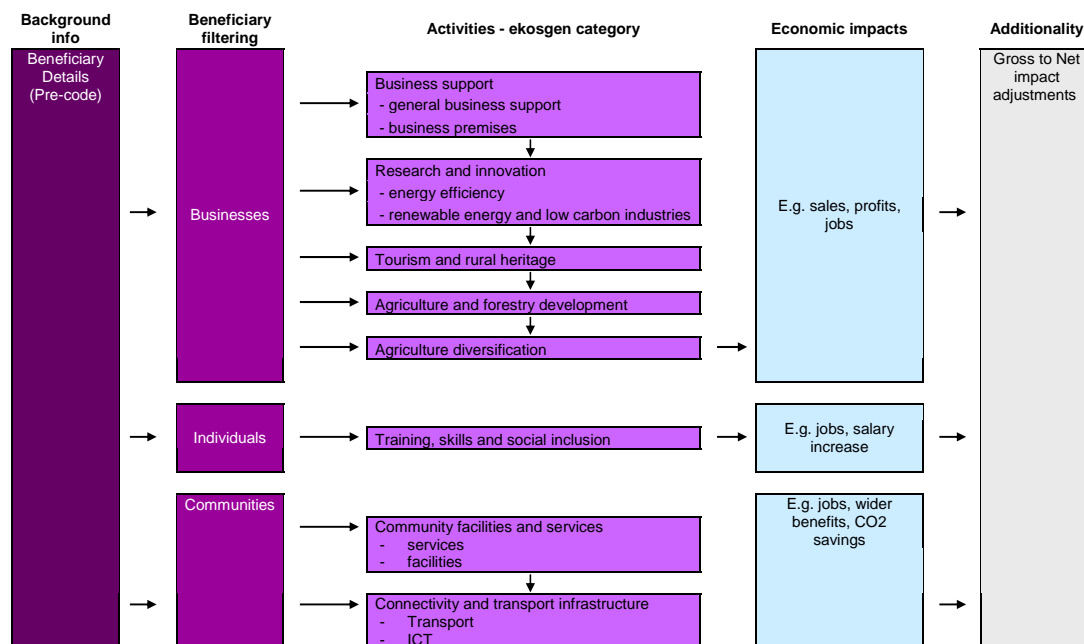
- Tourism development – including projects specifically designed to benefit and support tourism businesses;
- Agriculture and forestry - a wide range of support to the sector including farm modernisation, adding value to products, food quality schemes;
- Agricultural diversification – into non-agricultural activities;
- Training, skills and inclusion – training in the agricultural and forestry sectors, SME and tourism sectors, ICT training (some of these applying only to LEADER+);
- Community facilities and services – basic services for the rural economy, which includes services to specific groups (elderly, young people) and for facilities (village halls, community centres);
- Connectivity and transport – transport (e.g. rail station upgrade) and ICT;
- Conservation, tourism and heritage – which covers a woodland improvement, protection and planting as well as village renewal, tourism facilities and upgrading the rural heritage; and
- Miscellaneous – including the developing local strategies and supporting the Local Action Groups. This includes the Axis 4 expenditure under the current LEADER which directly supports Local Action Group and Local Development Strategy preparation projects.

2.11 This allowed the projects to be grouped under support for businesses, individuals and communities as per the following table and all projects were coded as one of these types.

|             |   |
|-------------|---|
| Businesses  | Business Support (BS)<br>Research innovation (R&I)* e.g. energy efficiency upgrade<br>Tourism Development (TD)<br>Agriculture and Forestry (A&F)<br>Agricultural Diversification (AD) |
| Individuals | Training, skills and inclusion (TSSI)   |
| Communities | Community facilities and services (CFS)<br>Connectivity and Transport (CTI)<br>Conservation, tourism and heritage (CTH)   |

\* note, there is a small amount of non-business R&I activity

2.12 The following chart illustrates the relationship between the activities and impacts and can be regarded as a summary logic chain.



## Sample Sizes and Response Rates

2.13 The survey was issued to the 'end-user' beneficiary. Wherever possible and available, this was the individual business or individual receiving the support (e.g. business receiving a grant, individual receiving training). In several cases, however, projects offered support to a large number of individuals or businesses where no named beneficiary is identified or collected. These are typically high volume low intensity projects and many of the 373 surveyed LEADER 'community' projects fall into these categories including visitor facilities, signage and trails, natural and cultural heritage projects, community facilities such as Village Halls or business networking projects. For these projects the applicant (typically the project manager) was surveyed as the next-best alternative and only 40-50 (out of the 373) were not among the end-user beneficiaries of their responsible project. By surveying the applicant/project manager, there is a risk of over-reporting the benefits through the optimum bias of the respondent. Nonetheless, the project manager is able to take an informed view of the project and the approach is comparable to many other impact assessments. In carrying out the analysis we have sought to take any potential over-reporting into account (for example by removing outliers in the data and taking the lower end of estimated ranges).

2.14 The following table summarises this. In all, 1,071 projects were identified, 886 were issued with a survey and 516 responses obtained.

**Table 2.1: Projects Surveyed and Response Rates**

|      |                   | Total Number of Projects** | Number Surveyed | Responses |                     |
|------|-------------------|----------------------------|-----------------|-----------|---------------------|
|      |                   |                            |                 | Number    | % of those surveyed |
| BS   | Named business    | 191                        | 176             | 94        | 53                  |
| R&I  | Named business    | 18                         | 13              | 6         | 48                  |
| TD   | Named business    | 63                         | 20              | 14        | 70                  |
| A&F  | Named business    | 63                         | 23              | 11        | 48                  |
| AD   | Named business    | 69                         | 29              | 12        | 41                  |
| TSSI | Named individuals | 50                         | 9               | 6         | 66                  |
| CFS  | Project managers  | 254                        | 244             | 171       | 70                  |
| CTI  | Project managers* | 28                         | 31              | 16        | 52                  |
| CTH  | Project managers  | 335                        | 341             | 186       | 55                  |

\* More projects were re-coded as CTI at the time of the survey

\*\* Total of all LEADER projects and LEADER+ for which contact details were attained

2.15 Within those projects identified, survey responses were very good and we can be confident that the responses reflect those projects identified.

2.16 Within the 516 responses, the balance is towards the current Programming period, with 75 responses from LEADER+. This is not a significant issue, given that project activities under LEADER+ and the current LEADER approach are classified in the same way, and so the responses for business support projects (for example) under the current LEADER should equally apply to LEADER+. The principal difference is the fact that LEADER+ project activity has completed and so more of the benefits of project activity should by now have been realised. For the current LEADER approach, impacts from activity are still being generated (e.g. a newly completed facility or attraction) although we have sought to overcome this by ensuring data is gathered on anticipated benefits which we have then included when assessing total net impacts. To validate this, Chapter 6 compares the return on investment results between LEADER+ and LEADER community support projects – LEADER+ ROI is typically lower than for LEADER projects' (anticipated) ROI, and this is noted as a consideration when viewing results.

2.17 Under the current LEADER approach, there is considerable confidence that the survey results reflect the range of activity supported (as of May 31<sup>st</sup> 2010), given that the study identified the majority of activity delivered through the LEADER approach and given the good response rates. For LEADER+ the responses are not sufficient to provide statistical reliability (there were targeted to be 1,944 businesses assisted under LEADER+ for example). However, as the Story of LEADER paper discusses, there are strong commonalities in the types of LEADER activity delivered through its various guises; and so this report focuses on the impacts of the various types of LEADER intervention supported.

2.18 The following table illustrates the split of funding by intervention type under the current LEADER approach.

| <b>By Project Category</b>                | <b>Number of Projects</b> | <b>Funding Committed / Spent</b> |
|---|---------------------------|----------------------------------|
| Business Support                          | 188                       | 4,734,564                        |
| Research and Innovation                   | 18                        | 321,657                          |
| Tourism Development                       | 61                        | 1,235,387                        |
| Agriculture and Forestry                  | 62                        | 1,728,202                        |
| Agriculture Diversification               | 68                        | 1,651,916                        |
| Training, Skills and Social Inclusion     | 50                        | 1,437,219                        |
| Community Facilities and Services         | 120                       | 2,933,429                        |
| Connectivity and Transport Infrastructure | 9                         | 259,278                          |
| Conservation, Tourism and Heritage        | 193                       | 5,140,504                        |
| <b>Total</b>                              | <b>769</b>                | <b>19,442,155</b>                |

## Proxy Data, Assumptions and Potential Impacts

2.19 The impact assessment has made use of additional data to supplement the primary research. This 'proxy' data has been used to verify and reinforce gross data (e.g. on levels of visitor spend) and to augment/verify survey data on the principal net impact adjustment factors of deadweight, leakage, displacement, substitution and multipliers.

2.20 The application of adjustments is discussed in the respective chapters of this report and issues relating to the use of proxy data are contained in the method report. However, in summary:

- Gross attributable benefits are derived from the survey – and for business these are commercial benefits (sales, profits, reduced costs) and jobs created/safeguarded to date and forecast in the future. For communities, these are increased employment (direct and indirect) as a result of the intervention, as well as increased visitor numbers and spend for tourism projects. For individuals, these are new qualifications and employment. The assessment draws on additional evaluation evidence to verify that these estimated benefits are realistic.
- Deadweight, which is informed by the primary research, and which relates to the benefits to the individual, business or community that would have happened anyway without the LEADER funded project support.
- Leakage, largely informed by the primary research, and which relates to the benefits accruing to beneficiaries outside the target group or target area. This is important for LEADER which acts at a local level; benefits may leak out of the LAG area if not sufficiently focused. Similarly, poorly targeted activity designed to support, say, the unemployed in rural areas but which benefit all persons in the area may reduce impact.
- Displacement, which is partially informed by the primary research, covers the positive effects of an intervention for a business, individual or organisation at the expense of another in the local area. This is typically highest for tourism projects since a visitor may visit a (new) attraction instead of an existing one. Given the number of tourism-related projects supported by LEADER this could potentially reduce impacts quite significantly. At the same time, the size of the target area (i.e. the LAG) is a key factor in determining displacement – displacing activity into a LAG (from a more prosperous area for example) may be valid and supportive of LEADER objectives (e.g. increasing visitor spend in the rural area compared to an urban one).
- Substitution (often called ‘in-firm’ displacement) which is typically confined to business interventions, where one business switches from one planned investment to another to benefit from the subsidised support. Given the relatively low levels of investment per project this is not a major factor.
- Multipliers, which are more challenging to derive from primary research since they relate to spend by a supplier on a supplier on a supplier etc (supplier linkage multiplier), or the additional spend by new employees in the area on goods and services which itself generates further spend on goods and services. Given the need to interview second, third, fourth rounds, primary research is prohibitive and benchmarks are therefore used.

2.21 The areas where additional proxy data has typically been used is to supplement data where responses are more modest and/or where the survey questions provided less detailed information:

- To support understanding of the likely range of benefits from business support projects where there are not named beneficiaries i.e. where there is higher volume lower intensity support such as networking;
- For businesses benefiting from premises support and sector support for businesses;
- For beneficiaries from skills and training interventions, where response rates have been quite low; and
- Communities projects where bespoke evaluation evidence is available e.g. primary research with attendees at a local festival.

## **Aggregating the Data**

2.22 Our approach has been to derive a return on investment for each intervention type. This ‘grosses up’ our survey responses to our known sample of project beneficiaries and divides these benefits by the total project spend on those projects (including match-funding). Given the good response rates, we can be confident that the survey results reflect the range of identified projects.

2.23 One critical element of the review is to assess the added value of the LEADER approach; in no small way does this require a consideration of whether the benefits of LEADER justify the additional time, commitment and resources required to form and establish partnerships, develop local development strategies and approve and administer funding. The ROI figures therefore take into account the additional management and overhead costs associated with the LAG infrastructure, assumed to be 20% of all project costs, in line with Defra guidance to LAGs<sup>5</sup>.

2.24 The approach does not fully assess the value of the LEADER approach since it does not compare the impacts with alternative delivery approaches. However, the impacts generated are compared with benchmarks from other programmes. Further, all the impact analysis relates to projects supported via the LEADER approach (and the LEADER+ programme for a small proportion of the findings). It is the LEADER approach that has therefore determined this particular project mix and hence the impact from the intervention. In this way, the whole of the report is geared to assessing the impact of the LEADER approach-determined funded project activity in local areas.

2.25 The assessment does not then ‘gross up’ the sample survey to the full range of projects across each phase of LEADER, given the very wide range of projects supported since 1991 and the considerable scale of investment (more than £120m for LEADER+ alone). That said, the number of responses by intervention are sufficient for the projects surveyed to draw conclusions on the relative impact of each.

## **The Use of Qualitative Data**

2.26 A small number of additional LAG manager interviews have also been completed, six in total, responsible for eight LAGs and covering six of the eight regions where the LEADER

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<sup>5</sup> Defra (2007) RDPE 2007-13: Notes on the Implementation of the LEADER Approach (4.2) “There is a limit on running costs (i.e. the basic administrative and financial functions to support a LAG) of 20%.” <http://www.defra.gov.uk/rural/documents/rdpe/leadernotes.pdf>



approach operates. These have been used to help understand the primary research data, to verify some of the findings and to explore some of the issues associated with LEADER processes. These cover both LAGs which existed in some form under LEADER+ and new LAGs which have formed under the current RDPE. These consultations focused on the impact of interventions to date and factors which have affected impacts, including the quality of projects and the strength of the Local Development Strategy and LAG partnership to help guide project development and approval. These consultations are additional to the work carried out for both the EU and Devolved Administration best practice reviews. The approach to the qualitative work has been consistent with the originally proposed study methodology which sought to focus on the impact on beneficiaries; the mid-term evaluation of the RDPE was broader in focus and takes a wider view of delivery issues. RDA leads, for example, were not formerly consulted; rather a small number of LAG consultations were used to help interpret impacts at the local level.

## **Summary and Conclusion**

2.27 The approach has been largely a quantitative analysis and designed to elicit responses from end-user beneficiaries. This follows IEF/Green Book guidance and the impact assessment has supplemented the primary data with other evaluation evidence and benchmark data where available. The response rates achieved provide considerable confidence that the findings are representative of the number of projects identified under the current LEADER approach; and the current LEADER approach activity is broadly similar in nature (in terms of the broad types of project) to previous phases of LEADER. The impact assessment does not allow direct comparison of impact between phases (and this was not its intention), rather it allows returns on investment by type of intervention to be generated and analysed.



### 3 Supporting Businesses

3.1 The chapter presents the analysis of the survey of business beneficiaries of LEADER. This is based on the responses from 138 businesses<sup>6</sup>, largely drawn from the current RDPE. The analysis is split into the following sections:

- a comment on the sample of surveyed businesses and the representativeness of the sample;
- the nature of support to LEADER businesses;
- the gross (employment and commercial) benefits generated in projects surveyed; and
- wider benefits from the support.

3.2 The section does not focus on the quantitative benefits of the support; this is covered in chapter 4.

#### A Note on the Sample

3.3 The responses from 138 businesses represent more than half of the 261 businesses surveyed. As such, we can be confident that the survey responses are representative of the sample of projects identified. The primary research data focuses on the current LEADER approach, although not exclusively, with some limited data obtained from LEADER+. The data has been substantiated by additional secondary research, itself drawn from primary research. Table 3.1 indicates the responses by category.

| Table 3.1: Surveyed Project Responses Project Category |            |
|--|------------|
|  | Businesses |
| Business Support (BS)                                  | 138        |
| <i>Research &amp; Innovation (R&amp;I)</i>             | 64         |
| <i>Tourism Development (TD)</i>                        | 46         |
| <i>Agriculture &amp; Forestry (AF)</i>                 | 32         |
| <i>Agricultural Diversification (AD)</i>               | 16         |
| Source: LEADER Business Survey 2010                    |            |

#### LEADER Support for Businesses

3.4 The analysis throughout makes reference to the five areas of business support identified in chapter 2 (BS, R&I, TD, AF, AD). Business Support (BS) covers capital investments (e.g. managed workspaces) and revenue support (e.g. advice, shared business services) and creating and developing micro-enterprises. Research and innovation (R&I) includes energy/environmental sustainability, HEI projects including technology transfer and, for the survey analysis, other projects with an element of innovation or R&D. Tourism Development (TD) includes projects specifically designed to benefit and support tourism businesses. Agriculture and Forestry (AF) supports a wide range of support to the sector including farm modernisation, adding value to products, food quality schemes. Agricultural Diversification (AD) is diversification into non-agricultural activities.

<sup>6</sup> Although a smaller number of businesses (110) completed all questions

3.5 Our work in identifying LEADER projects funded through the LEADER approach under the current RDPE revealed a total of 397 projects which fund business interventions. This is disaggregated over the five project types as follows. These account for 52% of all LEADER approach projects to date (as of May 31<sup>st</sup>) under the RDPE and 50% of spend/commitments.

| <b>Table 3.2: 2007-2013 LEADER Approach Business Support Projects</b> |                 |                         |                   |                         |
|---|-----------------|-------------------------|-------------------|-------------------------|
|   | <b>Projects</b> | <b>% of total (all)</b> | <b>Value (£m)</b> | <b>% of total (all)</b> |
| Business Support  | 188             | 24.4                    | 4.7               | 24.4                    |
| Agricultural/Forestry   | 18              | 2.3                     | 0.3               | 1.7                     |
| Agricultural Diversification  | 61              | 7.9                     | 1.2               | 6.4                     |
| Research/Innovation   | 62              | 8.1                     | 1.7               | 8.9                     |
| Tourism Development   | 68              | 8.8                     | 1.7               | 8.5                     |
| <b>Total</b>  | <b>397</b>      | <b>51.6</b>             | <b>9.6</b>        | <b>49.7</b>             |

3.6 Support to date for businesses under the current LEADER approach is higher than the proportionate support for businesses under LEADER+. Under the LEADER+ programme, 42% of the whole programme was dedicated (in investment terms) to business interventions while business support projects accounted for 36% of all projects.

3.7 There are also variations in the nature of business support; LEADER+ supported proportionately more agricultural/forestry projects (10% of the programme and 12% of all investment) whereas to date under the current approach, less than 2% of all spend is specifically dedicated to the sector. General (non-sector) specific business support is more prevalent to date under the 2007-2013 RDPE (a quarter of all LEADER approach spend) and diversification out of agricultural/forestry is also more prominent to date under the current LEADER approach.

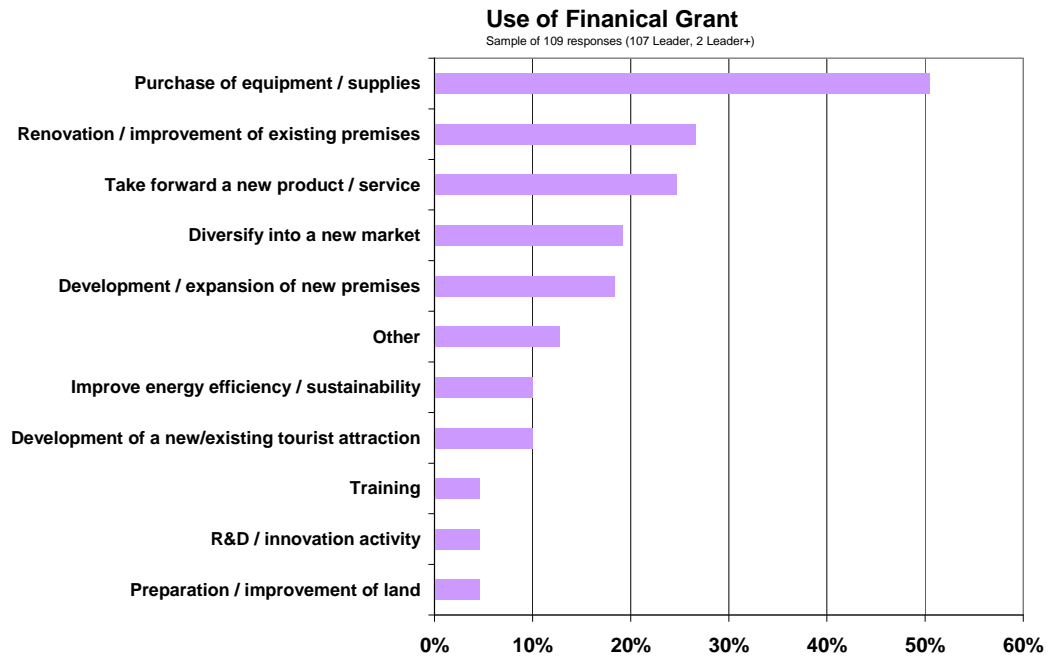
| <b>Table 3.3: LEADER+ Business Support Projects</b> |                 |                         |                   |                         |
|---|-----------------|-------------------------|-------------------|-------------------------|
|   | <b>Projects</b> | <b>% of total (all)</b> | <b>Value (£m)</b> | <b>% of total (all)</b> |
| Business Support                                    | 130             | 10%                     | 10.9              | 12%                     |
| Agricultural/Forestry                               | 127             | 10%                     | 11.4              | 12%                     |
| Agricultural Diversification                        | 32              | 3%                      | 1.1               | 3%                      |
| Research/Innovation                                 | 59              | 5%                      | 1.9               | 5%                      |
| Tourism Development                                 | 113*            | 9%                      | 8.7               | 9%                      |
| <b>Total</b>  | <b>461</b>      | <b>36%</b>              | <b>38.6</b>       | <b>42%</b>              |

\* estimated based on one third split under tourism in current LEADER

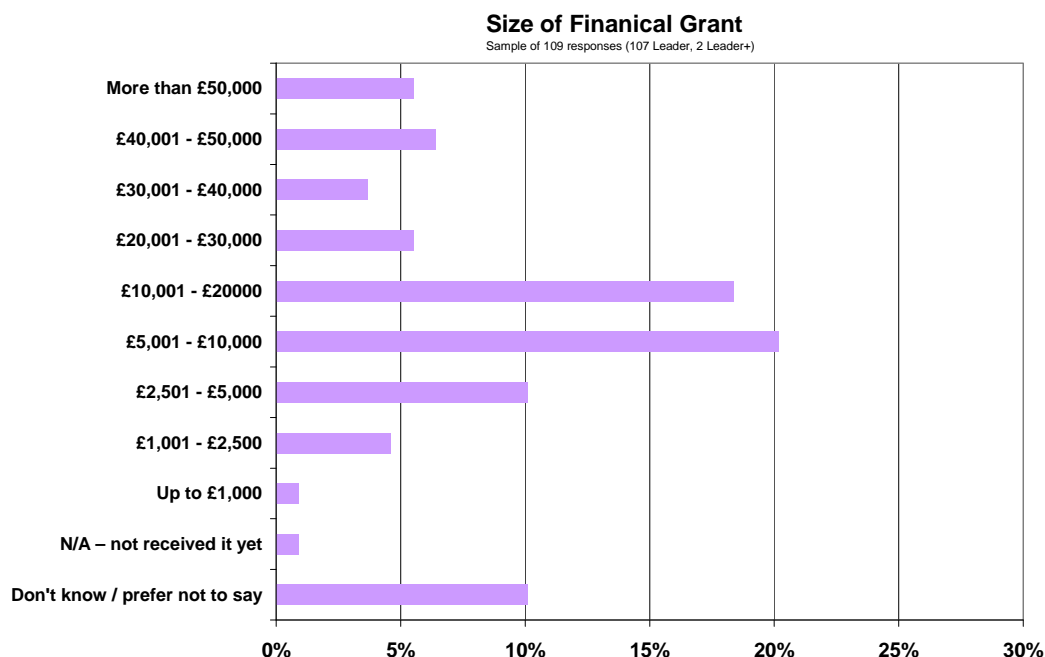
## The Nature of Support

### Grant Support

3.8 As well as the classifications of activity, we looked at the types of support provided. The majority of those surveyed received grant support (80%) and businesses in each of the five categories received this type of support.

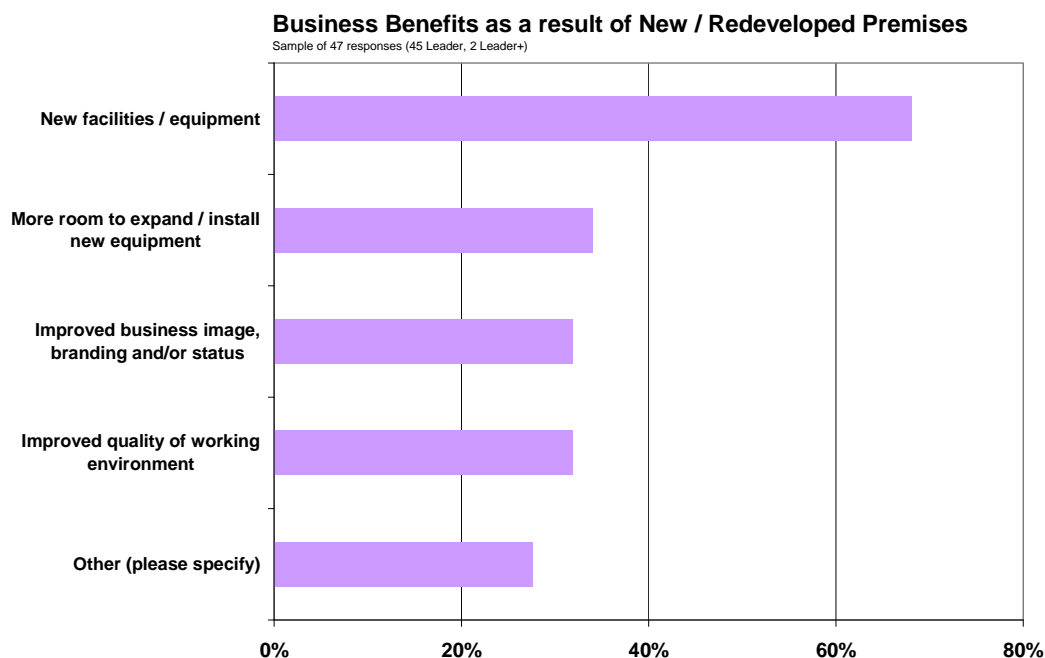


3.9 In our sample, there was clearly a range of uses for the financial grant. The greatest proportion used the grant to purchase equipment and supplies. Manufacturers, food and drink businesses and farms were most likely to use grant for this purpose whereas construction and tourism companies were less likely to do so. A considerable proportion used grant funding to renovate/improve (27%) (particularly manufacturing) or develop/expand premises (19%) (particularly manufacturing and professional / business service companies). Using the grant for diversification into a new market (19%) was important (farming businesses but also to some extent the food and drink and tourism sectors, less so for business services and manufacturers) as was improving competitiveness through developing a new product or service (creative, food and drink, and manufacturing). The value of grants varied considerably with more than 12% receiving grants of more than £40,000 although the majority received grants of between £5,000 and £20,000 (more than 1 in 3). Manufacturers and tourism businesses were most likely to receive grants of over £10,000 (67% and 66% respectively), whereas the proportion was only 11% for creative businesses and 24% for retailers.



### Premises Support

3.10 Of those surveyed, around 40% moved into new premises (10%) or improved their premises as a result of LEADER funding. These delivered a range of benefits set out in the table below.

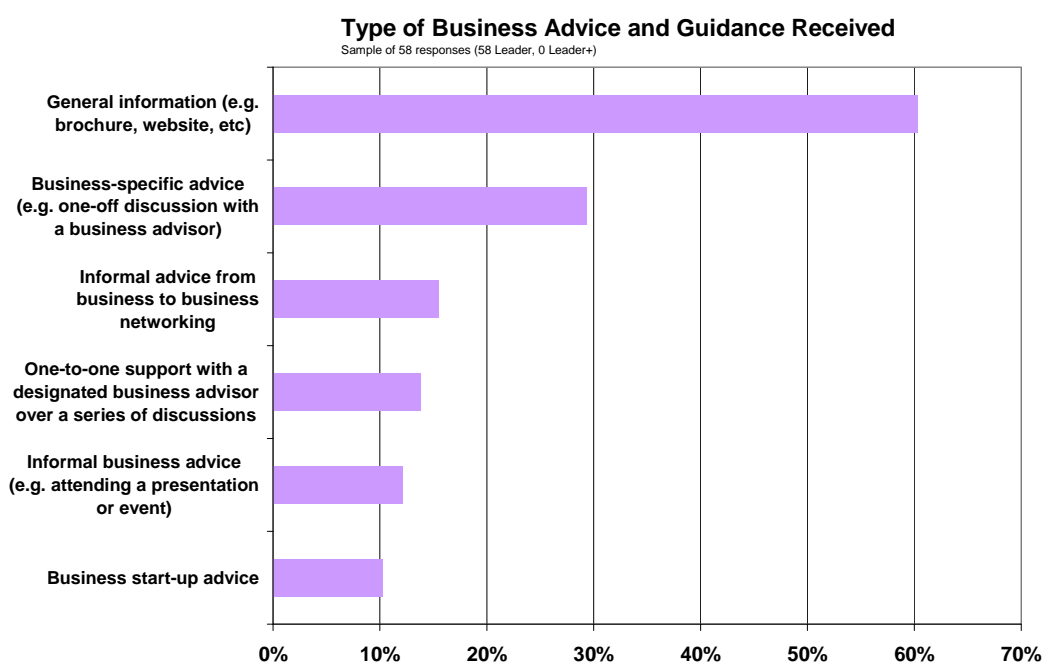


3.11 Although based on small samples, the evidence suggests that 80% of those relocating did so within the local area. The greatest proportion of businesses receiving premises-related support were farm business accounting for nearly 40% of businesses; almost a similar proportion were home-based businesses, located either in a hamlet/rural area (20%) or in a semi-rural part of the LEADER area (a town or village). Of those that have

moved premises, over half (60%) of businesses had been based at their new premises for over six months.

### Business Advice and Guidance

3.12 Around 60% of those surveyed received some form of business advice and guidance, and the majority (60%) reported that this was general information such as a brochure or website. This may not have been the only support received by the business (who may also have had a grant) but this does reflect that a lot of advice and support in LEADER areas is relatively low intensity high volume support.



3.13 By topic, the majority of the advice and guidance was general business advice (75%), rather than more specialist forms of support such as marketing, financial or sector specific advice. This reinforces the view that the majority of LEADER business advice has been quite generic, particularly for business services, retail and manufacturing.

3.14 It is interesting to note from the consultations, however, that a number of LAGs have significantly reduced the level of business support they provide to businesses under the current LEADER arrangements, following guidance from the Regional Development Agencies who have wished to guard against LEADER duplicating existing business support.

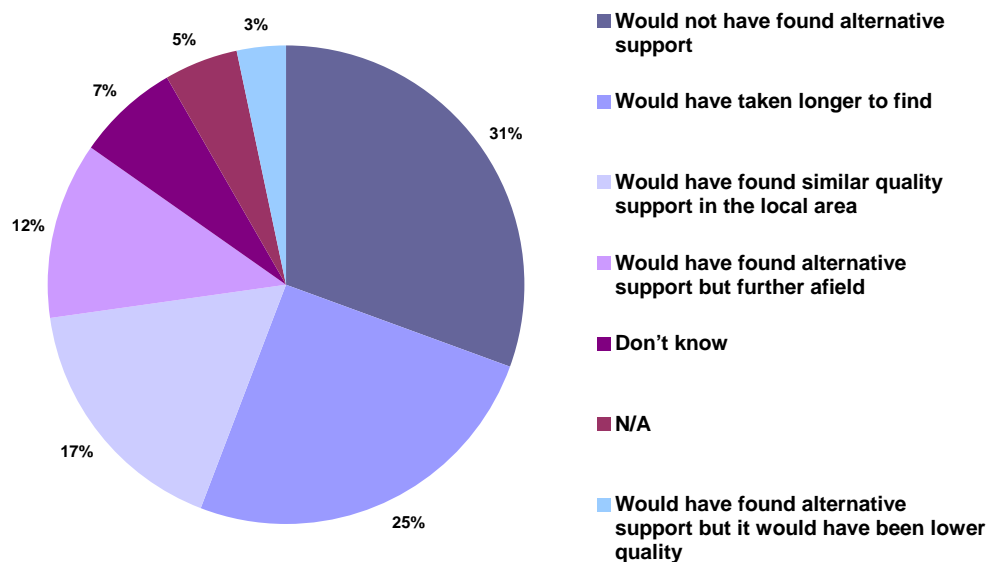
### Additionality of Business Support Activity

3.15 Across the forms of support, additionality has been high. Although the overall commercial and employment benefits of LEADER are sometimes modest, the survey results indicate that just 17% of those receiving **advice and guidance support** could have found the same support to the same quality in the local area (pure deadweight); and only a further 12% could have found the same quality support further afield (a form of partial deadweight).

3.16 In all, 31% of businesses supported stated that they would not have been able to have found alternative advice and guidance support at all, and 25% stated they could have found the support but it would have taken them longer to do so. LEADER does not appear to replace existing activity in the local area, with only 3% stating that they would have found alternative support but that it would have been lower quality.

#### **Additionality of Advice and Guidance**

Sample of 48 responses (48 Leader, 0 Leader+)



3.17 The additionality of the advice and guidance activity varies according to form of support (60% of businesses would not have found sector specific support without LEADER activity compared to 33% that would not have found more general business support). This also varies across the different types of businesses (higher additionality was expressed by businesses in the retail, creative and manufacturing sectors).

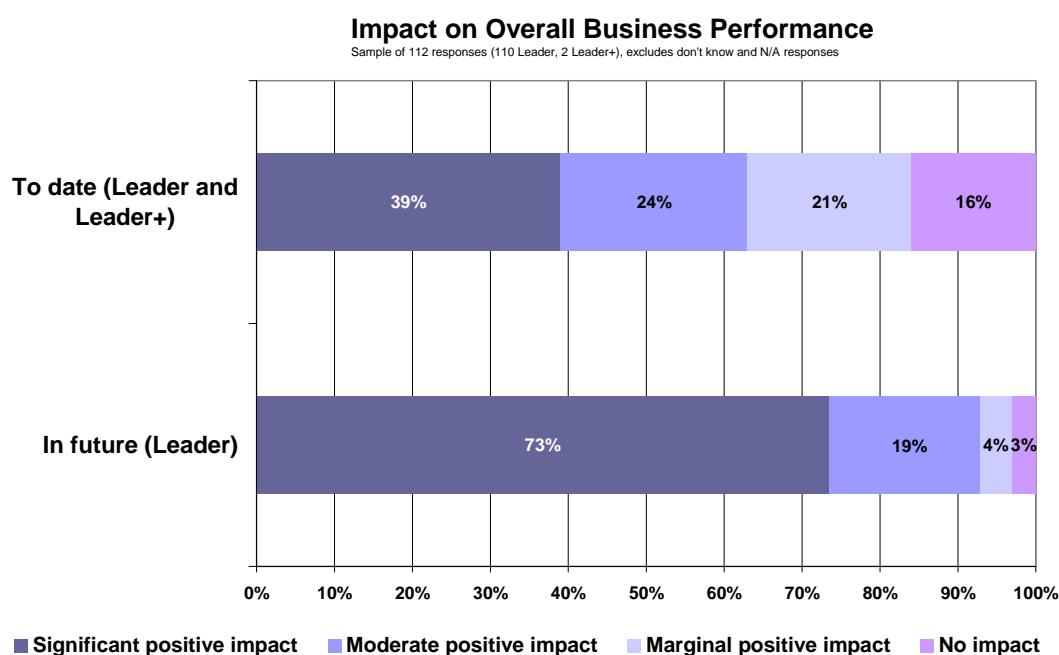
3.18 As a means of comparison, nationally available benchmarks for activity additionality (as opposed to impact additionality) are scarce. Evidence drawn from six recent business support evaluations undertaken by ekosgen, covering over 600 surveyed businesses, suggest that activity additionality is highly variable, with equivalent rates ranging between 24% and 96%. In keeping with the LEADER findings, the lower additionality rate of 24% is for a general business start-up support scheme, whereas higher figures of 80% and 96% are for specialised support mechanisms where alternative means of support are unavailable or much harder to access.

3.19 These results are encouraging, and the analysis of this impact is extended in the next chapter as part of the gross and net impact calculations for businesses. Even where seemingly low intensity and higher volume support is being made available to businesses in LEADER areas, this advice and information is not coming from other sources.

3.20 Overall, and across support to businesses, activity deadweight (including both pure and partial) ranged from 37% for innovation and collaboration activities at the lower end, where the same could have been found in the local area to the same quality, to 44% for agricultural and forestry support at the higher end.

## Businesses Benefits

3.21 LEADER is generating benefits for businesses. The following chart illustrates the perceived impact on LEADER businesses to date and that forecast in the future. Almost three in four businesses anticipate that the LEADER support will have ‘a significant positive impact’ on their business in the future. Whilst the perceived impacts to date are more modest it should be acknowledged that the majority of businesses surveyed are from the current LEADER approach and many projects are relatively new and recently contracted, and so the full range of benefits will not yet have accrued. The following chapter presents a quantification of these forecast future benefits and subsequent evaluation work will be required to determine whether these indeed come to fruition. The proportion of businesses registering a positive impact was particularly high for those in farming and creative industries.

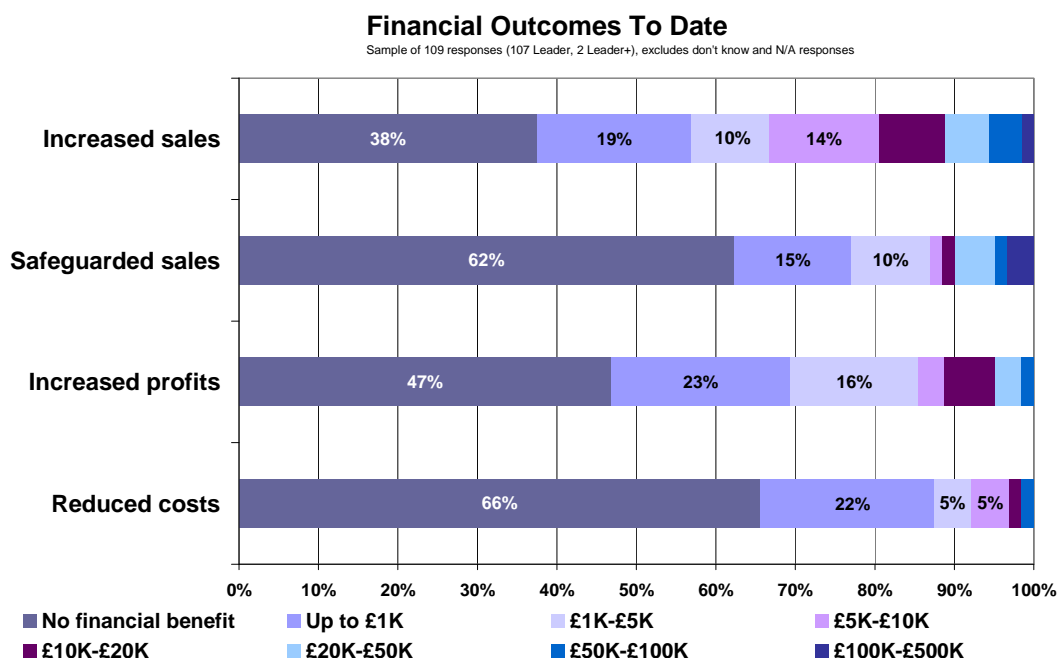


3.22 A range of commercial benefits have also been derived and these are summarised in the following chart. These are gross benefits before adjustments are made (e.g. taking account of how much of this would have been achieved without LEADER) yet it is clear there are considerable attributable benefits to LEADER. In all, 62% of surveyed businesses have identified actual increases in sales to date as a result of the support, compared to 38% that have not. Similar, 53% have recorded some form of increased profits. Lower proportions of businesses have recorded safeguarded sales to date (perhaps surprising given the economic climate) and reduced costs.

3.23 The majority of businesses are reporting modest increases in sales to date, and this partly reflects how recently businesses have been supported and that future increases are

anticipated. The average increase in sales reported in survey businesses (to date) is £7,859 and the average increase in profits is £4,145. These are small average gains at this stage. That said, 6% of businesses have reported increases to date of more than £50,000.

3.24 There are variations by sector. To date, average increased sales were highest for forestry (£16,333), manufacturing (£12,714), tourism (£9,150) and food and drink (£9,000) businesses, and these sectors had the four highest average increased profits as well. Average increased sales for creative businesses, business services and retailers were relatively low (between £250 and £500).



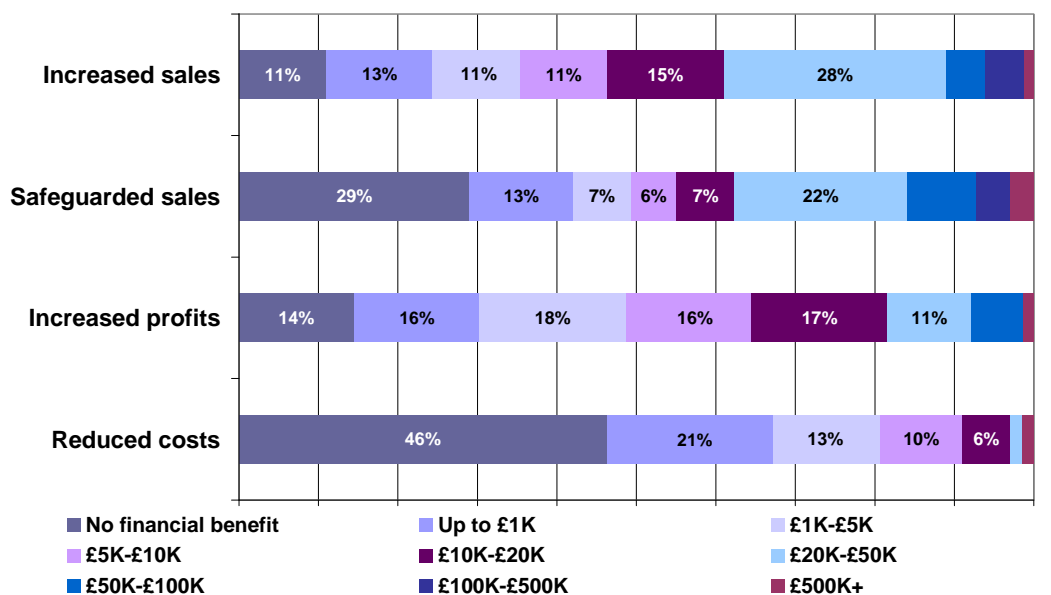
3.25 The balance between financial outcomes achieved to date and those forecast in the future is illustrated by the altered balance to the profile presented in the chart below. Far more businesses clearly indicate that they expect commercial benefits in the future (the forecast 'persistence' of benefits into the future is assessed in the following chapter). Just 11% of businesses expect no future increases in sales as a result of the support; and just 14% do not expect to increase profits. The average value of the future increases is also expected to increase. Just over one in ten (11%) of businesses are expecting future increases in *sales* of more than £50,000 and 9% are expecting increases of *profits* of more than £50,000. Despite small proportions expecting gains of more than £100,000, the overall picture remains of modest commercial gains overall.

3.26 Future expectations for increased sales / profits were highest for manufacturing, tourism and food and drink sectors with average increased sales of between £37,000 and £67,000, and increased profits of £10,000 to £40,000.



### Future Financial Outcomes

Sample of 106 responses (106 Leader, 0 Leader+), excludes don't know and N/A responses

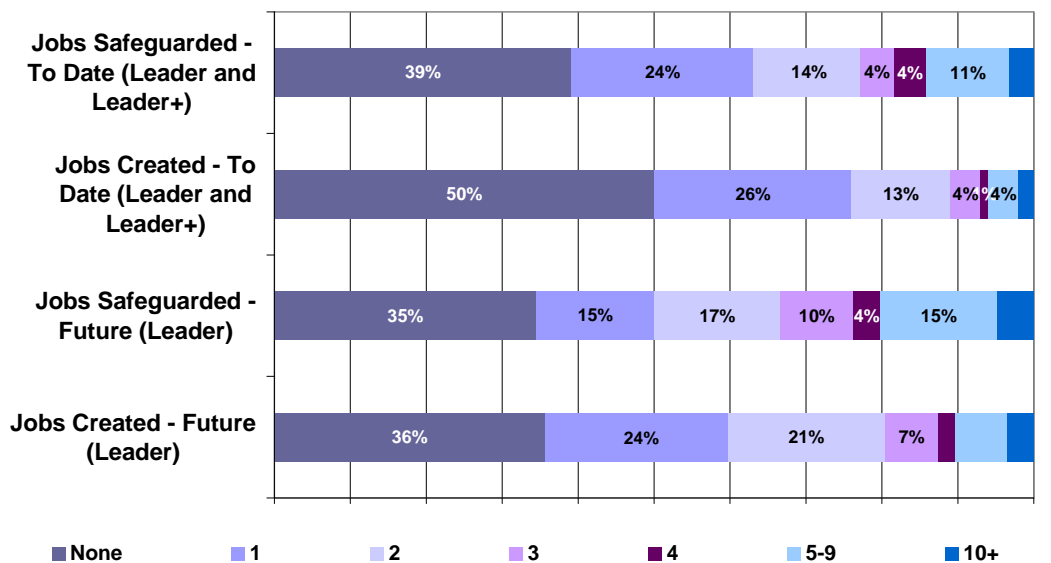


3.27 The commercial benefits described translate into relatively modest numbers of jobs created and safeguarded. More than a third of businesses have not created or safeguarded employment numbers to date or expect to do so in the future (despite a higher proportion expecting some sales/profits increases). The survey results indicate that each beneficiary business has generated approximately three gross jobs to date as a result of the support (average of one created and two safeguarded) which appears relatively high and reflects most job generation occurring at a relatively small number of businesses.

3.28 By sector, tourism and food and drink have the highest job creation averages of 1.6, whilst construction also has a high job generation rate if jobs safeguarded are included (average of 4.0 for construction, 3.7 for tourism and 3.4 for food and drink).

### Employment Outcomes

Sample of 109 responses (107 Leader, 2 Leader+), excludes don't know and N/A responses



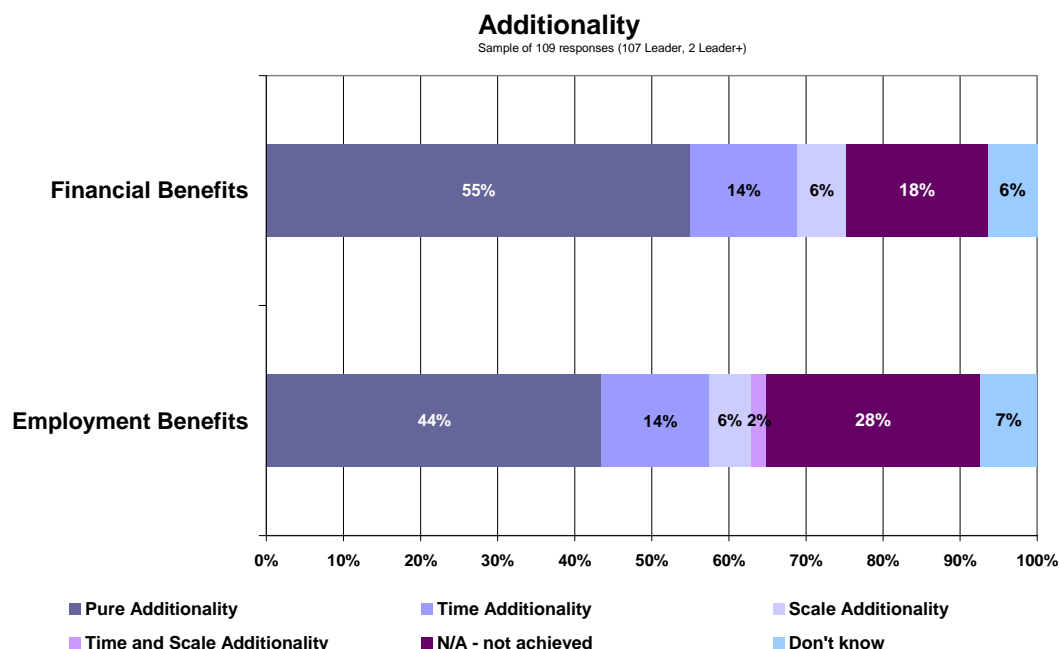
3.29 Considering future forecasts, the data similarly indicates that the scale of employment generation is modest. The average (gross) number of future jobs expected to be created per supported business is 1.8, with a further 2.5 expected to be safeguarded. Once again, this reflects high job generation in a relatively small number of businesses. By sector, construction and forestry sectors anticipate relatively high job generation in the future as a result of the LEADER support (averages of 7.0 and 4.8).

### Additionality of Benefits

3.30 Although the commercial returns to date and forecast are relatively modest, the benefits are regarded as additional, and these would not have been achieved without LEADER approach-determined support. In all, 55% state that the financial benefits (sales, profits and reduced costs) are wholly additional i.e. they could not have occurred without LEADER. Similarly, 44% stated that the employment benefits were wholly additional. Even in cases where less than 100% of the benefits are ascribed to LEADER, respondents cite that the support enabled them to improve performance more quickly or on a larger scale, or both.

3.31 Additionality (for both sales/profits and employment) is relatively high for the creative, food and drink, tourism and farming sectors, and this compares to lower rates for manufacturing and business services.

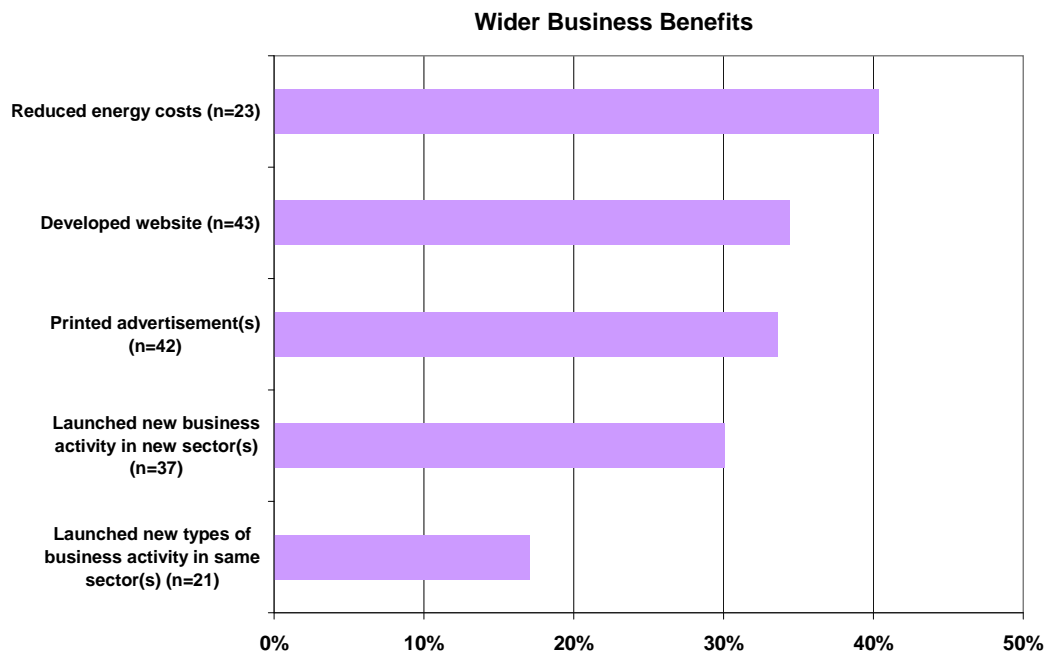
3.32 If the findings are confined to those that achieved benefits and were able to respond, the proportion stating that financial benefits are wholly additional rises to 73%, and the proportion stating that employment benefits are wholly additional rises to 67%.



### Wider Benefits

3.33 There were also a range of wider benefits identified by businesses. There is a strong resource efficiency thread running through the support to businesses; with 40% who received some support in to reduce energy costs achieving these reductions, particularly forestry,

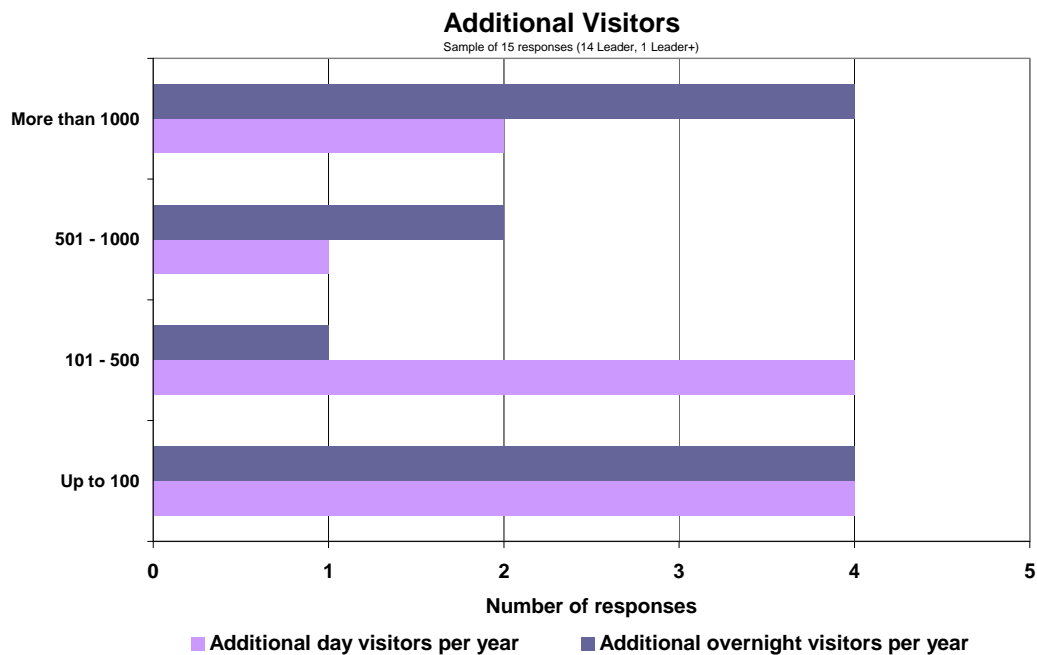
business services and manufacturing (50%-75%). Similarly, more than 14 businesses surveyed (33% of 43 businesses) stated they have developed or improved their website through LEADER support, with higher rates unsurprisingly for ICT and creative (and digital) businesses (50%-80%). Both environmental sustainability and ICT are strong EU themes and this may have been a factor behind these benefits.



3.34 Diversification is also evident; more than 12 businesses launched new businesses in new sectors and a small number of businesses introduced new activity within their sector.

3.35 A significant proportion of businesses also played some role in attracting visitors, 28% of all business able to say. These businesses were not only confined to the 'tourism businesses' but also to those that had diversified out of agriculture and some non-sector specific businesses. Of the 28 businesses responding, all stated that they had a positive effect on attracting day visitors (8 significantly, 15 moderately and 5 marginally) although there was a lesser impacts on overnight visitors (6 significantly, 10 moderately and 5 marginally) with 6 (of the 27) stating the project had no effect on overnight stays.

3.36 The spread of additional visitor numbers (from 15 responses) is provided below from those able to say (which indicates higher *numbers* of overnight stays in the sample).



## Summary and Conclusion

3.37 The views of 138 businesses have been directly gathered through the assessment, covering businesses in the tourism sector, support for businesses in the agriculture and forestry both directly and to help diversification out of the sector and general (non-sector) specific support for businesses in rural areas. Whilst this is a relatively small proportion of all LEADER support to businesses over the current and previous programme periods, the responses reflect the type of support available to businesses under LEADER. The primary research is also one of the largest surveys of LEADER business beneficiaries undertaken, given the inherent difficulties in gathering project-level data.

3.38 As well as a diverse range of sectors, LEADER has supported a wide range of activity, from grants, to premises support to advice and guidance. This varies from quite significant one-off grants to businesses, typically in the agriculture and forestry sectors to low intensity higher volume advice and support. In all, 80% of those surveyed received grant support, although the average value was £7,787.

3.39 Across the support to businesses, the survey evidence indicates that the support enabled activity that would not otherwise have been brought forward. Activity deadweight (including both pure and partial) ranged from 37% for innovation and collaboration activities at the lower end, where the same could have been found in the local area to the same quality, to 44% for agricultural and forestry support at the higher end.

3.40 LEADER support is already benefiting businesses under the current RDPE and is forecast to increase considerably. Almost two thirds have already experienced an increase in sales as a result of the project, forecast to rise to nine in 10 businesses in the future. Almost three in four think LEADER will have a significant positive effect on their business performance. To some extent, this reflects the nature of the survey sample since many of these businesses have received direct grant funding. That said, average increases in sales to

date (£7,859) and in the future (£37,622) are expected to be modest. Average values are highest for tourism and food and drink businesses. Correspondingly, new and safeguarded jobs are relatively modest, although higher than the sales returns alone would indicate.

3.41 Although small scale, the benefits would not have occurred without LEADER. No business felt that all the benefits could have been achieved had the project not existed, and more than half of applicable respondents (67% to 73%) assign sales and employment increases to date and in the future to LEADER. The proportion of applicable respondents that could have achieved impacts anyway, lower value impacts or impacts at a later date (27% to 30%) suggest average impact deadweight of between 13% and 18%<sup>7</sup>. This is an important finding and compares to benchmark business support deadweight which is considerably higher (47%<sup>8</sup>).

3.42 A range of wider benefits are also evident, including cross-cutting theme benefits of environmental sustainability (resource efficiency) and ICT improvements. A number of projects, beyond direct support for the tourism sector, are also attracting day visitors and overnight visitors, and in some cases these increases in visitors are considerable.

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<sup>7</sup> See Chapter 4 – scale deadweight is subject to a 50% adjustment (e.g. 26.8% x 50% = 13%)

<sup>8</sup> BIS (2009) Research to improve the assessment of additionality (p14)

## 4 Supporting Businesses (Gross and Net Impact)

4.1 This chapter quantifies the economic impacts of the LEADER support for businesses. This articulates both the gross attributable effects and the net impact adjustments to generate net impacts and return on investment. Greatest attention is paid to jobs generated as this offers greatest level of comparability across all LEADER interventions, and for comparison with other government departments and within Defra, although sales and visitor spend impacts are also captured.

4.2 Specifically the chapter covers:

- Gross attributable employment, sales and visitor spend;
- The adjustment factors applied to the gross benefits in order to calculate net economic benefits and GVA; and
- Net benefits and an assessment of the relative return on investment.

### Project Sample

4.3 Table 4.1 below presents the number of sample projects by category and the number of businesses participating in these projects. For the 104 projects, the survey received responses from 138 businesses. However, it is known from the data collected on funded projects through the LEADER approach under the current RDPE that these projects supported 183 businesses in total. Therefore, for the 45 businesses receiving support but not responding to the survey, impact figures (e.g. jobs generated, increased sales, visitors) have been estimated based on the average impact per sample business<sup>9</sup>. It is these overall impact figures that are presented in the series of tables of analysis below.

4.4 It is also worth noting that the categories in italics in the table below are sub-sets of the 183 businesses, for example, 88 businesses of the 183 were involved in some form of tourist activities<sup>10</sup>. 'Research and innovation' beneficiaries are not restricted to projects designated as such in the earlier analysis; rather all businesses who identified an element of innovation or R&D in their project were offered the opportunity to respond to questions relating to these project elements and their benefits.

| Table 4.1: Projects and Businesses by Project Category |          |            |
|--|----------|------------|
|  | Projects | Businesses |
| Business Support (BS)                                  | 104      | 183        |
| <i>Research &amp; Innovation (R&amp;I)</i>             | 59       | 132        |
| <i>Tourism Development (TD)</i>                        | 42       | 88         |
| <i>Agriculture &amp; Forestry (AF)</i>                 | 32       | 64         |
| <i>Agricultural Diversification (AD)</i>               | 16       | 19         |

<sup>9</sup> E.g. additional jobs generated = number of jobs generated per £1 of project spend for the sample x project spend value for the extra 45 businesses receiving support.

<sup>10</sup> Note, this is different to the analysis of spend and number of projects where the categories are distinct.

Source: LEADER Business Survey 2010

### Jobs Created and Safeguarded

4.5 Jobs generated indicators are one of the most rigorous measures available to for impact assessment given their comparability across schemes. As shown in Table 4.2, survey results find that the overall project sample has created or safeguarded 652 gross jobs, and this number varies by project category.

| Table 4.2: Gross Jobs by Project Category |              |                  |       |
|---|--------------|------------------|-------|
| To Date                                   | Jobs Created | Jobs Safeguarded | Total |
| All Business Support                      | 111          | 172              | 283   |
| <i>Research &amp; Innovation</i>          | 70           | 126              | 196   |
| <i>Tourism Development</i>                | 22           | 59               | 81    |
| <i>Agriculture &amp; Forestry</i>         | 16           | 35               | 51    |
| <i>Agricultural Diversification</i>       | 59           | 81               | 140   |
| Future                                    | Jobs Created | Jobs Safeguarded | Total |
| All Business Support                      | 158          | 212              | 369   |
| <i>Research &amp; Innovation</i>          | 114          | 154              | 268   |
| <i>Tourism Development</i>                | 56           | 88               | 144   |
| <i>Agriculture &amp; Forestry</i>         | 32           | 68               | 100   |
| <i>Agricultural Diversification</i>       | 18           | 38               | 56    |
| Total                                     | Jobs Created | Jobs Safeguarded | Total |
| All Business Support                      | 268          | 383              | 652   |
| <i>Research &amp; Innovation</i>          | 185          | 280              | 464   |
| <i>Tourism Development</i>                | 115          | 168              | 284   |
| <i>Agriculture &amp; Forestry</i>         | 54           | 127              | 181   |
| <i>Agricultural Diversification</i>       | 33           | 74               | 107   |
| Source: LEADER Business Survey 2010       |              |                  |       |

4.6 The total number of jobs created is to some extent a reflection of the scale of investment under each category, for example there has been considerably less investment in agricultural diversification. The data reflects the timing of the survey; more jobs are forecast to be created in the future as projects mature and the benefits are realised.

4.7 The data also indicates that, for the 183 businesses surveyed, there is an average of 3.5 FTE (gross) jobs created or forecast to be created. This is a significant employment return, and reflects that the majority of these businesses are named businesses receiving bespoke (and often grant aided) support. The same jobs return would not be anticipated if the sample of projects was higher volume, lower intensity support.

4.8 Further, the number of jobs forecast is quite high in relation to other identified commercial returns (notably sales), suggesting that a relatively small level of sales is required to support an additional post. This is likely to be the case in LEADER areas (where salaries may be quite low relative to the average, for example in hospitality). LEADER also supports a higher proportion of voluntary or nominally paid posts, and some businesses will have

included these posts within their employment estimates, even though they were asked to specify Full Time Equivalents.

4.9 The balance between new and safeguarded employment is also skewed towards jobs safeguarded. This will partly reflect the timing of the survey as the country emerges from recession; safeguarded jobs are no less important (some jobs once lost to a rural economy are hard to replace) but the data suggests the average increase in new jobs is just under 1.5 FTE.

4.10 This relatively low number of average jobs per business is reflected in the individual responses in which relatively few projects reported job generation of more than ten staff. Tourism businesses (e.g. North Yorkshire Moors Railway), food and drink producers and farm shops were examples where employment generation was relatively high.

### Sales Increased and Safeguarded

4.11 'Sales' refer to the annual business turnover of businesses through their day to day trading. In terms of impact, increased/safeguarded sales are the additional turnover generated by the business' participation in the LEADER project. Typically, but not always, increases in sales enable or require an increase in employment. Table 4.3 below presents the gross sales impacts generated in the 183 businesses, as estimated from survey results.

| Table 4.3: Gross Sales by Project Category |                  |                   |                  |
|--|------------------|-------------------|------------------|
| To Date                                    | Increased Sales  | Safeguarded Sales | Total            |
| Business Support                           | 567,409          | 838,912           | 1,406,321        |
| <i>Research &amp; Innovation</i>           | <i>342,868</i>   | <i>833,189</i>    | <i>1,176,056</i> |
| <i>Tourism Development</i>                 | <i>233,052</i>   | <i>468,654</i>    | <i>701,707</i>   |
| <i>Agriculture &amp; Forestry</i>          | <i>174,486</i>   | <i>52,969</i>     | <i>227,454</i>   |
| <i>Agricultural Diversification</i>        | <i>161,160</i>   | <i>39,901</i>     | <i>201,061</i>   |
| Future                                     | Increased Sales  | Safeguarded Sales | Total            |
| Business Support                           | 3,137,022        | 3,050,080         | 6,187,102        |
| <i>Research &amp; Innovation</i>           | <i>1,962,305</i> | <i>2,353,133</i>  | <i>4,315,438</i> |
| <i>Tourism Development</i>                 | <i>1,551,302</i> | <i>1,609,948</i>  | <i>3,161,250</i> |
| <i>Agriculture &amp; Forestry</i>          | <i>720,792</i>   | <i>1,050,029</i>  | <i>1,770,821</i> |
| <i>Agricultural Diversification</i>        | <i>661,223</i>   | <i>715,633</i>    | <i>1,376,856</i> |
| Total                                      | Increased Sales  | Safeguarded Sales | Total            |
| Business Support                           | 3,704,431        | 3,888,992         | 7,593,423        |
| <i>Research &amp; Innovation</i>           | <i>2,305,173</i> | <i>3,186,322</i>  | <i>5,491,495</i> |
| <i>Tourism Development</i>                 | <i>1,784,354</i> | <i>2,078,602</i>  | <i>3,862,956</i> |
| <i>Agriculture &amp; Forestry</i>          | <i>895,277</i>   | <i>1,102,998</i>  | <i>1,998,275</i> |
| <i>Agricultural Diversification</i>        | <i>822,383</i>   | <i>755,535</i>    | <i>1,577,917</i> |
| Source: LEADER Business Survey 2010        |                  |                   |                  |

4.12 Total sales increases (to date and forecast) in the surveyed businesses are just over £7.5m, which is an average of around £41,000 per business. This is likely to under-state the true level of sales, particularly for tourism businesses that generate income from visitor spend



and who may not regard this income as 'sales'. In addition, several businesses surveyed were not able to state sales benefits to date or to forecast these in the future.

4.13 The balance is broadly equal between new sales and safeguarded sales, although the balance is far more oriented towards forecast sales. Notwithstanding that sales are underestimated, the level of (gross) sales in relation to jobs is low – at an average of £11,600 increased sales per job.

### Increased Day and Overnight Visitors

4.14 A number of LEADER business support projects lead to increased numbers of visitors to the local area. This is most obviously linked to the tourism development projects but it applies to other project categories as well. Table 4.4 below presents the number of extra day / overnight visitors that the 183 businesses now attract to their local areas per year, as estimated from survey results.

| Table 4.4: Gross Visitors by Project Category |       |           |        |
|---|-------|-----------|--------|
|   | Day   | Overnight | Total  |
| Business Support                              | 9,675 | 803       | 10,479 |
| Research & Innovation                         | 7,082 | 704       | 7,786  |
| Tourism Development                           | 9,705 | 683       | 10,388 |
| Agriculture & Forestry                        | 1,039 | 0         | 1,039  |
| Agricultural Diversification                  | 2,917 | 715       | 3,633  |
| Source: LEADER Business Survey 2010           |       |           |        |

4.15 There will be an economic benefit arising from the increase in visitors; at an average of £22 per day visit and £53 per overnight visitor, this would be an additional £255,000 (per year), and at an average visitor spend (sales) per job of £30,000, would be an additional 8.5 (gross) jobs.

### Net Impact Adjustments

4.16 The process of applying adjustments to project benefits is used in this section to calculate the net impact of the projects. This includes estimates of standard adjustments (deadweight, leakage, displacement, substitution and multipliers) primarily based on the survey results.

#### Deadweight

4.17 Deadweight refers to the proportion of total impacts that would have been achieved by businesses anyway, with or without the intervention. This can be disaggregated as follows:

- Pure deadweight: between 0% and 8% of business respondents reported that all jobs they created or safeguarded would have occurred to the same scale and over the same time without any of the support received.
- Partial (time) deadweight: between 8% and 29% of business respondents reported that all jobs they created or safeguarded would have occurred to the same scale but would have taken longer to achieve without the support. A further adjustment

of 50% is applied to the response rate which reduces the time deadweight rate to between 4% and 15%.

- Partial (scale) deadweight: between 6% and 15% of business respondents reported that the number of jobs created or safeguarded would have been lower without the support they received, but would have taken place over the same time. A further adjustment of 50% is applied to the response rate which reduces the scale deadweight rate to between 3% and 8%.
- Zero deadweight: between 62% and 74% of business respondents reported that none of the jobs they created or safeguarded would have occurred without the support. None (0%) of these responses contribute to the total deadweight rate.

| Table 4.5: Deadweight Adjustments by Project Category |                  |                  |                   |                  |       |
|---|------------------|------------------|-------------------|------------------|-------|
|   | Pure Dead-weight | Time Dead-weight | Scale Dead-weight | Zero Dead-weight | Total |
|   | 100%             | 50%              | 50%               | 0%               |       |
| Business Support                                      | 3%               | 22%              | 9%                | 67%              | 18%   |
| Research & Innovation                                 | 2%               | 19%              | 7%                | 72%              | 15%   |
| Tourism Development                                   | 7%               | 18%              | 7%                | 68%              | 20%   |
| Agriculture & Forestry                                | 5%               | 11%              | 11%               | 74%              | 16%   |
| Agricultural Diversification                          | 8%               | 8%               | 15%               | 69%              | 19%   |
| Source: LEADER Business Survey 2010                   |                  |                  |                   |                  |       |

4.18 The total column of Table 4.5 represents the aggregate deadweight for each project category. The beneficiary results from the survey estimate that job deadweight ranges between 15% and 20%, depending on project category, with the lowest levels for the agriculture and forestry sector-specific support, and for research and innovation. For business support interventions, BIS benchmark research<sup>11</sup> suggests that the sub-regional deadweight adjustment typically ranges between 47% and 51%. Levels of deadweight for the projects therefore compares favourably with national benchmark data, roughly half regional business support programmes. This reflects the extent to which rural businesses feel that benefits cannot be achieved without some form of support.

## Leakage

4.19 Leakage refers to the proportion of benefits which accrue to individuals or businesses either outside the target group or the target area (in this case the LAG area). In the case of sales/profits, this may be the benefits accruing to parent companies outside the local areas. In the case of jobs created and safeguarded, leakage can be considered to be equivalent to the proportion of those workers (in created and safeguarded jobs) residing outside of the local area (and subsequently taking most of their wages outside of the local economy). The survey identifies that a surprisingly low proportion, between 4% and 11% of the new or safeguarded employment, lives outside the local area.. This compares to a BIS benchmark of 16% to 17%. Employees are most likely to be resident locally in tourism projects; and most likely to be further afield in the agriculture and forestry projects.

<sup>11</sup> BIS/CEA (2009) Research to improve the assessment of additionality – <http://www.berr.gov.uk/files/file53196.pdf> (p14)

## Displacement

4.20 Displacement refers to the benefits accruing to beneficiary businesses at the expense of other businesses in the local area that have not received support. Displacement is typically higher in some sectors than others, for example support for a retailer is likely to be at the expense of another retailer given the levels of competition in the sector (although this is not universally true as retailers can operate in quite discrete niche markets).

4.21 Survey responses place the level of displacement at between 6% and 15%, with displacement lowest for sector specific support for the agriculture and forestry sector. In comparison, the BIS guidance recommends a benchmark of approximately 19% to 20% for displacement. Adopting a survey based approach is compliant with the IEF+ guidance, although businesses do not always recognise the full effects of support they have received on non-supported businesses and so this approach typically under-reports the full displacement effects.

## Substitution

4.22 Substitution (otherwise known as in-firm displacement) occurs when a business switches from one planned investment to another in order to take up the subsidised intervention or support. For example, an agricultural business could consciously switch from planned investment to diversify into the food and drink sector in order to benefit from subsidised support to diversify into tourism and leisure. The survey responses do not allow for an accurate estimate of substitution although the BIS benchmark for substitution is 2% to 3%. For most of the LEADER projects covered by the survey, the business investment is relatively low and alternative planned investment in its place would also be low. For this reason, substitution is estimated at 0%.

## Multipliers

4.23 Multipliers represent the additional income and supplier benefits generated by the projects. The income multiplier is the additional spend in the local area as a result of new jobs created, or through jobs safeguarded. For example, if a newly employed person spends their income on goods and services in the local area, this is money retained for local benefits. The supplier linkage multiplier is the additional (or safeguarded) spend on local suppliers in businesses reporting benefits. Multipliers are influenced by the sector composition of supported businesses but in general variations are limited and standard regional benchmarks are typically applied.

4.24 Multipliers at the local level are lower than those at the regional or national levels. For example, whereas BIS research estimates a multiplier rate of 145% to 150% at the regional level, the sub-regional benchmark is 120% to 125%. The scale of the LEADER projects is estimated to be even smaller, and therefore a local multiplier of 110% has been applied across all categories.

## Adjustments Summary

4.25 Table 4.6 below highlights how these adjustments vary between project categories. As can be seen, the net total adjustment varies from 70% for business premises projects

(which show the lowest levels of additionality) to 80% for agriculture and forestry projects (which demonstrates the greatest levels of additionality).

| Table 4.6: Adjustments by Project Category |             |         |              |              |             |           |
|--|-------------|---------|--------------|--------------|-------------|-----------|
|  | Dead-weight | Leakage | Displacement | Substitution | Multipliers | Net Total |
| Business Support                           | 18%         | 6%      | 11%          | 0%           | 110%        | 76%       |
| Research & Innovation                      | 15%         | 5%      | 11%          | 0%           | 110%        | 79%       |
| Tourism Development                        | 20%         | 4%      | 15%          | 0%           | 110%        | 72%       |
| Agriculture & Forestry                     | 16%         | 9%      | 6%           | 0%           | 110%        | 80%       |
| Agricultural Diversification               | 19%         | 11%     | 8%           | 0%           | 110%        | 73%       |
| Source: LEADER Business Survey 2010        |             |         |              |              |             |           |

4.26 Table 4.7 below presents a summary of how the above adjustments impact upon the total jobs generated by the business support category as a whole.

| Table 4.7: Gross to Net Adjustments Summary - Business Support |         |        |       |
|--|---------|--------|-------|
|  | To Date | Future | Total |
| Gross Impact   | 283     | 369    | 652   |
| Pure deadweight  | 8       | 11     | 19    |
| Time deadweight  | 31      | 40     | 71    |
| Scale deadweight   | 12      | 16     | 28    |
| Zero deadweight  | 0       | 0      | 0     |
| Total Deadweight   | 51      | 67     | 118   |
| Sub Total  | 231     | 302    | 534   |
| Leakage  | 13      | 17     | 30    |
| Sub Total  | 218     | 285    | 504   |
| Displacement   | 23      | 31     | 54    |
| Sub Total  | 195     | 255    | 450   |
| Substitution   | 0       | 0      | 0     |
| Sub Total  | 195     | 255    | 450   |
| Multiplier   | 20      | 25     | 45    |
| Net Impact   | 215     | 280    | 495   |
| Source: LEADER Business Survey 2010                            |         |        |       |

4.27 As can be seen in Table 4.7 above, the sample of business support projects is estimated to have generated 495 net jobs. The same analysis has been applied to the individual project categories and the results of this are summarised in Table 4.8.

**Table 4.8: Net Jobs by Project Category**

| To Date                             | Jobs Created | Jobs Safeguarded | Total |
|-------------------------------------|--------------|------------------|-------|
| Business Support                    | 84           | 130              | 215   |
| <i>Research &amp; Innovation</i>    | 56           | 99               | 155   |
| <i>Tourism Development</i>          | 17           | 47               | 64    |
| <i>Agriculture &amp; Forestry</i>   | 11           | 26               | 37    |
| <i>Agricultural Diversification</i> | 43           | 58               | 101   |
| Future                              | Jobs Created | Jobs Safeguarded | Total |
| Business Support                    | 120          | 161              | 280   |
| <i>Research &amp; Innovation</i>    | 90           | 122              | 212   |
| <i>Tourism Development</i>          | 41           | 64               | 104   |
| <i>Agriculture &amp; Forestry</i>   | 26           | 54               | 79    |
| <i>Agricultural Diversification</i> | 13           | 28               | 41    |
| Total                               | Jobs Created | Jobs Safeguarded | Total |
| Business Support                    | 204          | 291              | 495   |
| <i>Research &amp; Innovation</i>    | 146          | 221              | 367   |
| <i>Tourism Development</i>          | 83           | 122              | 205   |
| <i>Agriculture &amp; Forestry</i>   | 43           | 101              | 144   |
| <i>Agricultural Diversification</i> | 24           | 54               | 78    |

Source: LEADER Business Survey 2010

4.28 Broadly, the variations by project category reflect the split for the gross effects; there are marginally more agricultural and forestry net jobs as a proportion of the total given the higher levels of additionality from this support. Table 4.9 presents the net sales increases.

**Table 4.9: Net Sales by Project Category**

| To Date                             | Jobs Created | Jobs Safeguarded | Total     |
|-------------------------------------|--------------|------------------|-----------|
| Business Support                    | 453,573      | 670,605          | 1,124,177 |
| <i>Research &amp; Innovation</i>    | 281,438      | 683,910          | 965,347   |
| <i>Tourism Development</i>          | 188,473      | 379,009          | 567,483   |
| <i>Agriculture &amp; Forestry</i>   | 143,422      | 43,539           | 186,961   |
| <i>Agricultural Diversification</i> | 130,126      | 32,218           | 162,344   |
| Future                              | Jobs Created | Jobs Safeguarded | Total     |
| Business Support                    | 2,507,655    | 2,438,156        | 4,945,811 |
| <i>Research &amp; Innovation</i>    | 1,610,727    | 1,931,533        | 3,542,260 |
| <i>Tourism Development</i>          | 1,254,565    | 1,301,993        | 2,556,558 |
| <i>Agriculture &amp; Forestry</i>   | 592,471      | 863,095          | 1,455,566 |
| <i>Agricultural Diversification</i> | 533,894      | 577,827          | 1,111,721 |
| Total                               | Jobs Created | Jobs Safeguarded | Total     |
| Business Support                    | 2,961,227    | 3,108,760        | 6,069,988 |
| <i>Research &amp; Innovation</i>    | 1,892,165    | 2,615,443        | 4,507,607 |
| <i>Tourism Development</i>          | 1,443,039    | 1,681,002        | 3,124,041 |
| <i>Agriculture &amp; Forestry</i>   | 735,893      | 906,634          | 1,642,528 |
| <i>Agricultural Diversification</i> | 664,020      | 610,045          | 1,274,065 |

Source: LEADER Business Survey 2010

4.29 There are additional economic benefits derived from those projects which attract visitors to the area. Using the survey-derived average visitor spend of £22.72 per day visit and £52.53 per overnight stay, net additional visitor spend is estimated at £175,741 and £33,606 respectively.

| Table 4.10: Net Visitors by Project Category |       |           |       |
|--|-------|-----------|-------|
|  | Day   | Overnight | Total |
| Business Support                             | 7,734 | 642       | 8,376 |
| Research & Innovation                        | 5,813 | 578       | 6,391 |
| Tourism Development                          | 7,848 | 553       | 8,401 |
| Agriculture & Forestry                       | 854   | 0         | 854   |
| Agricultural Diversification                 | 2,356 | 577       | 2,933 |
| Source: LEADER Business Survey 2010          |       |           |       |

### Gross Value Added per Worker

4.30 IEF guidance states that economic impact should be expressed as gross value added (GVA) and this is most simply calculated by multiplying the number of net jobs by the average GVA per worker. For the latest year available (2008), GVA per worker nationally (and across all sectors) is estimated to be £46,868 which is calculated by dividing latest GVA for England (£1,081bn)<sup>12</sup> by the number of workers (23.1m)<sup>13</sup>.

4.31 Assuming that each net job represents the *average* GVA per worker, the business support projects are found to generate £10,054,807 (based on jobs to date) and £13,129,118 (based on future jobs).

4.32 In reality, the sectors supported (retail, tourism, general business) have an average GVA lower than the national average, and average GVA is similarly varied across the English regions. GVA per worker is higher in agriculture (given its high levels of mechanisation), although employees in the sector are not frequently highly paid. A more realistic GVA per job created/safeguarded through LEADER is therefore £36,098 (based on the regional and sector mix of supported businesses), generating £7,744,341 (to date) and £10,112,215 (future).

### Persistence and Decay

4.33 Persistence refers to the length of time that benefits are expected to last for. For example, the net jobs generated by the projects may last for longer than one year and/or be attributable to the projects over several years. IEF guidance notes that this area is under-researched but suggests that persistence could range from one year for job-matching projects, two years for tourism / promotional schemes, three years for business support and five years for inward investment<sup>14</sup>. Considering that LEADER projects cover a range of these types of interventions, a standard persistence of three years has been applied for all jobs created across all project categories.

<sup>12</sup> Office for National Statistics (2008) <http://www.statistics.gov.uk/statbase/product.asp?vlnk=14650>

<sup>13</sup> Annual Business Inquiry (2008) Employee Analysis – [nomisweb.co.uk](http://nomisweb.co.uk)

<sup>14</sup> BIS (2009) RDA Evaluation: Practical Guidance on Implementing the Impact Evaluation Framework (p26)

4.34 Decay refers to the weakening of attribution over time between the project activity and the project benefits (e.g. jobs). The survey does not provide information on this and therefore the IEF benchmark of three years persistence (3.5% decay rate) is used. Applying the decay rate to the unadjusted persistence of three years, this is equivalent to a persistence of 2.9 years<sup>15</sup>.

### Gross Value Added

4.35 Currently, the GVA figures are based on GVA per annum of £36,098 for each net job. If it is assumed that each of these net jobs lasts for 2.9 years, this is equivalent to a cumulative net GVA impact of £22,429,353 for jobs generated to date, and a further £29,287,249 net GVA for jobs expected in the future. **For all net jobs (to date and future), the business support projects are estimated to generate net GVA of £51,716,602.** Table 4.11 below presents how net GVA impact varies between project categories.

| Table 4.11: GVA by Project Category |                  |             |                           |                                      |
|-------------------------------------|------------------|-------------|---------------------------|--------------------------------------|
|                                     | Total investment | GVA to date | To date, incl persistence | To date and future, incl persistence |
| Business Support                    | 8,110,088        | 7,744,341   | 22,429,353                | 51,716,602                           |
| Research & Innovation               | 5,019,914        | 5,588,254   | 16,184,841                | 38,354,701                           |
| Tourism Development                 | 4,410,536        | 3,652,519   | 10,592,305                | 21,493,875                           |
| Agriculture & Forestry              | 2,144,196        | 2,327,841   | 6,741,951                 | 15,039,736                           |
| Agricultural Diversification        | 929,691          | 1,339,002   | 3,883,106                 | 8,162,448                            |
| Source: LEADER Business Survey 2010 |                  |             |                           |                                      |

### Apportionment

4.36 Apportionment is a further adjustment which allows the GVA impact to be shared out between funding partners according to how much each one funded into the projects. Whilst this is a condition of UK Government Department evaluations, the European Commission prefers to estimate value for money based on the total non-apportioned GVA. For the purposes of meeting Defra requirements, apportionment is applied below.

4.37 The LEADER projects in this sample received total public and private contribution to project costs of £8,110,088, which includes EAFRD business support expenditure (£2,408,768), pro-rata LEADER administration costs (£481,754)<sup>16</sup>, plus match funding (£5,219,567). Of the £8.1m, the LEADER contribution (direct EAFRD + LEADER administration costs) is £2,890,521 (equivalent to 36% of the total). If this apportionment is applied to the GVA impact (£52m), it is estimated that the LEADER approach can directly claim that £18,432,343 (36% of £52m) is attributable to their funding support.

<sup>15</sup> (Year 1)  $1 \times 100\% = 1$ ; + (Year 2)  $1 \times 96.5\% = 0.965$ ; + (Year 3)  $0.965 \times 96.5\% = 0.931$ ; = 2.896 years persistence

<sup>16</sup> LEADER costs are estimated as being equivalent to 20% of total EAFRD business support costs in line with LEADER Axis 4 guidance (see Chapter 2). E.g.  $20\% \times £2,408,768 = £481,754$ .  $£2,408,768 + £481,754 = £2,890,521$



## Return on Investment

4.38 For the total £8.1m investment into the LEADER business support projects, they have generated a net GVA return of: £7.7m (jobs generated to date); £22.4m (jobs generated to date, lasting for three years); and £51.7m<sup>17</sup> (jobs generated to date and in future, lasting for three years). This finds a **total return on investment of £6.38 for every £1 invested in business support projects**. Table 4.12 below presents how return on investment varies according to project category.

|                              | To date | To date, incl persistence | To date and future, incl persistence | 90% confidence interval |
|------------------------------|---------|---------------------------|--------------------------------------|-------------------------|
| Business Support             | 0.95    | 2.77                      | 6.38                                 | 6.05-6.71               |
| Research & Innovation        | 1.11    | 3.22                      | 7.64                                 | 7.07-8.21               |
| Tourism Development          | 0.83    | 2.40                      | 4.87                                 | 4.44-5.30               |
| Agriculture & Forestry       | 1.09    | 3.14                      | 7.01                                 | 6.28-7.74               |
| Agricultural Diversification | 1.44    | 4.18                      | 8.78                                 | 8.04-9.52               |

Source: LEADER Business Survey 2010

4.39 As can be seen, the agricultural diversification activity appears to offer the best return on investment, with investment of £929,691 generating total net GVA of £8.2m, a return of £8.78 for every £1 invested, a validation of returns under Measure 311. Sector specific support to Agricultural and Forestry, at £7.01 for every £1 invested, also offers relatively good returns as this is typically specific and targeted.

4.40 Overall, the returns for support to businesses through LEADER are relatively good. The returns compare to 11.8:1 for all business development and competitiveness interventions across the RDA network (as identified in the PwC National RDA Impact Report) which includes high impact programmes such as inward investment at more than 20:1. Sector/cluster support (8.7:1) is the closest sub-category identified in the PwC report, and, whilst LEADER returns are lower than for these programmes, there are clear returns from LEADER support.

## Summary and Conclusion

4.41 The evidence indicates that there are good returns on LEADER approach support for businesses, with the activity and benefits additional to the business. New jobs and sales are generated in supported businesses, and, although these are relatively modest, these are significant and additional in the local area. Average job creation to date and in the future is 3.5 FTE per business, with a relatively small number of businesses accounting for these increases. At the same time, levels of investment required to generate these returns are also

<sup>17</sup> Alternatively, the LEADER funding component (£2.9m) generates a net GVA of: £2.8m (jobs generated to date); £8.0m (jobs generated to date, lasting for three years); and £18.4m (jobs generated to date and in future, lasting for three years).



quite low, and so overall value for money, even allowing for additional LEADER overheads in set-up and administration, are relatively good.

## 5 Supporting Communities

5.1 The chapter presents the analysis of the survey of projects designed to benefit the LEADER communities. This is based on the responses from 373 projects, again largely drawn from the current RDPE although including analysis of 73 LEADER+ projects to allow some comparisons between the two. The analysis is split into the following sections:

- A comment on the sample of surveyed businesses and the representativeness of the sample;
- The nature of support across conservation, tourism and heritage (CTH) projects, community facilities and services (CFS) projects and connectivity and transport (C&T);
- Project benefits; and
- Wider benefits from the support.

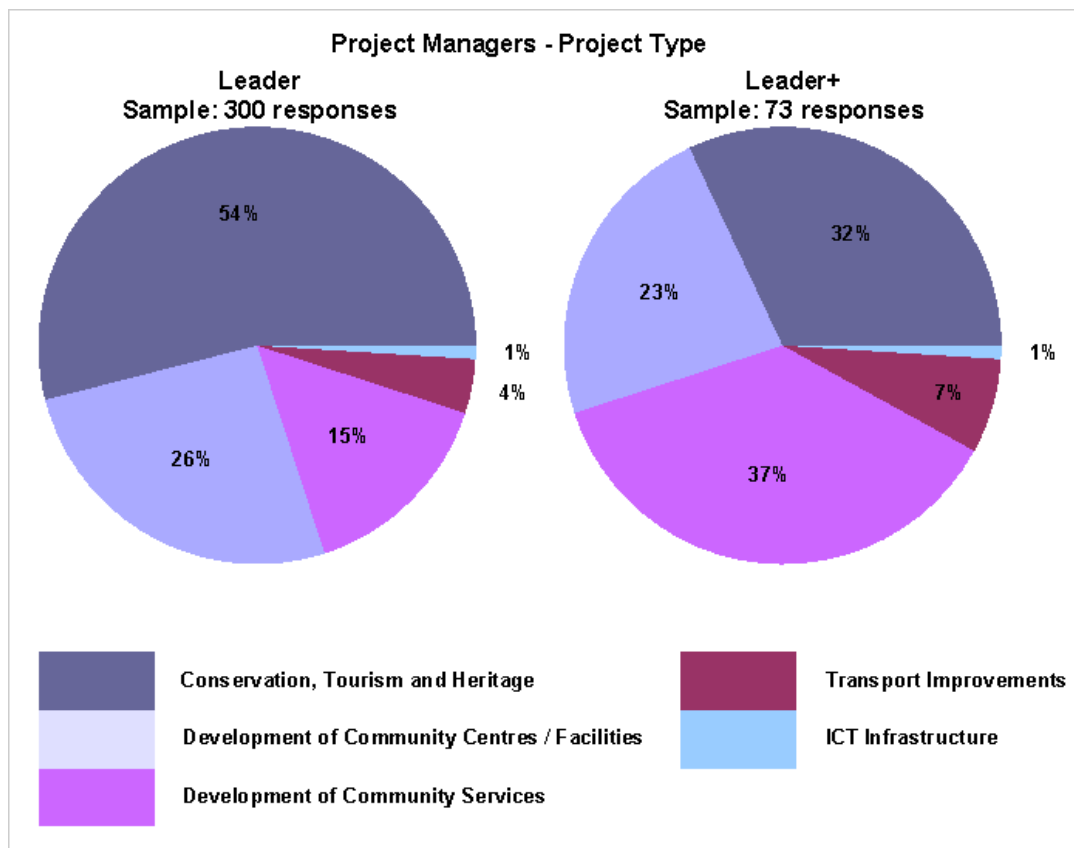
5.2 The current LEADER approach does not have a strong focus on individual skills and training, with sector specific skills and training generally covered outside through other parts of the RDPE. In the past, however, LEADER has supported his activity, and so a short section on skills and training is included at the end of the chapter.

### A Note on the Sample

5.3 The 373 projects represents 60% of the community-focused projects that we identified, an excellent response rate that provides comfort that the views obtained are represented of the 616 projects for which contact detailed were obtained and available to survey. The majority of these projects were drawn from the current Leader approach.

| Table 5.1: Project Category         |                  |          |                |         |                               |
|-------------------------------------|------------------|----------|----------------|---------|-------------------------------|
|                                     |                  |          | Responses      |         |                               |
|                                     | Details Obtained | Surveyed | Current Leader | Leader+ | Results for Impact Assessment |
| Community Services                  | 244              | 171      | 45             | 17      | 59                            |
| Community Facilities                |                  |          | 78             | 27      | 86                            |
| CTI                                 |                  |          | 15             | 6       | 0                             |
| CTH                                 |                  |          | 162            | 23      | 131                           |
| Total 'Community'                   | 616              | 373      | 300            | 73      | 276                           |
| Source: LEADER Business Survey 2010 |                  |          |                |         |                               |

5.4 The following Charts indicate the split of responses between the categories for the current Leader approach and for Leader+. The Conservation, Tourism and Heritage (CTH) projects dominate the respondents under the current Leader approach and this largely reflects the balance of activity supported to date, where CTH projects have accounted for 42% of current LEADER approach projects and 43% of spend.



## LEADER Support for Projects benefiting Communities

5.5 There were a total of 322 projects approved as of 31<sup>st</sup> May under the 'community' category, 42% of all projects, and 193 of these were related to conservation, tourism and heritage. The CTH projects represented 25% of all project activity under the Leader approach and 26% of the value of approved projects.

**Table 5.2: 2007-2013 LEADER Approach 'Community' Projects**

|                                | Projects | % of total (all) | Value (£m) | % of total (all) |
|--------------------------------|----------|------------------|------------|------------------|
| Community Services/ Facilities | 120      | 15.6             | 2.93       | 15.1             |
| CTI                            | 9        | 1.2              | 0.26       | 1.3              |
| CTH                            | 193      | 25.1             | 5.14       | 26.4             |
| Total 'Community'              | 322      | 41.9             | 8.3        | 42.9             |

Source: ekosgen

5.6 In LEADER+, a very similar profile of 'community' projects was evident, with again 40% of all projects (excluded non-delegated projects such as community chests) delivered over the lifetime of the programme. This represented 39% of the value of the project

**Table 5.3: LEADER+ 'Community' Projects**

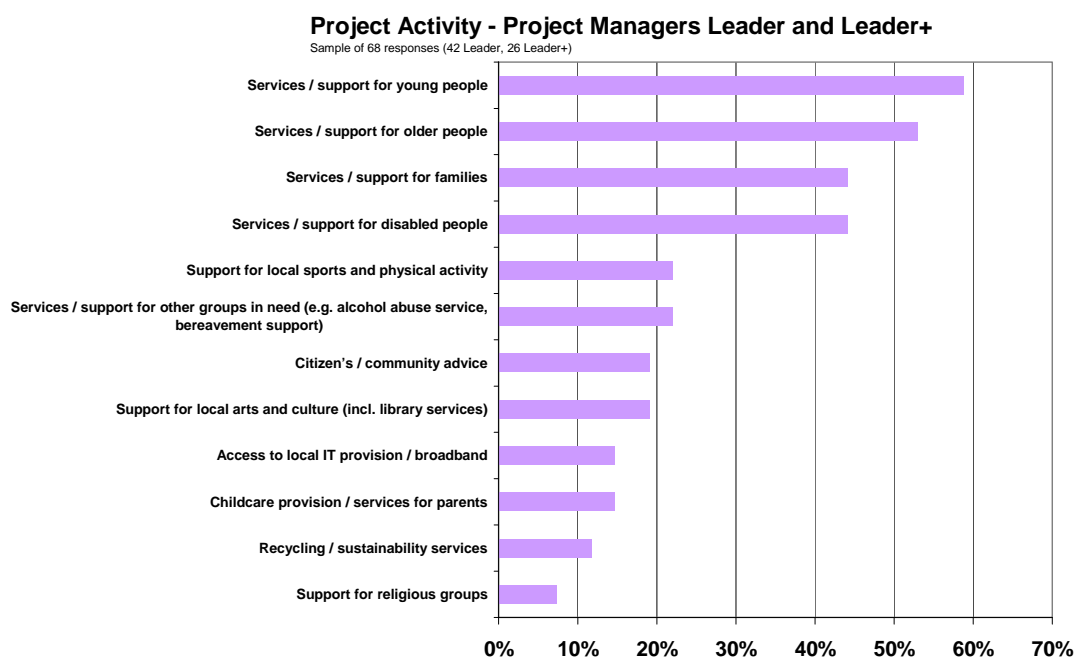
|                                | Projects | % of total (all) | Value (£m) | % of total (all) |
|--------------------------------|----------|------------------|------------|------------------|
| Community Services/ Facilities | 95       | 7.7              | 7.0        | 7.6              |
| CTI                            | 71       | 5.8              | 5.1        | 5.5              |
| CTH                            | 323      | 26.3             | 23.7       | 25.8             |
| Total 'Community'              | 489      | 40.0             | 35.8       | 38.9             |

Source: Defra

## Community Services

### Nature of Support and Users

5.7 There is a considerable range of activity supported. The following chart illustrates this. Respondents were able to identify more than one target group but the chart indicates that a very wide range of groups benefit from Leader support, with the most frequently identified support for young people, followed by support for the elderly.



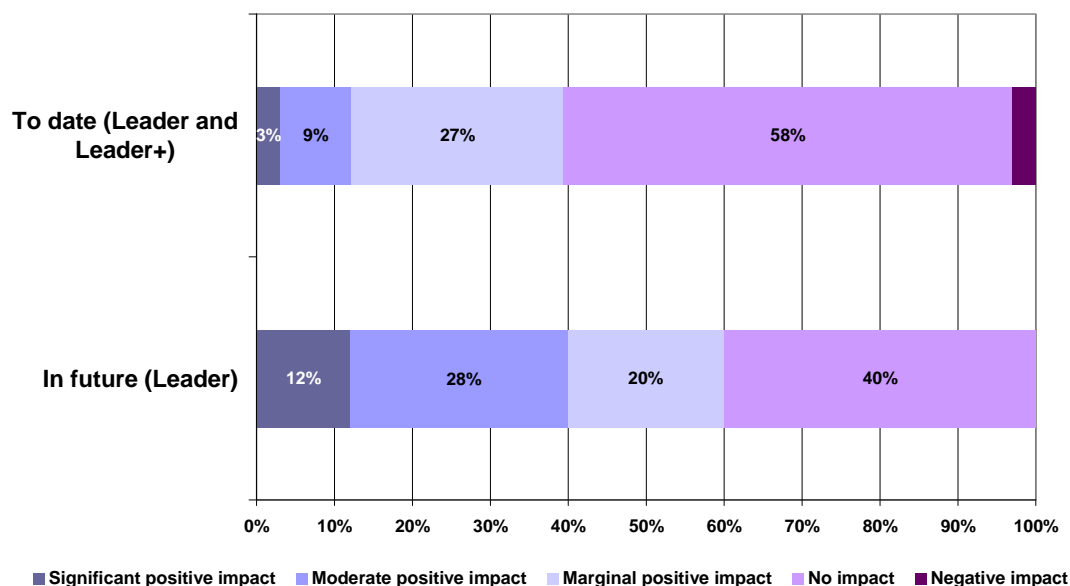
5.8 The survey suggests that 46% of the services are new to the LEADER area; and one third indicate that LEADER has allowed them to increase the range of services. The vast majority of users are local, 94% of project managers reported that more than 75% of users were based locally

### Economic Benefits from Community Service Use

5.9 Although not the primary function of the projects providing community services, a number of projects also create some form of economic benefit. A small number of projects (3% to date and 12% in the future) expected to have a *significant* positive effect in attracting new businesses. Overall, 40% of projects to date have had *some* positive effects in attracting new businesses, either directly through co-location, delivering service offerings or indirectly through retaining more residents in the local area, and 60% expect to do so in the future.

### Impact on Attracting New Businesses to the Local Area

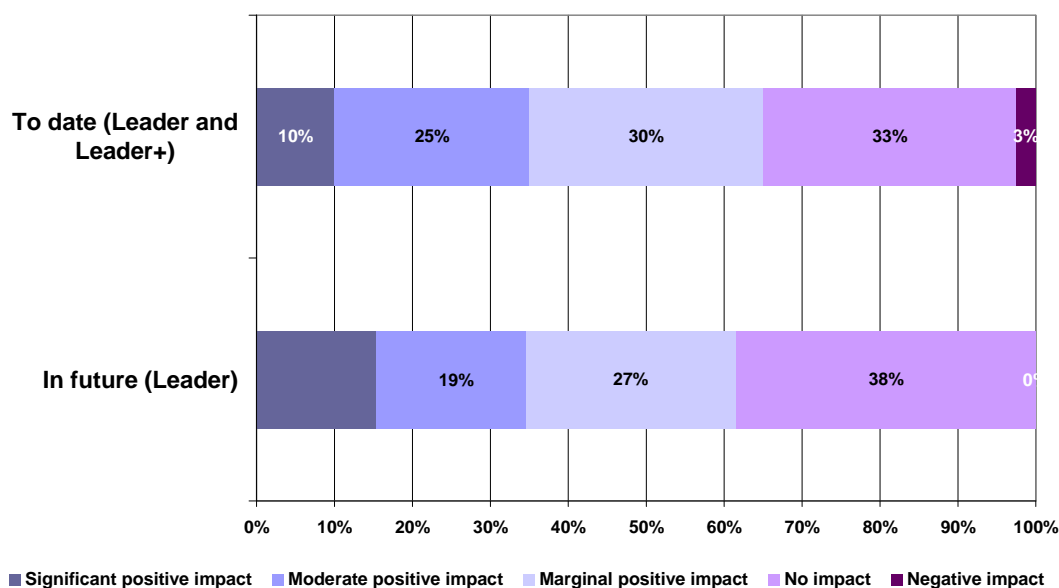
Sample of 64 responses (40 Leader, 24 Leader+), excludes don't know and N/A responses



5.10 Projects to deliver community services also have a positive employment effect, either directly through the delivery of the project or indirectly as a result of the additional or improved service. In all, more than one third of projects have indicated that LEADER support has had a moderate or significant local employment effect. The actual employment numbers are quite modest (these are quantified in the next chapter) but it is clear that project managers regard the community services LEADER activity has having significant related employment effects. The proportion reporting positive impacts is comparable for project managers under both the LEADER+ and LEADER programmes.

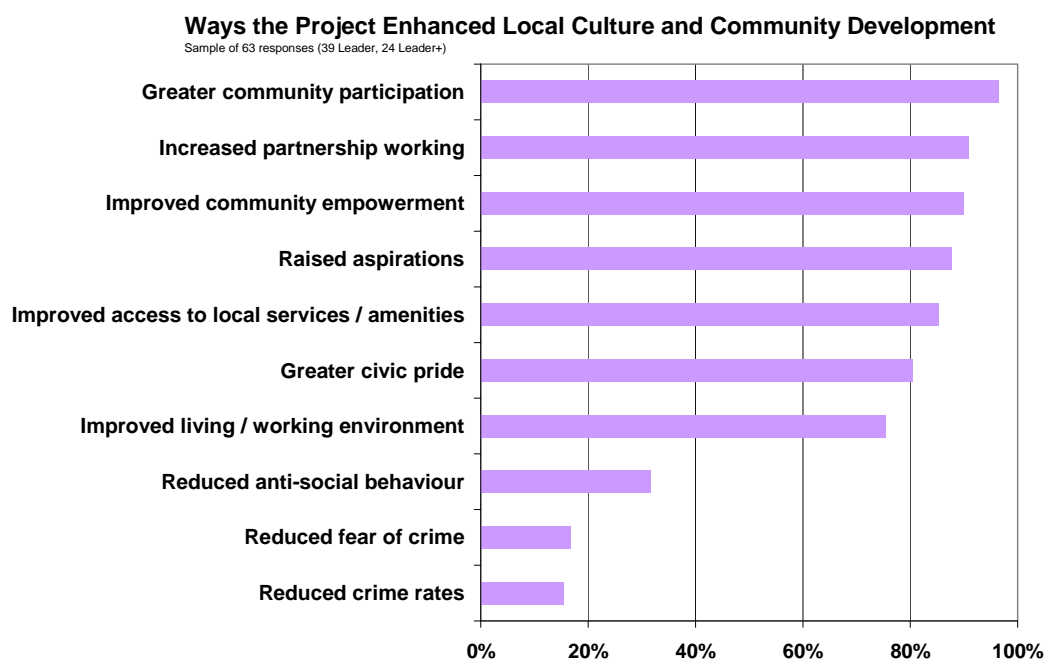
### Creating / Safeguarding Jobs in the Local Area

Sample of 63 responses (39 Leader, 24 Leader+), excludes don't know and N/A responses



## Wider Benefits

5.11 Multiple benefits to local culture and community development were reported by a high number of project managers (see the figure below). Respondents could identify more than one benefit, yet greater community participation was cited by 95% of community service projects. Almost 90% stated that the project helped to empower the community and almost 90% stated the project helped to raise resident aspirations. Eight in ten project managers stated the project was helping increase civic pride. Whilst the data is obtained from project managers and therefore subject to some optimum bias, there is clearly a sense that projects have very strong benefits in terms of social cohesion and community empowerment. At the project level, the majority also increased partnership working.

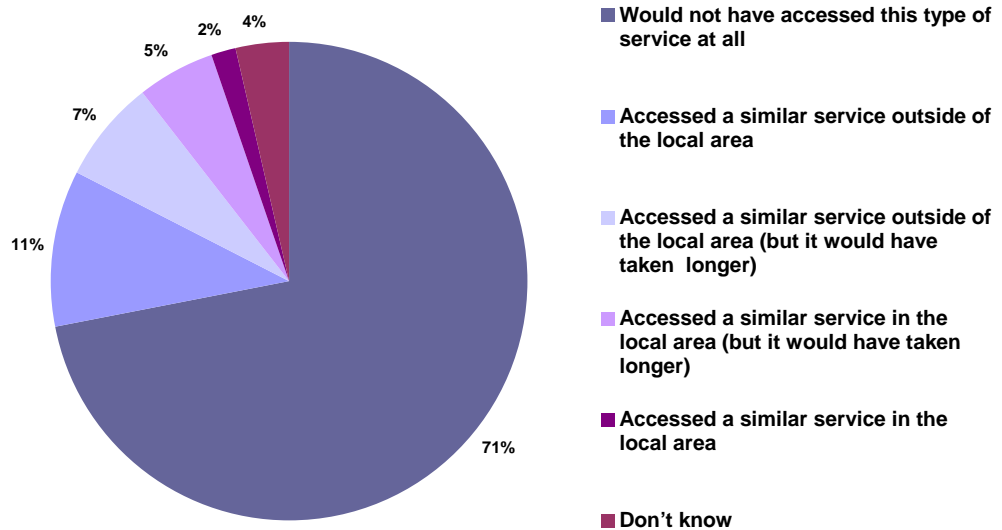


## Additionality of Support

5.12 Projects to develop community services are generally regarded as additional. In all, 71% of respondents reported that the service users would not have been able to access this type of service had the project not existed. Of the other responses, only 7% said that users would have been able to access similar services in the local area (2%) or that they could have accessed services locally but that it would have taken them longer to do so (5%). Just under over one in five (18%) stated that similar services existed but that these were outside the local area, of which 7% would have taken longer to access.

### Effect on the Service Users in Absence of the Service

Sample of 64 responses (39 Leader, 25 Leader+)



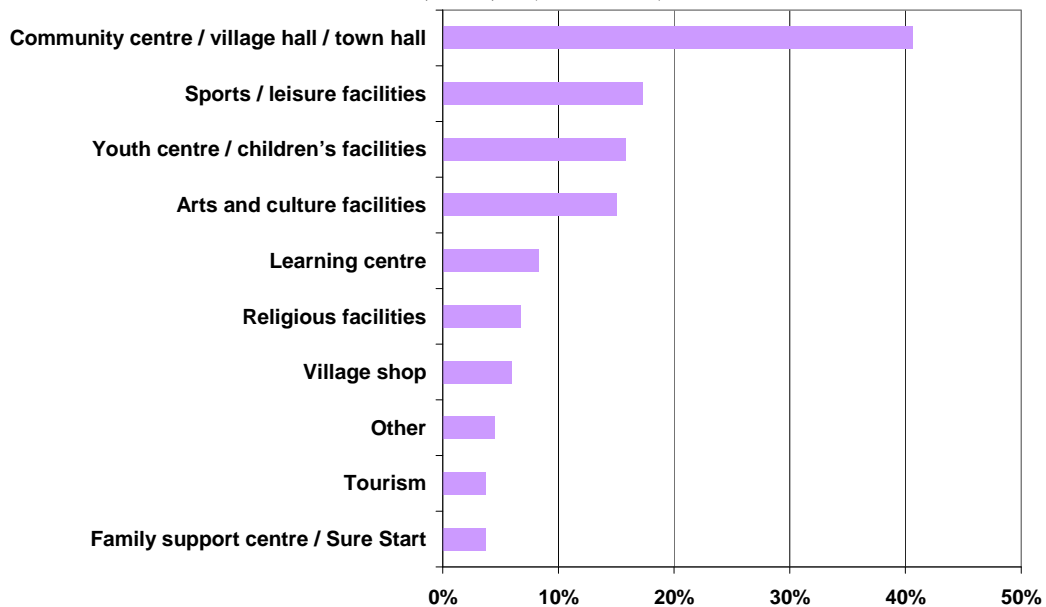
## Community Facilities

### Nature of Facilities and Users

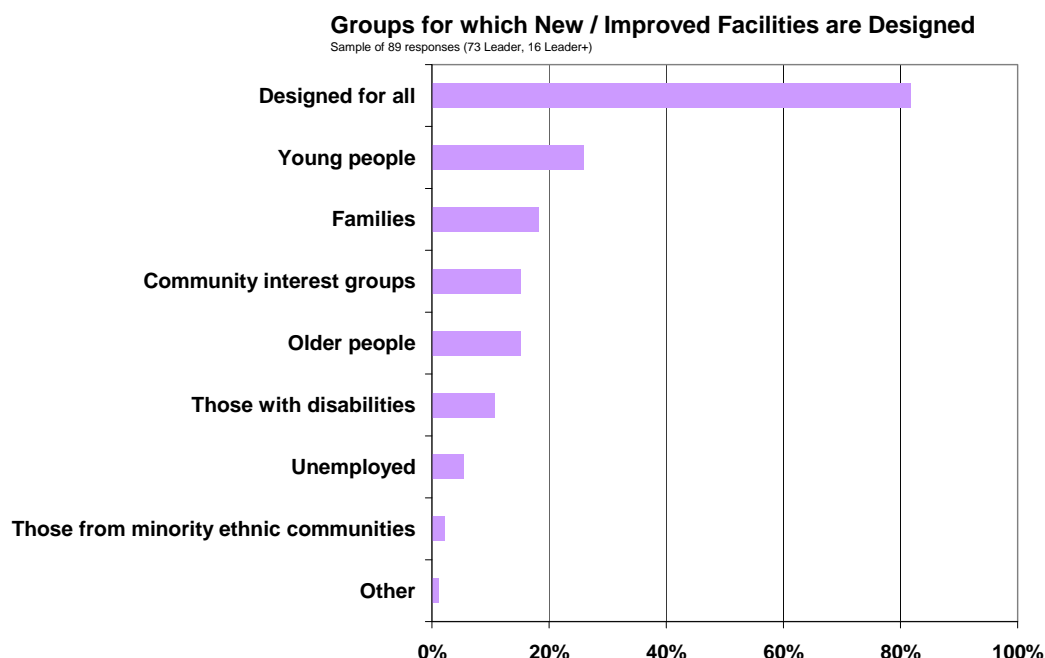
5.13 LEADER has also supported a wide range of community facilities. Of these, projects creating (or more typically improving) physical centres such as community centres, village halls and towns halls accounted for more than 40% of support projects. A number of facilities related to a theme, for example sports and leisure (17%) and arts and culture (15%). Others provided facilities for target groups, notably children and young people (16%).

### Type of New / Improved Facilities

Sample of 94 responses (77 Leader, 17 Leader+)



5.14 The majority of projects are made available for use by the whole community (80%). Where a facility has been designed for a specific target group, facilities for young people were most frequently cited (23%). Project support to engage young people and to support families is a feature of LEADER where there are limited services and activities for young people and where it is typical for young adults to migrate to urban areas.



5.15 Facilities are predominantly used by people from the local area. More than 75% of project managers state that more than 75% of users of the facilities are local i.e. within 20 miles. Compared to the responses from the community service projects, a higher proportion of project managers state that the facilities are also used by those outside the local area, reflecting the higher levels of investment in a physical centre. The proportion of users of the facilities from outside the local area is typically 25% or less.

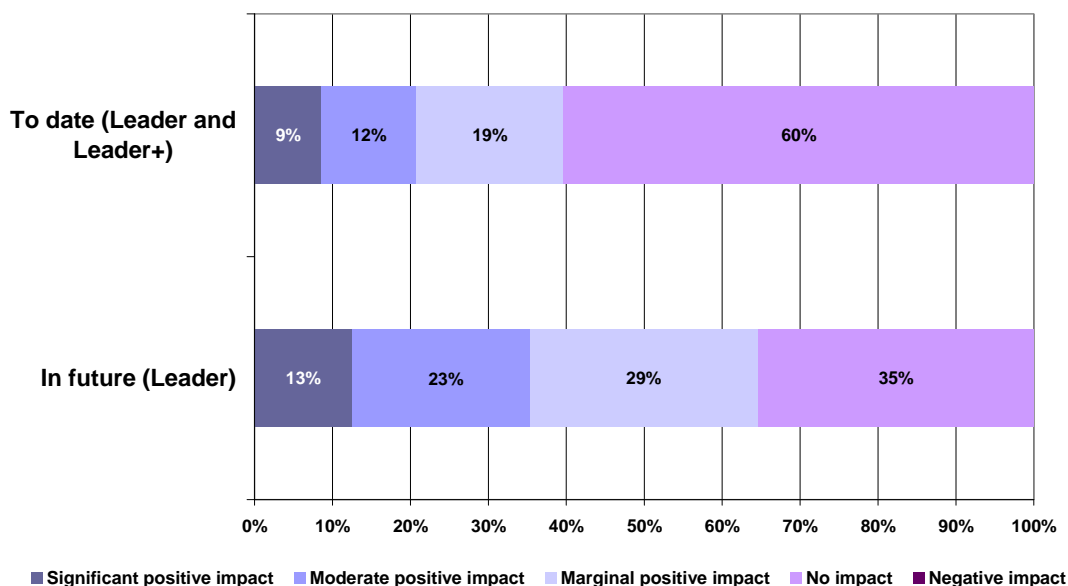
### **Economic Benefits from Community Service Use**

5.16 As with services, community facilities are expected to generate some additional economic benefits. Four in ten facilities to date have had some form of positive effect on attracting new businesses to the area and 75% are expected to do so in the future. For one in five facilities, the effect to date has been moderate or significant; a number of community facilities (e.g. village halls) have been upgraded under LEADER to provide a range of services and functions for the community, including the provision of business-facing activities and services, such as managed workspaces, IT workstations, meeting and conference spaces and support services.



### Impact on Attracting New Businesses to the Local Area

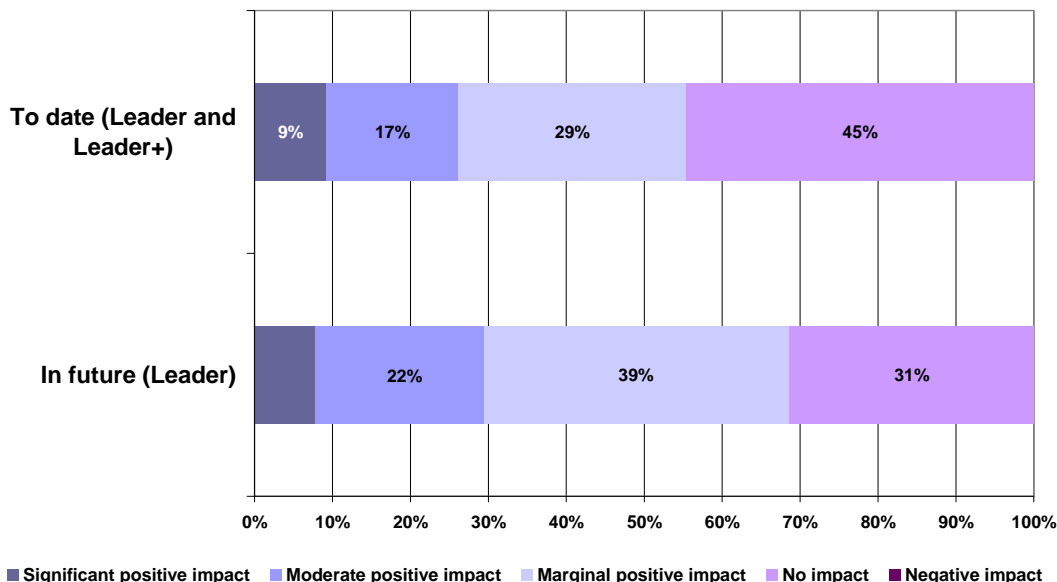
Sample of 87 responses (71 Leader, 16 Leader+), excludes don't know and N/A responses



5.17 Similarly, community facility projects have (and are expected to) generate employment benefits in the LAG area. Over a quarter of projects report moderate or significant job creation or safeguarding to date, a proportion that is forecast to increase slightly in the future.

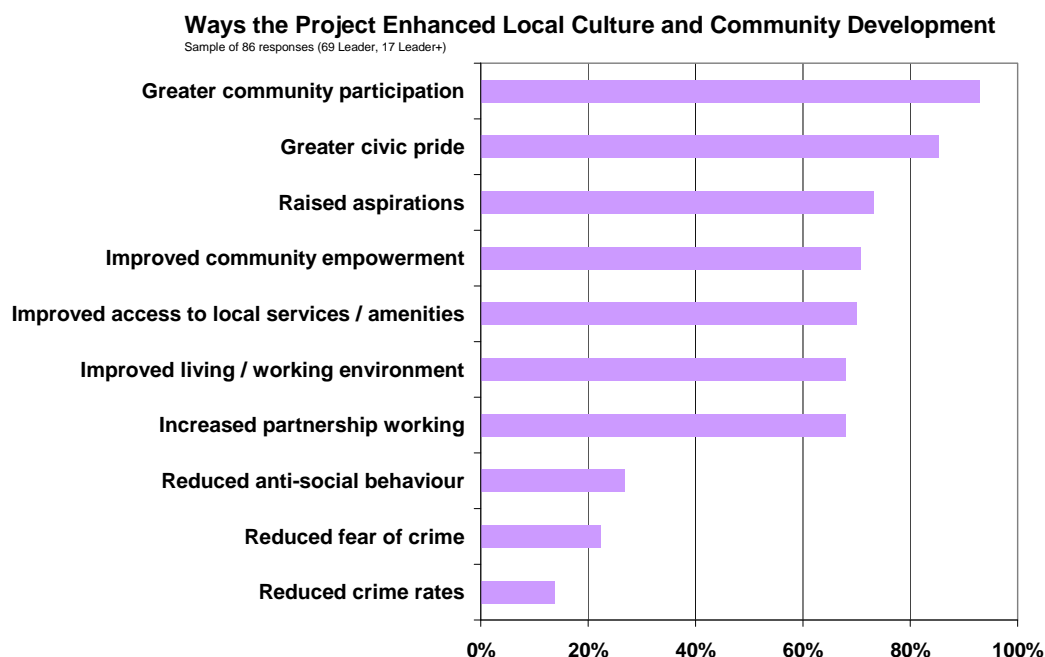
### Creating / Safeguarding Jobs in the Local Area

Sample of 88 responses (71 Leader, 17 Leader+), excludes don't know and N/A responses



### Wider Benefits

5.18 Community facility projects have similarly generated a wide range of local culture and community development benefits, as shown in the figure below. Over four in five respondents reported that projects have helped to generate greater community participation and civic pride.

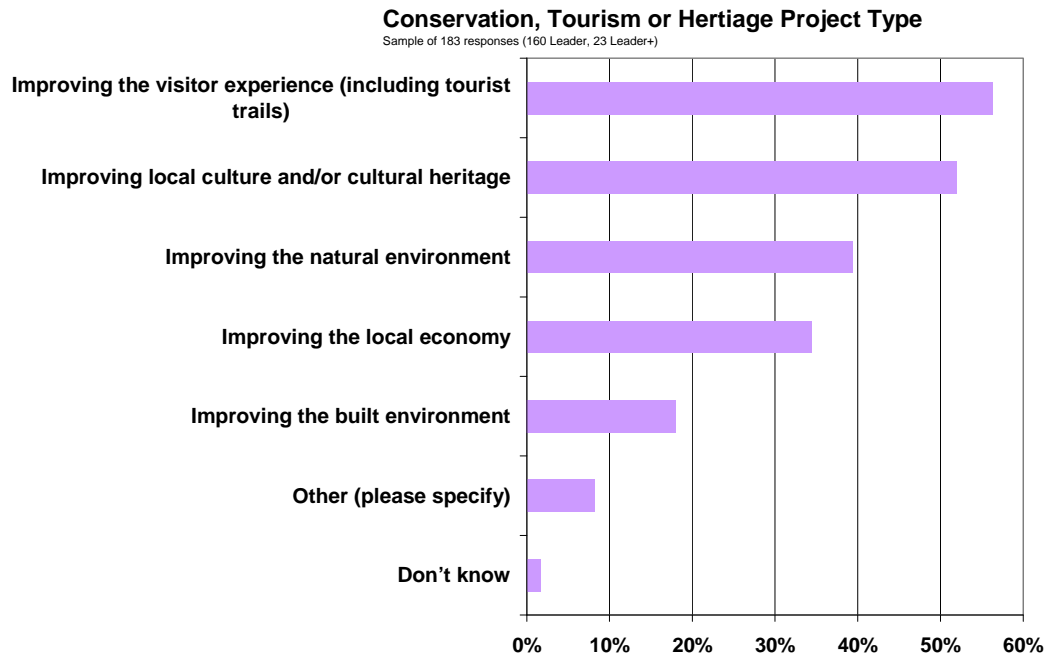


## Conservation, Tourism and Heritage

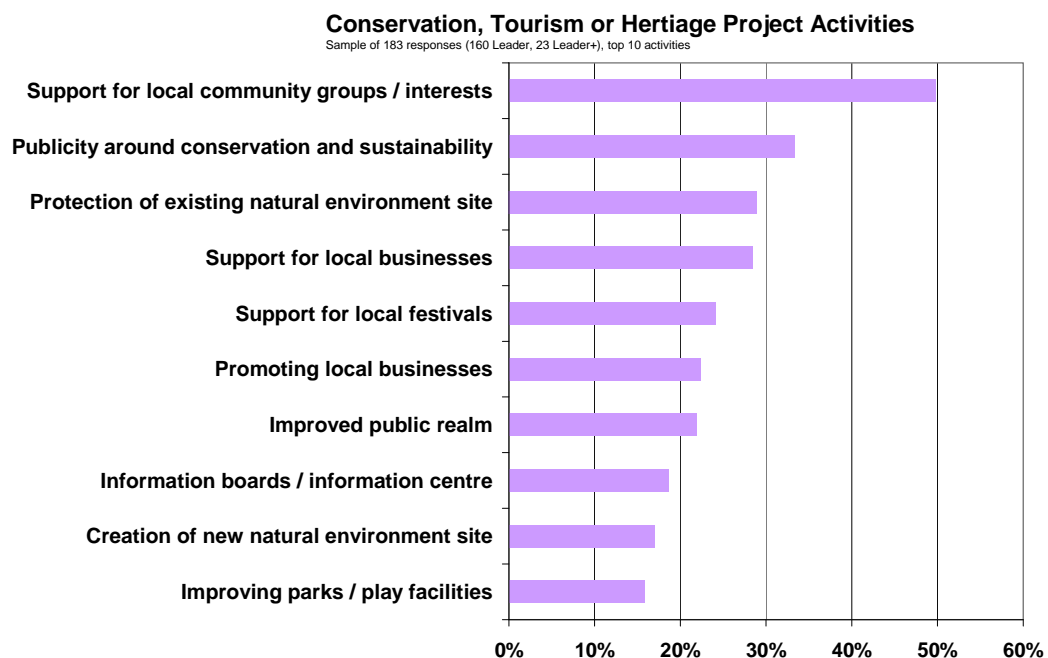
### Nature of Activity

5.19 Conservation, tourism and heritage projects include a wide range of activity, covering the spectrum of support for local heritage, culture, conservation and visitor facilities and attraction aimed at drawing in new visitors to the area and providing increased amenity for local residents.

5.20 More than 55% of projects within this category are designed to help improve the visitor experience. The tourism projects are not direct support for tourism businesses (these are covered in Chapters 3 and 4) but rather a range of projects including footpaths, trails, events, public realm and visitor-related publicity. There is a strong local culture and local heritage dimension to the project support, with more than half of the projects in this group, with activities designed to help improve local residents' understanding and engagement with the local area as well as attracting new visitors. Almost 40% play some part in improving the natural environment (and these projects may also be helping to improve the visitor experience). Not all of the project managers identified a direct objective to improve the local economy (1 in 3) although a larger proportion do have a positive effect.



5.21 The role of conservation, tourism and heritage projects in supporting local community groups and interests is clearly evident, with half of all projects in this category supporting this local function. The strong environmental sustainability dimension, linked to rural issues but also the EU support from the theme, applies to a third of these projects. Just under a third have offered support to local businesses and a little over a fifth have promoted the business base. Promoting the area through local festivals is another strong theme, for one in four projects.



## Economic Benefits

5.22 Project managers identify considerable volumes of current and future users (covering local residents and visitors from outside the area). In general, projects currently attracting up to 250 or 500 users expect their user numbers to increase up to 500 and 5,000 respectively. Some increases are expected to be significant, for example, a Manor House and Gardens attraction in the North East expects to increase visitor numbers from 70,000 to 100,000 in the future as a result of the LEADER support (and has already registered an increase of 10,000 visitors due to the support).

5.23 Other projects are also clearly significant, such as the National Seabird centre, where LEADER funded feasibility work has identified an estimated annual value of visitor spend of £2.4m if the Bempton Cliffs (in the CWWW LEADER Area) are turned into the National Seabird Centre (with the estimated creation an additional 48 jobs). In Yorkshire and the Humber, canal redevelopments in one part of the region have allowed an additional 1,600 people to use the environment each year, and this is anticipated to rise to 2,000 per year in the future. Some of the projects are one-off festivals or events, and so the number of projects forecasting future users is slightly lower than the reported current users or visitors.

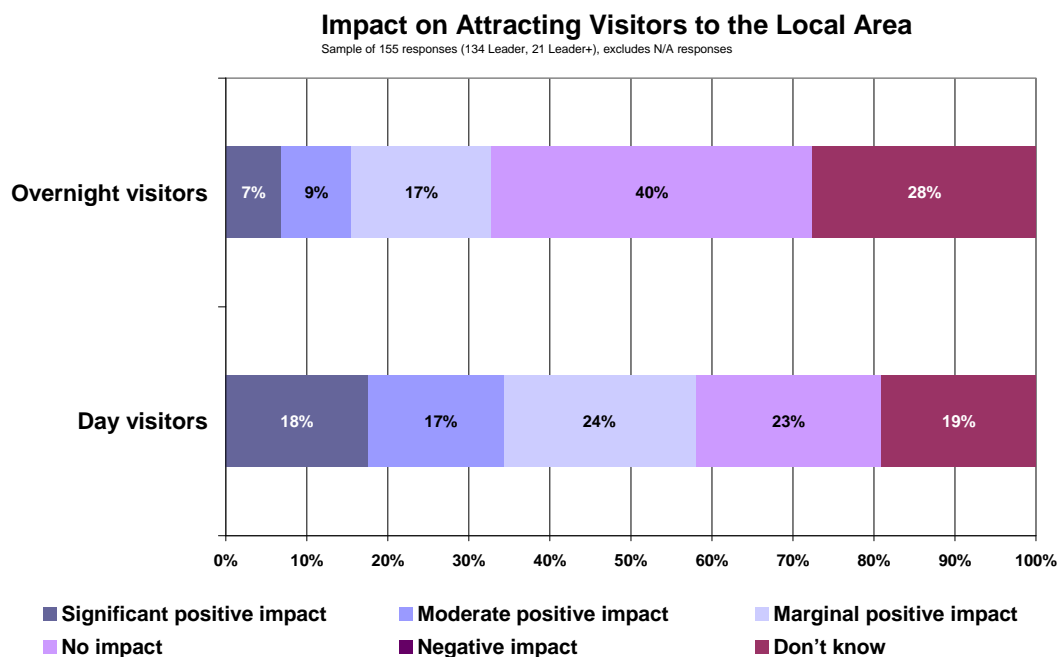
5.24 Overall, the conservation, tourism and heritage projects attract an average of 6,665 additional users/visitors per annum to date and expect to attract an additional 10,556 per annum in the future, a considerable volume of activity in the LAGs. There will be considerable economic benefits associated with this activity too, whether new users/visitors to the area, or local residents spending more of their time and income in the local area. This is quantified in the following chapter. The survey findings are reinforced by independent bespoke evaluation work, for example 10,000 visitors (single year) to the LEADER funded Spalding Pumpkin Parade.

**Table 5.4: Number Using or Visiting the Site**

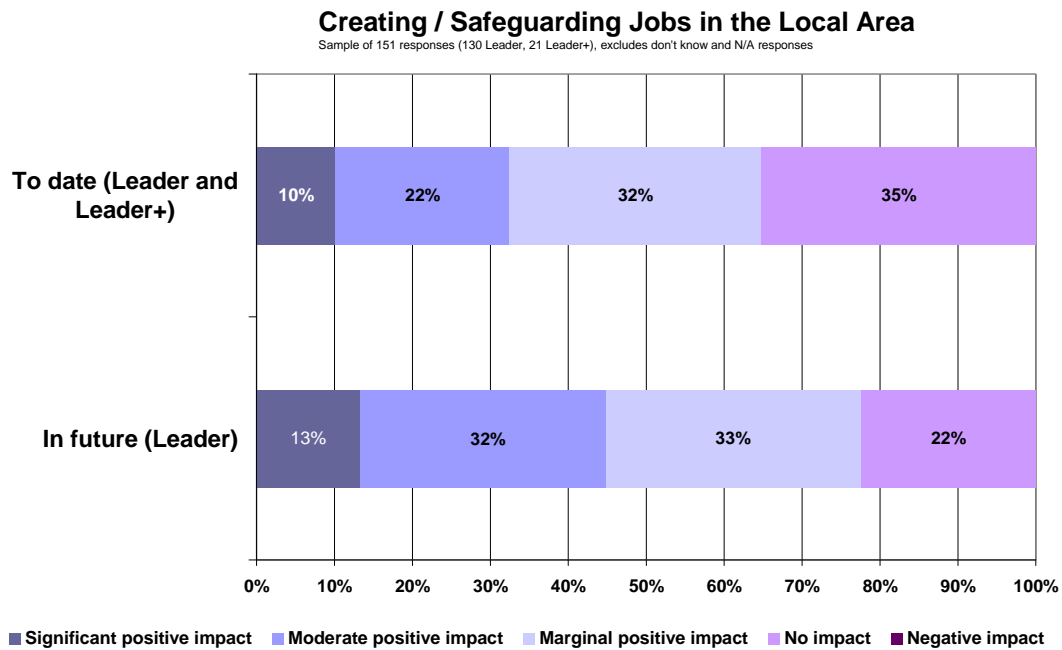
| Number of visitors per annum | Current Users/ Visitors per annum |                             | Estimated Future Users/ Visitors per annum |                             |
|------------------------------|-----------------------------------|-----------------------------|--|-----------------------------|
|                              | % of respondents                  | Numbers (mid-point average) | % of respondents                           | Numbers (mid-point average) |
| 1-250                        | 22%                               | 2,375                       | 19%  | 2,125                       |
| 250-500                      | 19%                               | 6,375                       | 14%  | 4,500                       |
| 500-1,000                    | 5%                                | 3,000                       | 8%   | 5,250                       |
| 1,000-5,000                  | 18%                               | 48,000                      | 25%  | 66,000                      |
| 5,000-10,000                 | 8%                                | 52,500                      | 9%   | 60,000                      |
| More than 10,000             | 22%                               | 190,000                     | 25%  | 220,000                     |
| Source: ekosgen 2010         |                                   |                             |  |                             |

5.25 The impact assessment also asked the origin of users/visitors, and this data indicates that a significant proportion of users/visitors are attracted from outside the local area. The data suggests that for half of the projects, up to quarter of users/visitors are drawn from outside of the LAG but from within the region and that up to a further quarter of users/visitors are drawn from outside of the region. Only around 10% of projects were exclusively for local residents, although all of projects expected at least some local take-up. Attraction of visitors from outside the local area is highest for tourism projects, followed by heritage / cultural projects and lowest for conservation / natural environment projects.

5.26 These findings are further corroborated by the fact that over a third of all project managers responsible for conservation, tourism and heritage projects have already reported a significant or moderate impact on attracting more day visitors (35%). A third of all project managers have also reported an increase in overnight visitors to date, with 16% reporting a significant or moderate impact in increasing overnight visitor numbers. More than a fifth, however, were not able to say and whilst this includes some projects for which the question was not applicable, this still suggests that there are a number of projects which have a local impact for which data is not being captured through project monitoring.

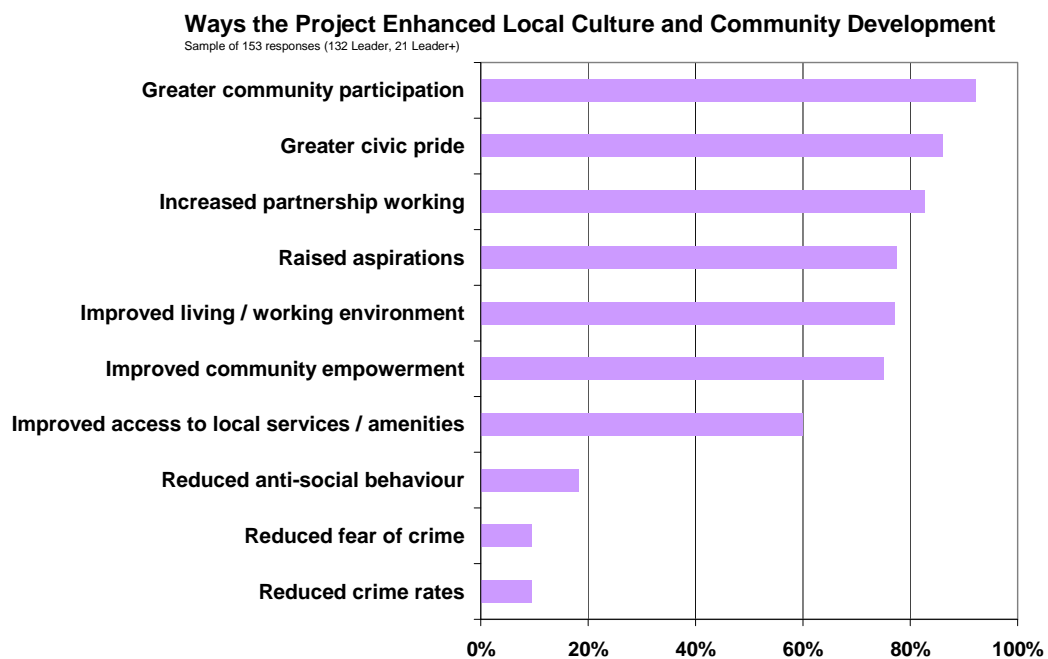


5.27 As a direct and indirect consequence of the new and increased number of users and visitors, a third of project managers reported a significant or moderate positive impact on job creation or safeguarding to date. This is an encouraging finding and the employment effects go well beyond direct employment in delivering the project. Nearly four out of five LEADER projects expect a positive employment increase to some degree in the future. This represents significant level of employment creation, quantified in the following chapter.



## Wider Benefits

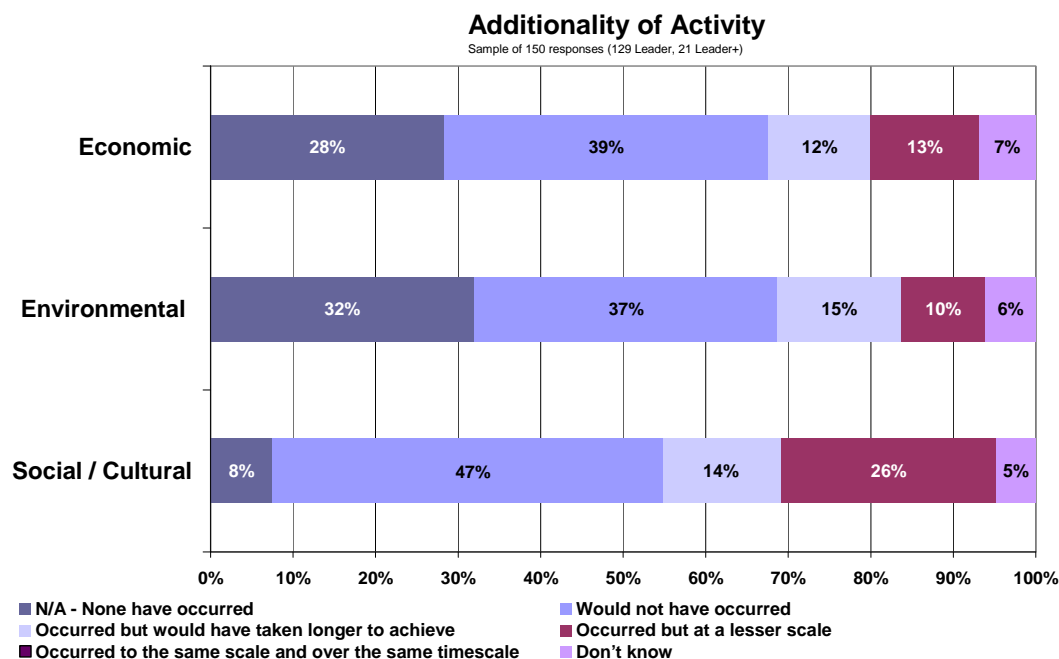
5.28 Similar to community service and facilities projects, conservation, tourism and heritage projects have enhanced local culture and community development in a number of ways. Most commonly, greater community participation, civic pride and partnership working were reported by four out of five project managers. Almost 80% stated that this type of activity helped to improve the living or working environment, a far higher proportion than for either community services or community facilities projects.



### Additionality of ‘Community’ Activity

5.29 Project managers, across all project types, reported a high degree of additionality regarding economic, environmental and social and cultural impacts. Social and cultural benefits had the highest level of reported pure additionality i.e. where none of the activity would have occurred without the LEADER support (the bar second from the right in the figure below). In all, almost half of all respondents indicated that the social or cultural benefits would not have occurred at all without the project, the highest of all categories. That said, more than a third stated that none of the economic (39%) or environmental (37%) benefits would have occurred without the projects.

5.30 Whilst the level of pure additionality was highest for social and cultural activities, the level of pure deadweight was also highest i.e. where all the activity would have occurred to the same scale over the same timeframe. This was the case for a quarter of all social/cultural activity which increases the need for project managers to scrutinise the need for this type of intervention. Pure deadweight was much lower for environmentally-focused activity (10%) or for economically-focused support (13%).



### Connectivity and Transport

5.31 A small number of projects under the community transport and infrastructure have been supported and surveyed. Of the five transport projects, two car share schemes and 1 moped loan scheme have been funded; the former with economic/environmental objectives and the latter designed to help young people access employment. Two were identified as rail enhancement projects. Three of the five projects reported having a ‘significant positive’ impact on connecting people to jobs and/or education or training. The category includes ICT infrastructure projects, for example broadband upgrade, although no projects were identified or surveyed in this category to date under the current LEADER approach. This activity is typically high cost and a strategic decision taken outside LEADER. Small ICT projects and e-adoption activity is covered under business support.

## Individual Skills and Training

5.32 The current LEADER approach has not contracted a significant volume of skills and training projects specifically delivering provision for individuals and a very limited number of survey responses were obtained. Sector specific skills and training under the RDPE is largely delivered outside the LEADER approach through regional programmes, and this has been a strategic decision taken at the regional level. Previous phases of LEADER have had a greater focus on training support and this is articulated in the Story of LEADER report. The decision to support skills and training regionally in part reflects a desire to avoid duplication of provision. There will also be some skills/training development activity captured in the 'community' projects above, for example upskilling volunteers/residents as part of delivering local tourism/cultural projects. It is likely, however, given the evidence from both support to businesses and support for community-based projects, that the provision, where locally available and locally targeted, has been additional, providing a service that individual residents would not have been able to access without the intervention.

## Summary and Conclusion

5.33 LEADER supports a very considerable range of 'community-based' project activities, spanning the creation and improvement of community services and facilities and a wide range of local conservation, tourism and heritage projects which both benefit the local community and which attract users and visitors from outside the area. This activity brings major benefits to the community but also has considerable direct and indirect economic benefits.

5.34 Community services are often focused on benefiting target groups, notably young people and the elderly, with the vast majority of users drawn locally. Half of these services are regarded as new to the area and a further third represent an increased range of services. This type of project activity is suited to the LEADER approach which draws on local knowledge to identify projects which are required in the area and which does not duplicate existing activity. The projects help to generate economic benefits in terms of new business opportunities and direct and indirect employment. The benefits also appear additional, with 71% of users unable to access the services provided without the project and a further 18% having to travel outside the area if the LEADER services had not been made available.

5.35 Community facilities largely benefit the whole community, and more than 40% relate to community centres or village/town hall developments/improvements. Facilities are commonly provided for young people and families, and those related to sports, arts and culture. The facilities attract users from further afield and, as with services, create social and economic benefits, with a quarter of projects generating moderate or significant employment effects to date. A high proportion of community services and facilities project managers cite increased levels of community participation, enhanced civic pride and community empowerment as a result of the project.

5.36 A wide range of conservation, tourism and heritage projects are supported by LEADER, benefiting local residents and visitors. More than half are designed to enhance the visitor experience and four in ten have a role in improving the natural environment. Not all project managers identify an economic objective for the project (one in three) although there appear to be relatively strong direct and indirect economic benefits arising, not least from the



forecast average increase of 10,556 users per annum (for these projects) and the associated additional spend by local residents and visitors. Activity across the categories indicates high levels of additionality, with almost half of the activities to support social and cultural objectives regarded as wholly additional, and more than a third of the environmental and economically-focused activity. Conversely, levels of deadweight, where activity would have been brought forward without LEADER, were deemed relatively low. Again, this reflects that the LEADER approach enables local knowledge and understanding to be harnessed to ensure project activity is new and additional to the local area, rather than duplicating existing activity.

## 6 Supporting Communities (Gross and Net Impacts)

6.1 Following the same format as the net impact assessment for businesses at chapter 4, this chapter is split into three main sections: the first presents the gross benefits the surveyed projects have generated; the second applies adjustment factors to the gross benefits in order to calculate net economic benefits and GVA; and the third section draws together net benefits and provides an assessment of return on investment.

### Gross Benefits

6.2 As with the gross and net impact analysis for business-focused interventions in chapter 4, the impact assessment focuses on the employment benefits arising from LEADER supported project activity in the local area. A total of 276 project managers from LEADER+ and the current LEADER approach provided data on project impacts, with almost half of this activity relating to conservation, tourism and heritage, and the other half related to community services and facilities.

| Table 6.1: Number of Projects       |     |
|-------------------------------------|-----|
| Community Services                  | 59  |
| Community Facilities                | 86  |
| CTH                                 | 131 |
| Community Support                   | 276 |
| Source: LEADER Business Survey 2010 |     |

### Jobs Created and Safeguarded

6.3 For many of the community projects, job creation is not the primary motivation for the project. However, there are both direct (those employed by the project) and indirect jobs (arising from the effects of the project) generated through projects supported by the LEADER approach. For most project and programme evaluations and impact assessments, direct job creation is excluded, since this is part of the management and delivery of the programme (and ends when the funding ends). For LEADER, the delivery of project activity can itself lead to permanent positions post-funding, although this will not always be the case, and hence direct job creation will over-state the longer-term effects of LEADER (and is factored into the analysis of impact below).

6.4 As shown in Table 6.2, the survey results indicate that the overall project sample has created or safeguarded 669 gross jobs to date and expects a further 462 in the future (1,131 in total), and these numbers vary by project category. The greatest employment benefits are associated with conservation, tourism and heritage activities (CTH), which are estimated to have created 120 direct and 225 indirect jobs to date and a further 92 and 247 jobs respectively in the future. CTH projects also show the greatest number of indirect jobs created and forecast relative to direct jobs (2.2: 1) compared to community facilities (1.2: 1) and community services (0.45: 1). The gross jobs created and safeguarded are estimates derived from the individual project managers themselves, given that they are best placed to provide an informed view of project activity. There may therefore be a degree of over-reporting, or optimum bias, in the results. This has been factored into the analysis of net impacts (see 6.29 below).

| <b>Table 6.2: Gross Jobs by Project Category</b> |                     |                       |              |
|--|---------------------|-----------------------|--------------|
| <b>To Date</b>                                   | <b>Direct JC/JS</b> | <b>Indirect JC/JS</b> | <b>Total</b> |
| Community Services                               | 119                 | 40                    | 158          |
| Community Facilities                             | 68                  | 98                    | 165          |
| Conservation, Tourism, Heritage                  | 120                 | 225                   | 345          |
| <b>Total 'Community'</b>                         | <b>307</b>          | <b>362</b>            | <b>669</b>   |
| <b>Future</b>                                    | <b>Direct JC/JS</b> | <b>Indirect JC/JS</b> | <b>Total</b> |
| Community Services                               | 16                  | 22                    | 38           |
| Community Facilities                             | 67                  | 18                    | 85           |
| CTH  | 92                  | 247                   | 339          |
| Community Support                                | 175                 | 287                   | 462          |
| <b>Total</b>                                     | <b>Direct JC/JS</b> | <b>Indirect JC/JS</b> | <b>Total</b> |
| Community Services                               | 134                 | 62                    | 196          |
| Community Facilities                             | 135                 | 115                   | 250          |
| CTH  | 213                 | 472                   | 684          |
| Community Support                                | 482                 | 649                   | 1,131        |
| Source: LEADER Business Survey 2010              |                     |                       |              |

6.5 A greater number of the employment benefits are forecast to have been achieved already than are forecast to be achieved in the future, suggesting that the effects of project activity are experienced early on. It should also be emphasised that the number of jobs created to date and in the future is highest in CTH partly because this activity has received the highest level of investment.

6.6 Across the projects surveyed, the evidence suggests that there are an average of 1.7 FTE direct jobs generated per project and a further 2.4 indirect jobs per project created.

## Net Impact Adjustments

6.7 As with businesses, the assessment covers estimates of the standard adjustments (deadweight, leakage, displacement, substitution and multipliers), primarily based on the survey results, although these are the views of project managers, not the final beneficiaries.

### Deadweight

6.8 Deadweight refers to the proportion of total impacts that would have been achieved by projects anyway, with or without the intervention. This can be disaggregated as follows:

- Pure deadweight: between 0% and 8% of project manager respondents reported that benefits would have occurred to the same scale and over the same time without any of the support received. Where pure deadweight has been identified this relates to the benefits arising from community facilities (5%) and community services (8%) although these proportions are still low;
- Partial (time) deadweight: between 16% and 30% of project manager respondents reported that benefits would have occurred to the same scale but would have taken longer to achieve without the support. A further adjustment of 50% is applied to the response rate which reduces the time deadweight rate to between 8% and

15%. Benefits that would have happened anyway but not as quickly relate principally to community facilities and services;

- Partial (scale) deadweight: between 15% and 24% of project manager respondents reported that benefits would have been lower without the support they received, but would have taken place over the same time. A further adjustment of 50% is applied to the response rate which reduces the scale deadweight rate to between 8% and 12%. Some form of benefits would have accrued but on a lesser scale in relation to conservation, tourism and heritage projects in particular;
- Zero deadweight: between 59% and 70% of project manager respondents reported that none of the benefits would have occurred without the support. None (0%) of these responses contribute to the total deadweight rate.

| Table 6.3: Deadweight Adjustments by Project Category |                  |                  |                   |                  |       |
|---|------------------|------------------|-------------------|------------------|-------|
|   | Pure Dead-weight | Time Dead-weight | Scale Dead-weight | Zero Dead-weight | Total |
|   | 100%             | 50%              | 50%               | 0%               |       |
| Community Services                                    | 8%               | 30%              | 0%                | 62%              | 23%   |
| Community Facilities                                  | 5%               | 25%              | 0%                | 70%              | 17%   |
| CTH   | 0%               | 16%              | 24%               | 59%              | 20%   |
| Community Support                                     | 4%               | 22%              | 15%               | 59%              | 22%   |
| Source: LEADER Business Survey 2010                   |                  |                  |                   |                  |       |

6.9 The total column of Table 6.3 represents the aggregate deadweight for each project category. The project manager results from the survey estimate that job deadweight ranges between 17% and 23%, depending on project category. Total deadweight is therefore lowest for community facilities, which are often bespoke investments new to the LAG area. BIS benchmark research<sup>18</sup> suggests that the sub-regional deadweight adjustment typically ranges between 39% and 40% for publicly funded projects. Levels of deadweight for the projects therefore compare favourably with national benchmark data. This is consistent with other findings from the evidence which suggests that the projects are new or additional to the LAG area.

## Leakage

6.10 Leakage refers to the proportion of benefits which accrue to individuals or businesses based outside of the target group or the LAG area. Leakage would therefore be equivalent to the proportion of those workers (in created and safeguarded jobs) residing outside of the local area (and subsequently taking most of their wages outside of the local economy). The community support survey does not provide data relating to this but it is unreasonable to expect that all benefits will be retained within the local area. Therefore, the headline leakage rate for the business survey (5.6%) has been used as a proxy. This headline rate has been

<sup>18</sup> BIS/CEA (2009) Research to improve the assessment of additionality – <http://www.berr.gov.uk/files/file53196.pdf> (p14)

applied across all community support categories, and this compares to a BIS benchmark of 16% to 17%.

## Displacement

6.11 Displacement refers to the benefits accruing to local individuals / organisations at the expense of other individuals/organisations in the local area that have not received support.

6.12 Project managers were asked whether their project had negatively affected demand for services from similar providers or facilities in the local area, and none thought that this was the case, and this reflects that the services and facilities are new or additional to the area (few LEADER projects duplicate existing activity at the LAG level). Therefore, a figure of 0% displacement has been applied across all community support categories. However, organisations do not always recognise the full effects of support they have received on non-supported organisations and so this approach typically under-reports the full displacement effects. For reference, the BIS guidance recommends a benchmark of approximately 19% to 20% for displacement.

## Substitution

6.13 Substitution (otherwise known as in-firm displacement) occurs when an organisation switches from one planned investment to another in order to take up the subsidised intervention or support. This is less applicable for the community support projects which are typically built around a pre-defined fixed objective. Therefore, a substitution rate of 0% is applied. For reference, the BIS benchmark for substitution is typically 2% to 3%.

## Multipliers

6.14 As with the business-focused interventions, multipliers at the local level are lower than those at the regional or national levels. A local multiplier of 110% has therefore been applied across all categories.

## Adjustments Summary

6.15 Table 6.4 below highlights how these adjustments vary between project category. The evidence suggests that additionality is highest for facilities (86%), which may be more substantial investments and therefore likely to be additional to the area and lowest for services (80%) (although deadweight remains well below benchmarks). Within the CTH category, the adjustment varies from 79% for conservation projects (least additionality) to 88% for tourism projects (most additionality).

| Table 6.4: Adjustments by Project Category |             |         |              |              |             |           |
|--|-------------|---------|--------------|--------------|-------------|-----------|
|  | Dead-weight | Leakage | Displacement | Substitution | Multipliers | Net Total |
| Community Services                         | 23%         | 6%      | 0%           | 0%           | 110%        | 80%       |
| Community Facilities                       | 17%         | 6%      | 0%           | 0%           | 110%        | 86%       |
| CTH  | 20%         | 6%      | 0%           | 0%           | 110%        | 83%       |
| Total                                      | 22%         | 6%      | 0%           | 0%           | 110%        | 83%       |

Source: LEADER Business Survey 2010

6.16 Table 6.5 below presents a summary of how the above adjustments impact upon the total jobs generated by the business support category as a whole.

| <b>Table 6.5: Gross to Net Adjustments Summary - Community Support</b> |         |        |       |
|--|---------|--------|-------|
|  | To Date | Future | Total |
| Gross Impact   | 669     | 462    | 1,131 |
| Pure deadweight  | 25      | 2      | 27    |
| Time deadweight  | 72      | 45     | 117   |
| Scale deadweight   | 40      | 44     | 83    |
| Zero deadweight  | 0       | 0      | 0     |
| Total Deadweight   | 137     | 90     | 227   |
| Sub Total  | 532     | 372    | 904   |
| Leakage  | 30      | 21     | 51    |
| Sub Total  | 502     | 351    | 853   |
| Displacement   | 0       | 0      | 0     |
| Sub Total  | 502     | 351    | 853   |
| Substitution   | 0       | 0      | 0     |
| Sub Total  | 502     | 351    | 853   |
| Multiplier   | 50      | 35     | 85    |
| Net Impact   | 553     | 386    | 938   |
| Source: LEADER Business Survey 2010                                    |         |        |       |

6.17 As can be seen in Table 6.5 above, the sample of community support projects is estimated to have generated 938 net jobs. The same analysis has been applied to the individual project categories and the results of this are summarised in Table 6.6 below.

| <b>Table 6.6: Net Jobs by Project Category</b> |              |                |       |
|--|--------------|----------------|-------|
| To Date  | Direct JC/JS | Indirect JC/JS | Total |
| Community Services                             | 89           | 30             | 118   |
| Community Facilities                           | 58           | 83             | 141   |
| CTH  | 102          | 191            | 293   |
| Total 'Community'                              | 249          | 304            | 553   |
| Future   | Direct JC/JS | Indirect JC/JS | Total |
| Community Services                             | 16           | 23             | 39    |
| Community Facilities                           | 58           | 15             | 74    |
| CTH  | 74           | 199            | 273   |
| Total 'Community'                              | 149          | 237            | 386   |
| Total  | Direct JC/JS | Indirect JC/JS | Total |
| Community Services                             | 105          | 53             | 157   |
| Community Facilities                           | 116          | 99             | 215   |
| CTH  | 176          | 390            | 566   |
| Total 'Community'                              | 397          | 541            | 938   |
| Source: LEADER Business Survey 2010            |              |                |       |

### Gross Value Added per Worker

6.18 IEF guidance states that economic impact should be expressed as gross value added (GVA) and this is most simply calculated by multiplying the number of net jobs by the average

GVA per worker. Taking account of the types of sectors supported by the Leader projects, GVA per worker is estimated to be £36,098 which is calculated by dividing latest regional GVA for England by sector<sup>19</sup> by the number of workers in each applicable region and sector<sup>20</sup>.

6.19 Assuming that each net job represents the average GVA per worker, the community support projects are found to generate £24,619,454 (based on jobs to date) and £17,653,475 (based on future jobs).

### Persistence and Decay

6.20 As with the impact assessment for business-related interventions, it is appropriate to assume that one job lasts more than a single year. The survey does not provide direct information on this and therefore the IEF benchmark of three years persistence (3.5% decay rate) is used. Applying the decay rate to the unadjusted persistence of three years, this is equivalent to a persistence of 2.9 years<sup>21</sup>.

### Gross Value Added

6.21 Currently, the GVA figures are based on GVA per annum of £36,098 for each net job. If it is assumed that each of these net jobs lasts for 2.9 years, this is equivalent to a cumulative net GVA impact of £57,764,301 for jobs generated to date, and a further £40,317,721 net GVA for jobs expected in the future. **For all net jobs (to date and future), the 'community' projects are estimated to generate net GVA of £98,082,021.** Table 6.7 below presents how net GVA impact varies between project categories.

| Table 6.7: GVA by Project Category  |                  |             |                           |                                      |
|-------------------------------------|------------------|-------------|---------------------------|--------------------------------------|
|                                     | Total investment | GVA to date | To date, incl persistence | To date and future, incl persistence |
| Community Services                  | 5,682,831        | 4,275,558   | 12,382,978                | 16,464,775                           |
| Community Facilities                | 8,094,788        | 6,609,967   | 14,744,917                | 22,449,881                           |
| CTH                                 | 12,641,581       | 13,733,929  | 30,636,406                | 59,167,365                           |
| Community Support                   | 26,419,200       | 24,619,454  | 57,764,301                | 98,082,021                           |
| Source: LEADER Business Survey 2010 |                  |             |                           |                                      |

### Apportionment

6.22 The LEADER projects in this sample received total public and private contribution to project costs of £26,419,200, which includes EAFRD community support expenditure (£7,846,735), pro-rata LEADER administration costs (£1,569,347)<sup>22</sup>, plus match funding (£17,003,118). Of the £26.4m, the LEADER contribution (direct EAFRD + LEADER administration costs) is £9,416,082 (equivalent to 36% of the total). If this apportionment is applied to the GVA impact (£98m), it is estimated that the LEADER approach can directly claim that £34,957,468 (36% of £98m) is attributable to their funding support.

<sup>19</sup> Office for National Statistics (2008) <http://www.statistics.gov.uk/statbase/product.asp?vlnk=14650>

<sup>20</sup> Annual Business Inquiry (2008) Employee Analysis – nomisweb.co.uk

<sup>21</sup> (Year 1)  $1 \times 100\% = 1$ ; + (Year 2)  $1 \times 96.5\% = 0.965$ ; + (Year 3)  $0.965 \times 96.5\% = 0.931$ ; = 2.896 years persistence

<sup>22</sup> LEADER costs are estimated as being equivalent to 20% of total EAFRD community support costs in line with LEADER Axis 4 guidance (see Chapter 2).

## Return on Investment

6.23 For the £26.4m investment into the LEADER community support projects, they have generated a net GVA return of: £24.6m (jobs generated to date); £57.8m (jobs generated to date, lasting for three years); and £98.1m<sup>23</sup> (jobs generated to date and in future, lasting for three years). This finds a **total return on investment of £3.71 for every £1 invested in community support projects**. Table 6.8 below presents how return on investment varies according to project category.

6.24 As can be seen, conservation, tourism and heritage projects appear to offer the best return on investment within community focused activity. For total project investment of £12.6m, a total net GVA of £59.2m is estimated, a return of £4.68 for every £1 invested. Given the prominence of the conservation, tourism and heritage activity within the LEADER approach, this is a positive finding, and indicates that this activity generates economic benefits as well as a range of social benefits for local residents. Further, within the CTH category, it is the tourism projects which generate the highest returns (twice the economic return of conservation and heritage projects). There are also economic benefits arising from community services and community facilities which, although lower, nonetheless contribute to the local economy as well as providing significant social returns.

6.25 Because of the breadth of activity covered by the LEADER approach community projects, comparable benchmarks are difficult to find. The 2009 evaluation of the English RDAs<sup>24</sup> provides the most relevant benchmark data and this finds that projects promoting local image, events and tourism typically provide a return on investment of 1: 1.6 whereas hybrid interventions covering business, people and place have a return on investment of 1: 2.5. The LEADER ROI figures presented below (across all categories) therefore compare favourably.

| Table 6.8: Return on Investment by Project Category |         |                           |                                      |                         |
|---|---------|---------------------------|--------------------------------------|-------------------------|
|   | To date | To date, incl persistence | To date and future, incl persistence | 90% confidence interval |
| Community Services                                  | 0.75    | 2.18                      | 2.90                                 | 2.73-3.07               |
| Community Facilities                                | 0.82    | 1.82                      | 2.77                                 | 2.60-2.94               |
| Conservation, Tourism, Heritage                     | 1.09    | 2.42                      | 4.68                                 | 4.38-4.98               |
| Total 'Community'                                   | 0.93    | 2.19                      | 3.71                                 | 3.55-3.87               |

Source: LEADER Business Survey 2010

6.26 The returns on investment assume that the direct jobs created in community-based projects are jobs over and above those directly supported through project funding costs. In

<sup>23</sup> Alternatively, the LEADER funding component (£9.4m) generates a net GVA of: £8.8m (jobs generated to date); £20.6m (jobs generated to date, lasting for three years); and £35.0m (jobs generated to date and in future, lasting for three years).

<sup>24</sup> BERR (2009) Impact of RDA Spending Volume 1 (p46)



reality, some of the jobs reported by project managers will include these jobs, which are time-limited and do not create additional wealth in the local area (other than through wages spent locally). Reducing the number of direct jobs used to calculate net impacts would clearly reduce returns on investment (and direct jobs account for over a third of net jobs generated), to the extent that the overall ROI would fall from 1: 3.7 to 1: 2.9 if 50% of the direct jobs are discounted.

6.27 At the same time, an average persistence level of 2.9 years has been applied to all jobs created through 'community' projects. This persistence is likely to be conservative for the employment created in conservation, tourism and heritage projects, many of which are improvements to visitor attractions and facilities (including environment/conservation projects attracting visitors) or local heritage facilities available to local residents and visitors over a number of years. This additional income to the area, or retained in the area, can last 3, 5 or 10 years or more, some requiring limited maintenance and revenue funding. A five year persistence for conservation, tourism and heritage jobs generated would change the overall ROI from 1: 3.7 to 1: 5.1 whilst a ten year persistence would increase the rate to 1: 8.1.

6.28 The two effects (reduced GVA from direct employment in the community services/facilities, and the likely increase in GVA from CTH projects lasting more than 2.9 years) net off with the overall return in investment of 3.7: 1 for community projects valid<sup>25</sup>.

6.29 Although the approach of surveying project managers of the facilities, services or attractions allows them to provide an informed view of the project benefits, some projects estimate low levels of additional employment (or none) even through additional visitor numbers have been forecast or estimated. The latter cohort will under-estimate the indirect number of jobs associated with the additional visitor spend.

6.30 Comparison between results for LEADER+ and community support projects under the current LEADER approach indicates a better estimated return under current LEADER than was achieved under LEADER+. This may suggest that project managers under the current LEADER approach may have had a tendency over-report employment effects. Compared to an overall average return of 3.7: 1, this figure is 2.4: 1 for LEADER+ respondents based on the actual achieved long-term achieved GVA (and the current LEADER approach returns rise to 4.1: 1 for when future anticipated benefits are included. Whilst the current LEADER approach may indeed be generating better economic returns than LEADER+, this will only be confirmed through subsequent assessment of whether forecast LEADER approach impacts have indeed been achieved.

## Summary and Conclusion

6.31 Community based projects contribute to the economic benefits arising from LEADER supported project activity. Gross attributable jobs are estimated at 1,131, with the highest number of gross jobs related to the conservation, tourism and heritage activities, both directly through the projects and, more importantly, indirectly as a result of the project. Project managers estimate that more than half of these benefits have already been achieved. There

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<sup>25</sup> If 50% of direct jobs are discounted, a five year persistence for conservation, tourism and heritage jobs generated would equate to an overall ROI of 1: 4.1, whilst a ten year persistence equals 1: 6.6.

are also employment effects arising from community facilities and services, through multi-use centres for example which provide social and economic functions, although a larger proportion of these jobs are direct employment related to the delivery of the project.

6.32 Levels of deadweight are typically low, and project managers estimate that the majority of employment benefits could not have been achieved without the project, across all categories, and below benchmarks for other publicly funded projects. Other net impact adjustments are low with the benefits typically wholly additional to the LAG area.

6.33 In relation to project costs, net employment effects are greatest for conservation, tourism, and heritage projects, which is encouraging given the scale of investment in this activity, not just through the current LEADER approach but in previous phases of LEADER. These benefits are additional to the local area and represent an endorsement of the projects which increase the numbers of local users and new visitors.

## 7 The Added Value of the LEADER Approach

7.1 This chapter reviews the added value of the LEADER approach. The section focuses on elements which have an effect on the impact of LEADER, and how the LEADER process can work more effectively. The section is split between governance and decision-making arrangements in so far as they affect impacts, and then project specific impact and delivery.

7.2 The analysis is based on consultations with LAG managers/lead officers covering eight LEADER areas, with a number of lead officers able to comment on their experiences of LEADER+ too. The LAGs were drawn from six of the eight regions and the analysis has been supplemented by the qualitative data from the survey of LEADER project leads. The purpose of the section is to explore some of the reasons behind the project survey findings and to validate the impact data findings.

7.3 Although the managers consulted are all LAG managers under the current LEADER approach, the impact assessment research was not designed to be limited to the current LEADER approach only. The research did not therefore involve formal consultations with the Regional Development Agency (RDA) leads, for example, given their involvement has been limited to the most recent programme period. That said, some RDA views were elicited during the course of the study and these have been captured in the analysis below.

7.4 Overall, given the relatively few consultations undertaken, the analysis and views should be treated with a degree caution. The authors have sought to adopt a balanced approach which takes account work carried in preparing the associated best practice reviews as well as reference to the Mid-Term Evaluation of RDPE also being undertaken in the latter half of 2010.

### Governance and Decision-Making

#### LAG Effectiveness

7.5 **Building on a history of good partnership working helps strengthen the LAG and improve their effectiveness and impact** (examples include Peak District and East Peak). The local knowledge (of the range of issues and existing support) held by LAG members is regarded as vital for ensuring that projects developed are relevant and meet local need. This need not always be previous LEADER specific experience (although this seems to have helped) yet some experience of EU funding programmes (and their typical requirements), or at least other funding regimes, appears to be important to LAG success. A strong Voluntary and Community Sector is regarded as helpful (e.g. East Peak) and many former LEADER+ volunteers have been valuable in helping to introduce the new LEADER approach arrangements.

7.6 **LAGs are also most effective when empowered and where their role is clearly articulated**, and for some new LAGs this has not always been the case (e.g. to varying degrees in the Norfolk, Brecks and Waveney Valley LAGs) which can also affect their confidence. South Devon is regarded as one of the more community-led LAGs in the country, supported to spin-off from the Greater Dartmoor (LEAF) LAG. Such a strong community lead has strengths (passionate local members) but also potential weaknesses (through

inexperience and/or scepticism over EU/RDPE requirements relating to monitoring and accountability). The most effective LAGs have been given support and time to help to understand the formal role of the RDA/accountable body and supported to understand how the role of the LAG can be most effective in developing high quality projects over which there is strong local ownership

**7.7 Providing support and building capacity in LAGs is critical to their success.**

Supporting the LAG through a development officer is generally regarded as valuable (for supporting applications, monitoring etc.). The Axis 4 support funding in general has been regarded as necessary for helping build and maintain the capacity required to develop and deliver projects. It is also generally seen as helpful to have a local accountable body (often the Local Authority (LA) which perform a number of useful administrative functions, and which can helpfully include supporting cash flow), although where the LA does perform this role the LAG must guard against them becoming too dominant and dictating the agenda.

**7.8 Some LAGs have successfully used the private sector to boost capacity.**

In Devon, for example, the LAG has used (pro bono) local business people to appraise funding applications, bringing in (free and impartial) local sector and technical understanding to support the LAG. This has brought more relevant understanding than the high street commercial banks possess. As well as sharing the LAG administrative burden, the approach has had the added benefit of increasing the prospects of bank finance post-LEADER funding expert panel approval.

**Role of the Local Development Strategy (LDS)**

**7.9 The active engagement of the community is important during the development of the strategy,** through the involvement of the Voluntary and Community Sector, Parish Councils and so on and through regular meetings (weekly task groups etc.). The funding and expertise to commission research on needs and opportunities (e.g. of heritage asset base) is also important. The LDS has more credibility and status where there has been strong community buy-in through the development process and the strategy can help determine and deliver local priorities (Sussex Downs and the Three Harbours LAG).

**7.10 Under-estimating the time taken to develop the local strategy can hamper local engagement.** In the Norfolk, Brecks and Waveney Valley LAGs operating since 2008 (and new to this round although a Norfolk Broads LAG existed under LEADER+) there was a quick turnaround required for developing the strategy which was developed by the County Council and a College, a timetable which made it more difficult to engage with the community.

**7.11 There is evidence that the LDS can help LAGs determine project approvals,** with projects approved on the basis of their ability to deliver the strategy and meet local needs (for example East Peak, Sussex Downs and the Three Harbours and Peak District LAGs). The LDS ensures that applicants are making the case to meet local objectives as set out in the strategy and provides the basis for rejecting some bids or prioritising others. One LAG stated they could spend their whole budget on upgrading village halls, so only approved those projects that could demonstrate a varied programme of new services/activities and ongoing sustainability.

**7.12 The LDS (and LEADER generally) also helps to strengthen (and sometimes defend) the role of rural and market towns and to enhance their sustainability.** In rural parts of local authority areas that are more urban (Leeds, Huddersfield, Sheffield for example) or regions that have major urban centres, LEADER can help attract funding and provide political influence in preventing the trend towards commuter or dormitory towns. LEADER and the LDS can strengthen community engagement and involvement, protect, improve and extend local facilities, and provide locally-based employment.

### **LAG Structure and Composition**

**7.13 There are a variety of LAG set-ups**, ranging from those very community-led determining local priorities and strategy, to lower levels of LAG involvement and influence in strategy development and delivery. South Devon is very community-led, and East Peak moved through a process of constituting a community/local private sector Shadow Board to creating a full Board with Directors which approves all projects, signed off by the RDA. On the whole, greater community involvement is more effective in developing stronger partnerships and developing/delivering project activity. In comparison, a strong role for the Norfolk, Brecks and Waveney Valley LAGs in making decisions has been more difficult to achieve in light of the challenges cited earlier in developing the LDS and clarifying the role of the LAG.

**7.14 Getting the balance of community engagement right can be challenging.** Parish Councils can and do play a prominent role in many LAGs and in engaging the community, although in others this is more difficult to achieve (there are 13 Parishes in Penistone district for example each with 500-600 residents and so getting representation across the Parish Council is more difficult). Often it can difficult to separate community or private sector engagement from local politics and LAGs can become quite politicised. Even where the 'ideal' scenario of one third public sector, one third private sector and one third community, the private sector representatives may also be the local MP or Parish Councillor and potential conflicts of interest arise. At the same time, the formation of LAGs can break down local misconceptions and increase understanding between neighbouring parishes or communities.

**7.15 Overall, the wide involvement of partners is a positive feature of LEADER** and it is clear that partners are highly varied according to the local area in question. Solway, Border and Eden for example, have included a wide range of partners including the Cumbria Farm Network, tourism and forestry organisations alongside individuals, businesses and the local authorities. The Police, for example, are involved in the East Peak LAG, helping to address elderly residents' the fear of crime even though actual crime levels are low.

### **LAG Coverage**

**7.16** The impact assessment has not specifically explored the issue of LAG size; however, those that are well in excess of 100,000 people have sometimes found the LAG area 'contrived' and not one sharing common issues (e.g. at 133,000 East Peak includes some quite urban areas and has at times struggled to find a common identity for the area, which has been addressed through three sub-LAG partnerships). The LAG increased from 22,000 under LEADER+, generally regarded as too small (Penistone was the smallest LAG nationally). Somewhere in between (but not necessarily 100,000+) may be appropriate. **It is**

**the commonality of issues and identity that should be the over-arching factor when determining LAG coverage.**

### **The Role of the Regional Tier**

7.17 From the consultations and other work (see the Story of Leader paper) there have clearly been different interpretations of LEADER in different regions. To a large extent this is appropriate, regions are different as local areas are different, although at times different interpretations of the rules and differing areas emphasis have caused LAGs challenges (especially for those crossing more than one regional boundary). Some LAG officers have stated that RDAs have found it more difficult to relate to or fully understand the local challenges in delivery, whilst RDA themselves state they are more than fully aware of the challenges reconciling the bottom-up LEADER approach and the framework of the European Commission's top-down regulatory system. RDA leads have cited the tension between the desired bottom-up innovative approach and the rigour with which the European Commission's Auditors require the rules to be applied which could usefully be considered for the next programme. In some areas, LAG officers have highlighted that RDAs have retained decision-making powers (rather than just sign-off) which has been seen to actively disengage LAGs. Similarly, there have been reported tensions at times between (RDA) desire for outputs and LAG pursuit of innovative and bottom-up approaches. The learning curve for RDAs (and for all LAGs this time round too) has been steep. RDAs have sought to provide considerable support to LAGs, in many cases successfully, but the relationships between LAGs and the RDAs have not always been smooth. The local fit with regional priorities has been uneven.

7.18 One example is the regional approaches to business support. A number of RDAs took the strategic decision to encourage LAGs to concentrate on the community side of activity, with regional agencies (notably Business Links) providing the business support. There was a clear rationale for this decision in seeking to reduce duplication and LAG providing support available regionally. Whilst understandable, this perhaps over-estimated the ability of regional support agencies/programmes to provide locally tailored support and under-estimated the need and value of local support (e.g. business support in the home for home-based and potential start-up businesses). Too big a gulf appears to have emerged between the ability of regional programmes to meet local need. As a result, the benefits of very localised micro-business support (as was the case under LEADER+) is much less evident under the current approach. Leader in some areas can now only signpost, rather than practically build the capacity of start-ups/small businesses to engage with wider forms of public/private support.

7.19 Similarly, some region's stance on employment/business support and land use planning has prevented locally managed workspace coming forward (where this has not been a regional priority) and although this may often be appropriate strategically it serves to illustrate challenges in reconciling local/regional views. Others have also taken a view that tourism development activity is also a regional activity rather than something the LAG should be supporting and developing. The debate going forward is likely to centre on the relationships between the LAG and the Local Enterprise Partnership if these bodies take on all EU programme management/accountability roles. Again, LEADER allows local priorities to

be determined; the question is does there need to be a sub-national framework within which this operates.

7.20 Clearly, different regions have adopted different approaches to LEADER, with some RDAs taking the strategic decision to concentrate the LEADER approach on community/social objectives and to pursue more economically focused activity through other projects/Programmes outside LEADER. There is no right or wrong approach, with success depending on the ability of the RDA to ensure more economically focused activity is brought forward complementary to LEADER at the LAG level alongside the ability of the RDA to communicate these messages. Further, different regions have different characteristics and so varied approaches are to some extent appropriate. The accompanying 'Story of LEADER' report identifies examples of how different regions and individual LAGs have used the LEADER approach to deliver quite different mixes of interventions.

7.21 The RDAs have generally provided helpful support to LAGs and a useful sounding board between the LAG and Defra. Many LAGs have just become used to dealing with the RDA and are uncertain about the next series of changes. For LAGs in some regions, the greatest challenge is promoting rural issues within the wider agenda, particularly where there are strong urban Local Authorities that can overlook the rural areas within them. Some Local Enterprise Partnership strategies developed to date pay very little regard to rural areas, especially when these are a version of a previous City-Region plan, although this again varies on a case-by-case basis (and even if all the bids are approved, the LEPs will not achieve full area coverage).

## **Project Development, Impact and Delivery**

### **Quality and Mix of LEADER projects**

7.22 **There are a mix of approaches to generating project ideas and proposals;** ranging from those that are closer to commissioning activity to those that invite open-bidding. The Peak District LAG, for example, have project 'rounds' where they work with partners to develop projects responding to need and which are deliverable. Others have commissioned larger projects in areas where little activity has been coming forward.

7.23 Projects are typically Axis 3 although a number of LAGs make it clear that projects proposals under Axis 1 are acceptable (e.g. Solway, Borden and Eden in the North West). **Most have had a clear Axis 3 focus** (with some RDAs encouraging LAGs to focus on Axis 3 rather than Axis 1), and some have had a more narrow focus within Axis 3, for example to exclude business support as in East Peak which has subsequently focused on heritage/culture, rural services and the added value of the landscape and environment. The variations in Axes and Measures are explored more fully in the Story of Leader paper. **There are frequent challenges in bringing forward good quality projects from new applicants;** many are repeat ideas and/or are from experienced applicants skilled in making their particular case for funding.



### Employment Creation Activity

7.24 Some of the LAGs that have had a strong economic rationale have cited the **importance and impact of supporting new start businesses to the success of their overall strategy**, such as the Peak District LAG where 10 out of 30 businesses supported to date are new start businesses. Micro-start ups are also a feature of some of the new LAGs. Solway, Border and Eden LAG has had success with technology and start-up businesses (contributing up to 70 jobs to date). **The type of projects brought forward reflects characteristic of the LEADER area:** in Norfolk, Brecks and Waveney Valley projects are more agriculture sector specific (e.g. agricultural irrigation, pork manufacturing) or farm diversification (e.g. farm accommodation). Their micro-enterprise start-ups are also strongly allied to the sector (the use of satellites for precision use of fertilisers, and new software for accessing animal records on farms for use by vets). Norfolk, Brecks and Waveney Valley LAGs have also used local traders as advocates for the area.

### Community-focused Projects

7.25 **Projects to support and strengthen the community are widespread** although this varies according to the nature of the LAG. Many of these draw on pro-active volunteers to help engender the same 'spirit' or ethos in others (e.g. the Peak District Bright Sparks project to use volunteers to help others become more enterprising). Others have focused on introducing new services in more deprived areas (e.g. through re-using old buildings) or for target groups (e.g. the elderly). The Waveney Valley LAG has supported a 'care farming' project where GPs can refer those with disabilities to spend time on the farm to learn skills, improve their health and so on.

7.26 Delivering **multi-purpose, multi-faceted projects and realising the 'hidden' benefits of many community-based projects are factors which increase impact**, so long as there is a clear rationale and are set of objectives for each component. Community facilities projects, for example, frequently include meeting space for businesses, strengthening local community cohesion whilst achieving economic benefits. The economic value of many community projects is borne out by the survey results.

7.27 Overall, many regard the projects with the greatest focus on job creation has having the greatest impact. The Solway, Border and Eden LAG representative felt that the greatest impacts are successful projects in the more remote and isolated areas where the *relative* impact is greatest. Where Leader impacts overall are relatively modest yet additional to the local area, Leader project activity in the most remote areas may be more modest still yet even more valued and necessary.

### LAG Impacts: Leverage

7.28 In some LAGs, particularly the more experienced ones, the LAG has been able to use relatively small amounts of LEADER funding to unlock considerable additional public and private funding. More than £2.2m has been secured in investment into LEAF (Greater Dartmoor). This is a considerable success at a time when other LAGs have reported challenges in identifying sufficient match-funding.



## Project Innovation

**7.29 Innovation exists, although this is typically relatively small scale and often the innovation is in the delivery model or the innovative use of resources.** In the Peak District LAG area, for example, a pub has been used to house a small village shop and a village hall to house a catering business. However, some of the project innovation (e.g. the software to support vets) is truly new to the area (and potentially the sector) and introducing brand new products or processes and creating jobs. A Solway, Border and Eden recycling/renewables project has secured a contract with Corus; other innovations are related to resource efficiency growth areas (e.g. wood fuels). Many projects work with the grain of the local area, such as the wild venison supply chain project, increasing production of wild rather than farmed venison, and safeguarding the environment (Solway, Border and Eden).

**7.30 Many projects may not be innovative nationally, but they are certainly new to the LAG area,** which may have adopted best practise from other LAGs (and this learning, for example through the RDPE network) is actively encouraged through LEADER. An example is the East Peak Faith Site Heritage Project, designed to develop churches as an additional source of attracting visitors, which works with volunteers and groups to help meet and greet visitors, provide information and develop interpretation. Variations of the model have been developed elsewhere, but this is the first time it has been tried in the East Peak area. Others have used innovative engagement methods (e.g. using young people 11-15 years old themselves to find out about others' views and feelings about their local environment) which will inform future LEADER activity. Certain new project activity (e.g. digitising parish records) is being replicated elsewhere.

## Project Sustainability

**7.31 Project sustainability has become more of a focus of LEADER over time, and there is now more regular consideration of forward strategies.** There will always be some activity that is time limited and serving a particular focus and this is appropriate. However, for revenue activities, how to continue activity post-funding is an ongoing challenge. The most common solution is to have a paid worker for 1-2 years who is employed to train volunteers post-funding. This happens quite regularly, and sometimes to very good effect, for example the East Peak Rural Advice Service funding outreach whilst training volunteers. Often the project activity is scaled down at the end of the LEADER funding or, almost as commonly, a working age trained (upskilled) volunteer moves on to find paid employment as a result of the training/ skills development. Whilst this is a positive outcome for the individual, this can leave the original project struggling to continue.

**7.32 The use of volunteers to extend scarce resources and provide additional skills and capacity is a common feature of LEADER.** These are often the most pro-active individuals (community champions), more mature (often retired) and quite often female. The East Peak Innovation Partnership has 90 active volunteers, many who have been involved in former LEADER, Objective 1, community-planning and other funding regimes. The challenge is to extend the volunteer network to include new volunteers and thereby become less reliant (and sometimes dominated) by a few.

7.33 **Sustainability of activity is frequently organic** and often to some extent unplanned; one LEADER+ project had time limited funding for a youth focused internet space/café (popular before the internet was more universally available), which was a good resource at the time, well used and open every evening and weekend. At the end of the LEADER+ funding the local authority took forward the project but with reduced hours; this spurred a spin-off volunteer led project on the nights the centre was closed which provided IT access and informal support.

#### **Additionality**

7.34 All of the consultees regard almost all of the activity as additional (and this is reinforced by the survey results). A number state that additionality has further increased during the recent economic downturn (from both new LAGs and ones that were around for LEADER+) citing recent businesses difficulty in raising match funding as evidence of this. The more innovative and specialist projects are regarded as the most wholly additional; but for all projects, without LEADER, consultees indicates that the project activity would have been on a smaller scale or delayed, perhaps indefinitely.

7.35 In some areas, where the LAG is not empowered and given a sufficiently clear role, the LEADER funding is regarded as necessary to the project activity, but the role of the LAG is not regarded as critical. This is the case in some new LAGs (e.g. Norfolk, Brecks and Waveney Valley) where it appears the potential of the LAG has not been maximised.

#### **Project Finances and Match-Funding**

7.36 Identifying public and private sector match-funding for projects is often a challenge for LAGs; and the recent economic climate has not helped this by significantly reducing bank lending. This has maintained/increased demand for business grants in some LAG areas (demand for grant support is high in Devon for example).

7.37 Cash flow is a regular difficulty for those delivering projects, especially for community and local projects, and this difficulty appears to have increased during this programme period. **The reduction in the number of global grant schemes under the current approach has been a key factor.** Without such delegated schemes, the same level of LAG administration is required for a £5,000 and £50,000 application, and small organisations are required to submit the same amount of paperwork.

7.38 In some areas, the local authority has provided funding for some groups to assist with cash flow, although these examples are few and do not always cover the whole LAG. Global grants were a common feature under LEADER+, offering grants of, say, up to £2,000. The LEADER+ Penistone LAG global grant scheme made £130,000 available to small organisations and cost just £5,000 to administer. Claims in arrears make it difficult for many projects. Some organisations find it difficult to make projects 'stack up' financially, given that they are unable to claim overheads.

#### **Other Deliverability Issues**

7.39 There is a constant challenge to meet delivery (spend) timetables. The inability to roll funding forward under LEADER into the next year means funding needs to be defrayed

annually and this can be very difficult. Bringing forward projects is time consuming and the development of a business case can take a year depending on the capacity of organisations or individuals to complete the applications.

### **Monitoring and Measurement**

7.40 Effective project monitoring and evaluation of impact is difficult given limited resources. The more experienced LAGs have learned to contract quite tightly, specifying outputs as clearly as possible. However for many new LAGs, the challenge is to deliver the projects and spend, and the consideration of outputs is more secondary. Whilst this should not really be the case, it is understandable, and reinforces the need for LAGs to have sufficient capacity to monitor project delivery effectively.

7.41 Most have set aside funds for some form of evaluation, but all consultees stated that it was too early to undertake this activity at this stage. More experienced LAGs are more familiar with quarterly reporting, some post-project, but baselines are rarely established. Often this is more easily done in connection with a larger scheme operating locally (e.g. the Welcome to Walkers scheme in villages) where the LAG can top-up/use partner data. Project level impact assessment is quite limited, with the survey indicating that 17% of businesses who attract visitors conduct some form of assessment of visitor numbers (and these assessments themselves are quite variable from monitoring numbers to full independent evaluations).

### **LEADER Characteristics – Strengths and Weaknesses**

7.42 The strengths of the LEADER approach can therefore be summarised as:

- Facilitating partnership working and providing a formalised structure through which partnership working can happen. Strong partnerships do not happen without consideration of partner representation and LEADER strikes a balance between community, private sector and local government partners. A purely community-led partnership can become inward-looking and still requires mechanisms by which to engage with government. In this way, LEADER can also provide a route for 'championing' the cause of the local rural community, ensuring it is prioritised alongside other competing local government objectives;
- Enabling a view to be taken on the extent to which project activity is complementary to other local activities through the presence of government/wider stakeholders on the partnership;
- The LEADER approach provides resources to help build local community capacity to make decisions. This is often 'stretched' further by leveraging in considerable voluntary involvement on the back of this investment;
- LEADER provides a mechanism and structure for developing local strategies and prioritising local actions. There are formal requirements for community involvement and this allows local strategies to reflect local need and opportunity. The Local

Development Strategy usefully provides a basis for approving/rejecting project proposals;

- The LEADER approach allows for flexibility in responding to local need and this is reflected in the wide range of project activity supported. The full flexibility afforded by LEADER is not always seen in practice, with rigidity in delivery sometimes constraining this feature of LEADER;
- The LEADER approach fosters learning and best practice, which although not always maximised, encourages a spirit of learning and the adoption of new techniques and project ideas at the local level.

7.43 At the same time there are a number of weaknesses of the LEADER approach. These include:

- The various tiers of government (EU, national, regional, local) can lead to a confusion and additional administration for LEADER groups. There are EU demands for reporting, accounting and monitoring. Some of this is inevitable (given public funds are involved) although ways to simplify the arrangements for local communities should always be sought;
- It can take considerable time to develop Local Development Strategies and determine the arrangements for local involvement and participation. Lengthy approval processes and relatively complex rules and administration can undermine community enthusiasm and involvement. The set-up phase requires relatively time-consuming and resource intensive (officer/professional) support to be provided to local communities;
- The LEADER approach can have a very strong community/social focus and local groups can find it more difficult to prioritise projects with more of an economic focus. Whilst there is evidence that projects to support business are achieving impacts, much of the LEADER activity is more community/socially oriented. Whilst community/social projects also bring economic benefits, local community groups often need support to identify/develop projects with longer-term economic benefit and employment/wealth creating potential. The Local Development Strategies provide a vehicle for promoting economic objectives although LAGs can need supported in shaping these objectives and subsequent activities;
- The time it takes to establish LEADER can give the impression that the approach is expensive. In reality, once operational, the overheads for LEADER are not high in relation to the investment levels and local impact. Community-based economic development is always likely to require initial time and resource inputs and support.

7.44 Given the range of project types, there are few activities that the LEADER approach cannot be used to deliver. That said, the LEADER approach contributes relatively little to larger infrastructure projects (as a proportion of total project costs) and a number of land-based sector projects are delivered outside LEADER (much of RDPE Axis 1 and Axis 2).

## Summary and Conclusion

7.45 The small number of consultations with LAGs was designed to help place the project impact data in a broader context, and to understand more fully some of the factors influencing LEADER impact. The views, plus the research undertaken into best practice in the EU and Devolved Administrations, provide further insight into strategic and operational factors.

### Best Practice

7.46 The experience, abilities and empowerment of the LAG appears a strong determinant of their ability to develop and deliver good quality projects. Many of the most effective LAGs either existed in some form as LEADER+ or have had a prior history of managing funding programmes. Strong and broad partnerships, with a balanced mix of community, private sector and public sector, are also more effective in managing the funding and identifying and prioritising quality projects. Using strong networks of volunteers has boosted community involvement and increased LAG capacity. The use of the private sector in helping to appraise projects has also been effective.

7.47 The Local Development Strategy has also been a useful vehicle in providing a framework for bringing forward and prioritising projects. These are most robust when the community has been involved in developing and shaping the strategy, where greater 'buy-in' is secured from the outset. The LDS can usefully guide the balance of investment; and be used to identify areas where project activity may need to be commissioned to meet local objectives if required.

7.48 The LAG group needs to have sufficient capacity to undertake the role, and this should not be under-estimated or under-resourced. This has been a lesson from successive Community Initiatives across Europe in previous funding periods (of which LEADER was one). This has been recognised in the current LEADER approach with Axis 4 supporting the capacity of LAGs to deliver projects. This resource needs to be fully utilised, with officer support (e.g. development) and an organisation able to act as an effective accountable body, particularly helpful to new local groups.

### Impact and Delivery Issues

7.49 In line with the survey responses, project activity and impacts are regarded as almost wholly additional, with the economic downturn increasing the financial pressures on businesses. Project mixes vary according to the needs of the local area, reflecting the flexibility that LEADER affords. As activity and impacts are generally additional in LAG areas, activity and impact is regarded as most additional in the more remote rural areas. As with the survey findings overall, some of the benefits in absolute terms can be modest, but the relative impact at the local level is significant. It is the LEADER funding that can unlock other forms of match-funding and bring forward additional activity.

7.50 Project innovation at the local level is evident, often wholly new to the LAG area, with some LAGs adopting best practice from other areas. Many of the more community-based projects have additional economic benefits (a local shop, business or business meeting space operating alongside social functions). Ensuring the sustainability of projects is a constant

challenge, although there is more attention paid to exit strategies and project sustainability than in earlier days of LEADER. Cash flow remains a difficulty for many small organisations and the reduction in the use of delegated global grant mechanisms has increased the relative cost of administering and delivering small projects.

7.51 Overall, monitoring of spend is required and monitoring of activity (outputs) is typical in the majority of cases. Budgets are set aside for LAG-level evaluation, although individual project level evaluation and assessing what works and why remains under-developed, perhaps unsurprisingly given capacity constraints. Again, building LAG capacity for assessment and project evaluation would help maximise value for money.

## 8 Conclusions

8.1 This section summarises the main findings from the impact assessment and draws conclusions from the analysis. This highlights where there is evidence of the impact of LEADER and comments on the added value of the LEADER approach.

### Approach and Study Scope

8.2 The evaluation has focused on gathering evidence from end user beneficiaries where possible, supplemented with reviews from project level evaluations of LEADER and reviews of similar projects and programmes. Gathering the beneficiary perspective is at the core of Impact Evaluation Framework and Green Book Treasury guidelines on impact assessment. This has been supplemented by desk research drawing on previous programme evaluations and spend on respective activities (see the Story of LEADER paper) and best practice reports from other Member States (EU and DA Best Practise Review papers).

8.3 In seeking to identify the economic impact of LEADER, an evidence gap identified by Defra in the summer of 2009, the report identifies the relative economic impact of different types of intervention. The study also seeks to relate the economic benefits accruing to businesses, individuals and communities to the relative levels of investment in these activities to generate a return on investment for each activity and across all types of LEADER funded interventions as a whole. In generating a return on investment value, the analysis takes into consideration the additional costs of implementing the LEADER approach, namely the lead-in development time associated with producing the Local Development Strategy and bringing together partners to form Local Action Groups and overall administration overheads. These have been estimated at 20% of EAFRD costs in line with LEADER approach guidance and allows the programme costs to be compared on a like-with-like basis to other programmes.

8.4 The contact details were obtained for 1,071 projects, mainly from the current LEADER approach but also from LEADER+ (it was considered impractical to seek project data from earlier phases of LEADER), from which 516 responses overall were obtained. This was a good response and provides confidence that the responses are representative of the sample of projects collected. Overall, in terms of all LEADER+ and current LEADER approach activity, this number of responses is sufficient to be within the 95% confidence level for IEF compliance, although the confidence levels diminish when specific sub-sectors are taken in isolation.

### Range of LEADER Projects

8.5 LEADER has supported a very wide range of activity, covering 2,887 projects under LEADER+ (although more than 1,600 of these were delegated projects such as those supported by community chests) and, as of May 31<sup>st</sup> 2010, at least a further 769 projects had been contracted through the LEADER approach under the 2007-2013 RDPE. This has supported an even higher number of end-user beneficiaries, a combination of named businesses receiving support, individual beneficiaries and community-based projects



benefiting both residents and visitors. The estimated number of projects by category for LEADER+ and via the current LEADER is shown in the table below:

| <b>Table 8.1: 2007-2013 LEADER Approach Projects</b>                             |                 |                         |                   |                         |
|--|-----------------|-------------------------|-------------------|-------------------------|
|  | <b>Projects</b> | <b>% of total (all)</b> | <b>Value (£m)</b> | <b>% of total (all)</b> |
| Business Support   | 188             | 24%                     | 4.7               | 24%                     |
| Agricultural/forestry  | 18              | 2%                      | 0.3               | 2%                      |
| Agricultural Diversification   | 61              | 8%                      | 1.2               | 6%                      |
| Research/Innovation  | 62              | 8%                      | 1.7               | 9%                      |
| Tourism Development  | 68              | 8.8                     | 1.7               | 9%                      |
| Community Services/ Facilities   | 120             | 16%                     | 2.9               | 15%                     |
| Connectivity & Transport   | 9               | 1%                      | 0.2               | 1%                      |
| Conservation, Tourism, Heritage  | 193             | 25%                     | 5.1               | 26%                     |
| <b>Total</b>   | <b>769</b>      | <b>100%</b>             | <b>19.4</b>       | <b>100%</b>             |
| <b>LEADER+ 'Projects (non-delegated)</b>   |                 |                         |                   |                         |
|  | <b>Projects</b> | <b>% of total (all)</b> | <b>Value (£m)</b> | <b>% of total (all)</b> |
| Business Support   | 130             | 10%                     | 10.9              | 12%                     |
| Agricultural/forestry  | 127             | 10%                     | 11.4              | 12%                     |
| Agricultural Diversification   | 32              | 3%                      | 1.1               | 3%                      |
| Research/Innovation  | 59              | 5%                      | 1.9               | 5%                      |
| Training, Skills, Social Inclusion   | 307             | 24%                     | 20.2              | 22%                     |
| Tourism Development  | 113             | 9%                      | 8.7               | 9%                      |
| Community Services/ Facilities   | 95              | 8%                      | 7.0               | 8%                      |
| Connectivity & Transport   | 71              | 6%                      | 5.1               | 6%                      |
| Conservation, Tourism, Heritage  | 323             | 26%                     | 23.7              | 26%                     |
| <b>Total*</b>  | <b>1,266</b>    | <b>100%</b>             | <b>92.0</b>       | <b>100%</b>             |
| Source: Defra, ekosgen; *total includes a small number of miscellaneous projects |                 |                         |                   |                         |

8.6 By grouping the interventions in this way, the impact assessment has been able to comment on LEADER support for businesses, individuals and communities.

## Business Benefits

8.7 The survey gathered the views of 138 businesses supported through LEADER. Businesses received support in a variety of forms, notably grant support (80% of surveyed businesses), premises support and advice and guidance. The grant support was typically relatively low value, with 45% of grant recipients receiving grants of less than £10,000 but 15% (1 in 7) receiving a grant in excess of £40,000. Support relating to premises upgrade and/or improvement was significant, relevant to 40% of those surveyed. Where LEADER has helped businesses to relocate this has typically been within the area thus helping to retain the local business. Some 60% of those surveyed received some form of advice and guidance, of which the largest proportion was relatively low intensity support such as leaflets.

8.8 The additionality of the business support activity through LEADER is high, and this applies to all forms of business support and across all sectors. This includes advice and guidance, which includes some low intensity higher volume support, where only a small proportion of beneficiaries (17%) stated they could have received the same support to the same quality within the local area. The proportion of respondents reporting pure deadweight



was comparable for business grant and premises projects, although it was higher for tourism projects and lower for business innovation projects.

8.9 Businesses are already deriving benefits from the support, and more are expecting further gains in the future. Many surveyed projects had recently contracted, but three in four supported businesses expected the LEADER support to have a significant positive impact on their business. Two thirds have already increased sales as a result of the LEADER project, and more than half have increased profits. The scale of commercial benefits are modest, with average sales increases to date of £7,685 rising to £41,000 per business (including future returns) although these are likely to be under-estimated as some tourism businesses will not term visitor spend as 'sales'. These modest commercial returns in turn support a relatively small number of new and safeguarded jobs.

8.10 Not only is the support to businesses additional activity within the local area, impact additionality is high, that is, the benefits accruing to the business could not have been achieved without the LEADER project. Some 55% state the business benefits are wholly additional i.e. that none of the benefits could have been realised without support. More than four in ten (44%) stated that employment effects were wholly additional. A series of wider benefits have been realised too, including EU cross-cutting theme priorities of environmental sustainability (resource efficiency) and ICT improvements.

## **Business Impacts and Return on Investment**

8.11 Aggregating the survey responses to the 183 businesses supported by the 104 projects for which net impact information was obtained, indicates that 652 (gross) jobs have been generated and are attributable to LEADER. This is in relation to overall project investment of £8.1m – a gross cost per job of £12,400.

8.12 This increase in employment attributable to LEADER is modest in absolute terms, at an average of 3.5 FTE per business, although this is significant employment creation at a local level. Within this, there are many businesses who do not report increases in employment, rather the average is influenced by a number of businesses reporting relatively large increases. The average level of sales increase per business to date is more modest still, and there is a similar pattern of a few businesses accounting for the majority of the reported increases (although under-reporting of sales data is also apparent). This suggests that the average wages (based on the sales/turnover to job ratio) is quite low for each new job created.

8.13 Deadweight is lowest for sector specific support related to agriculture and forestry, where businesses are not likely to regard the employment benefits as additional. Deadweight is highest for businesses in the tourism sector; which suggests that some of the commercial benefits to the business could have been achieved without the LEADER intervention. Across all activities, however, deadweight is low (and so additionality is high). Deadweight is between 15% and 20% across all categories (compared to BIS benchmarks of 50%). This is very positive feedback suggesting LEADER is providing focused and targeted support for businesses.

8.14 Overall levels of leakage are also low at between 4% and 11% depending on the sector, with the benefits to the businesses generally retained in the local area and those employed typically drawn from within the LAG area. Leakage is highest in more specialist agricultural and forestry businesses (where workers may be required from further afield) and lowest in the tourism sector where employees are drawn locally. Displacement is also below average (between 8% and 16%) against business support benchmarks of 19%-20% indicating that LEADER support businesses operate in typically discrete sectors. Substitution (in firm displacement) is negligible (little alternative investment is planned or possible) and multipliers, given the sub-regional/local coverage of LAGs, are estimated at 1.1 (where regional benchmarks are 1.3-1.4).

8.15 Taking into account all adjustment factors, overall additionality is high at between 72% and 80%, highest in the agriculture and forestry sector, and slightly more modest for businesses in the tourism sector. Applying average sector GVA per worker to net jobs, and applying benchmark impact persistence of 2.9 years, LEADER has created net GVA to date of £22.4m with £29.3m forecast in the future (in the sample businesses).

8.16 Taking into consideration the level of investment in the projects, returns are highest for businesses diversifying from the agriculture and forestry sector, at 8.8: 1, indicating that the jobs created are from a lower level of overall investment. This is positive and an endorsement of Measure 311 activity, albeit based on a relatively small sample of projects. This is followed by sector specific support to agriculture and forestry and projects involving research and innovation support. Returns are good across support to all types of business, although return on investment is marginally lower for general business support and for tourism. Overall however, LEADER, even taking into account the additional overheads relating to administering and delivering LEADER (estimated at 20% of project activity costs), are good, comparing favourably to other rural programmes.

## **Supporting Communities**

8.17 LEADER supports a considerable volume of activity that has a social function, providing a range of community facilities and services, much of which has an economic as well as social benefit to the local community. LEADER also supports a large amount of activity in relation to tourism, heritage and conservation. Across these categories, around 42% of LEADER+ spend related to these activities, and this is also estimated as 42% of the total to date under the current LEADER approach.

8.18 In all, data was obtained from 373 community-based projects, the majority from the current LEADER approach but including 73 relating to LEADER+. Almost half the community services provided (46%) were regarded as wholly new to the area and a further one third of projects increased the range of local services. These have been targeted at a wide range of groups, but notably services to young people and the elderly were most frequently cited. More than 75% of users were drawn from the local area in almost all cases. Community facilities are similarly regarded as new to the area, most commonly accessible for the whole community (40% are community centre or village/town hall projects), although attracting a relatively high proportion of users from outside the local area.

8.19 Community services projects have both direct and indirect employment benefits, directly delivering the project activity or created as a result of the services provided. Some have also helped attract new businesses with many projects multi-use and multi-functional. Additionality of service use is regarded as high, with more than 70% of project managers stating that users would not have been able to access similar services at all without the project, and a further 18% stating similar services could be accessed but not locally.

8.20 Across the spectrum of conservation, tourism and heritage projects, a considerable focus for LEADER+ investment undiminished under the current LEADER approach, more than half have involved improving the visitor experience. At the same time, there has been a considerable emphasis on increasing amenity for residents, with four in ten projects centred around local culture or local heritage and half of all projects in this category supporting local community groups and interests.

8.21 Not all conservation, tourism and heritage projects have a focus on improving the local economy (around 1 in 3) although a far greater proportion have a positive economic effect through increasing the number of local users/visitors and new visitors to the areas. LEADER supported conservation, tourism and heritage projects designed to attract users/visitors are estimated to increase the number of annual users/visitors by 10,556 on average. Half of all projects in this group are expected to draw up to a quarter of users/visitors from elsewhere in the region or from outside the region.

## **Supporting Communities Return on Investment**

8.22 'Community' based projects contribute to the economic benefits arising from LEADER supported project activity. Gross attributable jobs are estimated at 1,131, with the highest number of gross jobs related to the conservation, tourism and heritage activities, both directly through the projects and, more importantly, indirectly as a result of the project. Project managers estimate that more than half of these benefits have already been achieved. There are also employment effects arising from community facilities and services, through multi-use centres for example which provide social and economic functions, although a larger proportion of these jobs are direct employment related to the delivery of the project.

8.23 Levels of deadweight are typically low, and project managers estimate that the majority of employment benefits could not have been achieved without the project, across all categories, and below benchmarks for other publicly funded projects. Other net impact adjustments are low with the benefits typically wholly additional to the LAG area.

8.24 In relation to project costs, net employment effects are greatest for conservation, tourism, and heritage projects, which is encouraging given the scale of investment in this activity, not just through the current LEADER approach but in previous phases of LEADER. Within this, returns are highest for tourism activity specifically. These benefits are additional to the local area and represent an endorsement of the projects which increase the numbers of local users and new visitors.

## **The Added Value of the Leader Approach**

8.25 The returns on investment compare well to other forms of support for both support to businesses (8.78:1, comparable to sector/cluster programmes across the RDA network) and for support to communities (3.78:1 compared with hybrid programmes covering people/place/business of 2.5:1). This is despite the increased up-front costs and public investment required to build the Local Action Group and prepare Local Development Strategies. Part of the perceived high administration costs for LEADER are offset by the level of volunteer resource from the community in supporting both the development of the partnership and the strategy preparation. This is hard to quantify yet the evaluation evidence (from the small number of consultations) suggests that projects are often supported by volunteers at no additional costs/within the project costs. The returns on investment appear sufficient to offset project costs, with high levels of additionality at the local area, even allowing for some optimum bias in reporting and for the business sample being drawn from named businesses which may be expected to generate higher impacts.

8.26 One of the areas of added value for LEADER is the role of the community and voluntary sector in the partnership and the development of the strategy. The strongest and most effective LAGs are those with a strong and mature partnership with a balance between community and local private interests and the public sector authorities/agencies. The use of volunteers increases local capacity and helps to reduce the financial administrative burden. For example, the East Peak LAG has 70 volunteers, a considerable resource to supplement finite public sector resources.

8.27 At the same time, effective LAGs need sufficient capacity to develop meaningful and effective partnerships and to develop Local Development Strategies which have been, and are, important documents to guide the balance of investment in the local area, to identify local needs and opportunities, and to provide some parameters on local project development and approval. Again, the most effective strategies are developed by or with strong involvement of the community, and the capacity needs to exist to enable this to occur. This should not be under-resourced, either in time or funding, lest the potential of the community to make decisions, and deliver and manage projects, is undermined,

8.28 LEADER clearly has an ability to generate local employment impacts, and additionality of activity and impact appears high. This is often greatest in more remote areas where additionality of activity is particularly strong. The community-based projects often combine social and economic functions, making use of local physical resources (often with environmental gains), which reflect the ability of LEADER to provide integrated solutions (and the inter-linkages of many rural issues). The associated economic benefits of community projects have been a feature of the impact assessment.

8.29 There is also evidence of innovation in project design and activity, with real economic impact, not just innovation in approach. LEADER has facilitated sector innovations in land-based businesses and agricultural diversification has provided an opportunity to trial new approaches (for example wood fuels renewables). Some activity is not new innovation per se, but new to the LAG area, for example the adoption of best practice from other LAGs (for example faith heritage tourism and training support).

8.30 LEADER continues to have a challenge delivering to time and in raising finance, particularly at the local community project level, although private sector match funding has also been affected in the recent economic downturn. Cash flow has always been a difficulty for small organisations with respect to EU funding where money is claimed in arrears and the reduction in the use of global grants this time around has hampered smaller organisations (and LAGs in general) to deliver project activity. Some organisations need very little funding to deliver activity, but this is often required up front to get their project started.

8.31 Although LEADER has been mainstreamed as an approach under the current RDPE, rather than being a distinct Programme, LEADER retains the same features as in previous incarnations i.e. 'bottom-up' strategy development, local area-based strategies, integrated/multi-sector strategies, public/private local action groups, innovation, cooperation and networking). To some extent, these have been harder to define and achieve (bottom-up strategies for example) now that LEADER is an approach for delivering RDPE. In previous 'rounds', as a discrete funded local programme there was arguably greater flexibility to determine local priorities, although without the guiding strategy of RDPE. Under the current LEADER approach activity is more firmly tied to the RDPE. Nonetheless, the added value of LEADER (in determining and delivering local projects) has largely remained in place.

## **Concluding Remark**

8.32 LEADER is often characterised as a high cost programme in administration terms that does not deliver large-scale hard economic impacts. The research in talking to 516 direct beneficiaries of Leader funding, suggests that whilst overall impacts in terms of employment and GVA are quite modest, the returns on relation to investment are relatively good. Whilst Leader has overheads, overall project investment levels are low and the additionality is well above benchmarks. This suggests that whilst relatively small scale, the benefits are largely new and retained in the local area. Leader funding *could* be delivered without strong local involvement but this would reduce the levels of volunteer time which positively stretches local finite resources. That said, failing to support the LAG with sufficient capacity building (time and expertise) risks undermining the effectiveness of the role they can play.

## Annex A: Project Classification and Measures

The following tables illustrate the relationship between the impact assessment classification, Measures, levels of funding and activity under the current LEADER approach (2007-2013 RDPE).

| Activity   | Code | % of all projects | % of funding | Coverage   |
|--|------|-------------------|--------------|--|
| Agricultural Diversification                     |      |                   |              |  |
| Diversification into Non-Agricultural Activities | 311  | 10%               | 9%           | Support for individual agricultural businesses   |
| Business Support                                 |      |                   |              |  |
| Creation/development of micro-enterprises        | 312  | 25%               | 25%          | As stated; includes managed workspaces and revenue (advice and grant) support and networks       |
| Tourism Development                              |      |                   |              |  |
| Tourism encouragement                            | 313  | 8%*               | 7%*          | (Direct) support for tourism businesses, businesses benefiting from tourism improvement projects |
| Agriculture and Forestry                         |      |                   |              |  |
| Adding value to agric/forestry products          | 123  | 8%                | 9%           | Direct support to businesses or co-operatives  |
| Improving economic value of forests              | 122  |                   |              |  |
| Farm modernisation                               | 121  |                   |              |  |
| Research/Innovation                              |      | 2%                | 2%           |  |
| Total  | -    | 52%               | 50%          |  |

| Activity                               | Code | % of all projects | % of funding | Coverage   |
|--|------|-------------------|--------------|--|
| Conservation, Tourism and Heritage     |      |                   |              |  |
| Encouragement of Tourism               | 313  | 25%               | 26%          | Trails, cycle-ways, walkways, signage, facilities, festivals                     |
| Village Renewal                        | 322  |                   |              | Village hall (where related to visitors)   |
| Conservation/ Upgrading Rural Heritage | 323  |                   |              | Woodland projects, local heritage asset improvement                              |
| Community Facilities and Services      |      |                   |              |  |
| Basic Services                         | 321  | 16%               | 15%          | Range of facilities and service improvements for families, young people, elderly |
| Community Infrastructure and Transport |      |                   |              |  |
| Basic Services                         | 321  | 1%                | 1%           | Community transport and ICT projects, also may include some energy projects      |
| Total                                  | -    | 42%               | 42%          |  |

