



LOCAL ENTERPRISE GROWTH INITIATIVE

**COVENTRY LEGI
PROGRAMME PERFORMANCE**

FINAL REPORT

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Our mission and goals

Our mission is to make a positive contribution to urban and rural regeneration through the provision of excellent and value for money services to our clients.

Our goals are:

- To provide evidence based insights into national, regional, local and neighbourhood regeneration and economic development;*
- To support enterprise and employment;*
- To tackle deprivation and exclusion and promote sustainable communities;*
- To promote positive experience of the regeneration and renewal process for all communities and service providers.*

1. INTRODUCTION

Coventry City Council has engaged **Meridien***pure* to provide a “critical friend” review of the evaluation of the Local Enterprise Growth Initiative (LEGI) programme in the City. As part of this approach we have been asked to report on the LEGI programme’s progress to date, achievements and issues based upon the LEGI interim evaluation report (December 2008) and our wide ranging experience of employment and enterprise support in deprived communities generally and LEGI specifically. The client has also requested that we make proposals designed to improve the future performance of the Coventry LEGI programme.

Our general approach to evaluation is to formulate the review around five simple questions and we have structured this report around these. Therefore the report’s sections are as follows:

- What is LEGI in Coventry trying to achieve? Aims and objectives.
- What resources are being put in? Costs and value for money.
- What has been delivered? Targets and outputs.
- What has been achieved? Outcomes.
- Is it what we set out to achieve and what remains to be done? The results and issues.
- Conclusion and proposals.

This report is succinct and should be read in conjunction with the LEGI monitoring and evaluation interim report itself.

2. WHAT ARE WE TRYING TO ACHIEVE?

“The LEGI Programme in Coventry will increase entrepreneurial activity by increasing the number of people aspiring to enterprise and the volume of business start-ups in the targeted areas. It will improve the survival rates and growth prospects of entrepreneurs in the targeted areas through targeted proactive support to businesses. And it will improve job prospects for local people in the deprived areas through the delivery of an intensive outreach and holistic client centred approach.” – An Introduction to LEGI, Coventry City Council (no date).

The application for LEGI funding (Coventry Inspires Enterprise, December 2005) says that “Coventry’s LEGI Strategy will use enterprise as a key driver for change, working directly in the most deprived neighbourhoods to increase wealth and the prosperity of the people who live there.”

The LEGI programme in the City sets out to provide both a step change for deprived (specified geographic and grouped) communities and to build upon the City’s business base and economic opportunities. The summary evidence from the successful application suggests (in part):

“Coventry has a historical trend of relatively low levels of enterprise when looking at VAT registration rates and self-employment levels. However, Coventry has been recognised by a number of surveys as being a good

place to run a business, and evidence suggests high business success rates after the initial year of trading. The evidence suggests significant scope for additional entrepreneurial activity in the most deprived areas of the city, with data suggesting a good propensity towards entrepreneurship and high levels of demand for business support.”

This approach was accepted by the LEGI national administrators as meeting the national LEGI objectives of:

- 1) Increase total entrepreneurial activity among the population in deprived local areas.
- 2) Support sustainable growth and reduce the failure rate of locally-owned business in deprived areas.
- 3) To attract appropriate inward investment and franchising into deprived areas, making use of local labour resources.

The scale of the challenge is significant and we note that the LEGI model was designed at a time when the UK economy was enjoying one of its longest ever periods of sustained economic growth. Current economic conditions are dramatically different with the economy formally in recession and access to affordable credit stalled through a global banking failure.

The list below is from the Coventry LEGI application and sets out measures of impact for the programme. We do not supply the actual baselines etc as at this stage it is the broad areas of impact required of the LEGI programme that is of interest to us.

- Increase rates of Total Entrepreneurial Activity (TEA) in the LEGI area
- Increased levels of self employment in the LEGI area
- Improvement to VAT registration rates per 10,000 adults across the city
- Increased GVA per capita for the city
- Increase in average size (by numbers employed) of those firms in bottom third of IDBR for the city
- Reduce the number of VAT de-registrations per year in the city
- Increase the Social Purpose Value of activity supported
- Increase in Employment Rate for the city
- Reduce % of working age population claiming JSA in LEGI area
- Reduce % of working age population claiming Incapacity Benefit in the LEGI area
- Increase the local multiplier in the LEGI target area.

The programme therefore sets out to achieve positive impacts upon both individuals (employment rate, self employment, benefits claimants), geographic areas (business and employment measures plus social return on investment and local multiplier) and new/existing businesses (VAT, IDBR) to the benefit of the City economy (GVA) overall. The ambitions for TEA provide the overarching *enterprise* hook for the programme.

In simple terms the programme’s ambitions are about economic activity among the City’s businesses and working age residents – especially those trading/residing in the most deprived parts of Coventry. The prism for

these positive improvements is the loose term enterprise delivered through the specific strands and projects that Coventry LEGI chooses to invest in. The programme is extremely ambitious in the breadth and depth of the desired impact. Ambition on this scale is welcomed but this expectation of impact requires resources of a similar scale. Our experience of competitive funding bids is that ambitions are sometimes stretched beyond pragmatism in order to win the bidding war.

3. WHAT RESOURCES ARE WE PUTTING IN?

The LEGI programme in Coventry was awarded £12,473,000 for the initial period 2006-07 to 2008-09. The UK Comprehensive Spending Review 2007 notionally at least extended the LEGI lifetime to 31 March 2011 with an additional £7,525,000 awarded to Coventry. Importantly however LEGI was rolled up into the Area Based Grant (ABG) - a new approach from Government to local authority finances. This meant that LEGI finances are not ring-fenced for the purposes set out in the original application. Rather the role is to support the delivery of the Coventry Local Area Agreement.

Among the principal costs of the LEGI programme in Coventry is the salary cost of 60.5 staff (full time equivalents) – a significant proportion of the overall programme budget.

Value for money figures can easily be taken out of context, and it is strongly recommended that the detailed 'Cost per Unit' sections from each Project's evaluation report are reviewed to understand the detail that sits behind each value. Nevertheless, for ease of reference the following table shows the cost of a range of output units generated by different LEGI Projects (from the LEGI interim evaluation report). We have commented in the final column on the value for money aspects of the reported performance.

Table 3.1: Cost per Unit – From April 2007 to June 2008

Project	Unit	Outputs	Spend £	Cost per Unit £	Comment on value for money
Workmates	Individuals engaged	365	455,513	1,220	Expensive for engagement alone – even with hard to reach groups. A similar project ¹ in another LEGI programme has targets for engagement at £1,386 per unit BUT this includes 70 into self-employment and 140 jobs. The project in question is achieving beyond this for caseload, self-employment and jobs thus making Workmates appear expensive.
Barrier	Individuals	432	282,909	655	Positive - reasonable given the

¹ This is confidential management information and we cannot reveal the exact source but we have permission to use anonymously.

Project	Unit	Outputs	Spend £	Cost per Unit £	Comment on value for money
breaking	supported				variety of requests for support etc.
Engaging with Enterprise & Employment Fund	Individuals engaged	880	140,771	160	Good for engagement-gateway purposes. Question the quality of the referral i.e. their on-going participation in the programme.
Community Engagement Points	Individuals referred	234	90,000	384	Looks expensive and project review confirms issues.
Making progress	Individuals engaged	90	135,320	1,500	Expensive – compare to engagement strands above.
Local Employment Opportunities	Individuals supported into employment	300	317,979	1,060	Excellent. JCP works at approximately £2,000.
Business Mentors	Individuals supported into business	180	655,030	3,639	Looks expensive at face value for support to a new start.
Business Coaches	Businesses Assisted	316	645,442	2,042	VfM looks about right compare with Business Link historic performance.
Business Relationship Managers	Businesses met	176	134,080	762	More specific measures may be required for this activity if VfM is to be measured.
Attracting Inward Investment	New Jobs Created	72	99,276	1,380	Excellent – especially given the nature of the geographic areas concerned.

Table 3.1 tells us that value for money in the Coventry LEGI programme is generally good. However, the fuller projects' evaluation suggests greater variability in vfm. The interim evaluation has captured this and we propose that the LEGI core team prepares an action plan to improve (or even curtail) projects where vfm is considered moderate to poor based upon the simple format at table 3.1 with further analysis and contextualisation as appropriate.

We note that in part these vfm figures are based upon management information covering a period where the projects (programme) were in a formative stage. We expect that vfm will therefore improve as the programme matures to its normative phase (all things being equal).

4. WHAT HAS BEEN DELIVERED?

The interim evaluation report prepared by the City Council's LEGI Core Team provides an excellent snapshot table of LEGI performance in Coventry to date. This is repeated at table 4.1 below. Targets highlighted in green are those which have either been met, or are extremely close to being met. Targets in orange are those where there are still significant outputs to achieve, but projects appear to be on track to meet target. Targets in red are those which are unlikely to be achieved.

Table 4.1: Targets and performance to date

Strand	Ref No.	Programme Level Outcome	Target for March 2009	Achieved as of Sep 2008	Remaining (numbers)	Remaining (%)
All	1	Individuals engaged in Programme	3,500	2,060	1,440	41%
Business Start-Up	2	New Business Starts (Individuals into Business)	500	341	159	32%
	3	New Social Enterprises	20	19	1	5%
	4	% of New Businesses still trading after 12 months	70%	Awaiting backfilling of data to produce reports		n/a
Business Growth	5	Businesses Assisted	320	535	target exceeded	0%
	6	Increase in New Sales	£2,400,000	£4,091,018	target exceeded	0%
	7	New Jobs Created	120	214	target exceeded	0%
	8	Businesses Safeguarded	58	50	8	14%
	9	New Business Opportunities Created Through New Investments	150	12	138	92%
	10	% of Coventry City Council spend to Local SMEs	25%	n/a	n/a	n/a
Local Employment	11	Individuals Assisted into Employment	1,100	642	458	42%
	12	% of Individuals still in Employment after 6 months	70%	Awaiting backfilling of data to produce reports		n/a
	13	% of New Jobs Created filled by people from LEGI Area	60%	Reporting process still in development		n/a
	14	Individuals into jobs generated by New Development	1,500	68	1,432	95%

n/a - data not available yet

Taking the highlights from the table we have the following observations:

- Given the “usual” delays, (as experienced by most if not all new regeneration programmes in England), to the start of the programme, staffing and contract issues and more recent changes e.g. ABG, we suggest that ***progress against target is excellent.***

- The business growth strand is clearly performing well against these targets suggesting that; more stretching targets may be called for; and that the expertise claimed in business support as part of the original LEGI bid appears to be more than funding application rhetoric.
- The two target areas where there is red light status are linked to “new developments.” Our review of this target through project level evaluation reports suggests the target to be in need of review and clarification as there is confusion over the use of this measure.
- There remain issues about engagement, new business starts and individuals assisted into employment. As we shall see later the link between the programme’s engagement specialist projects and progression to a positive labour market output is a key challenge for the programme.

5. WHAT HAS BEEN ACHIEVED?

The LEGI Bid referenced 10 outcome targets. These were measures relating to Business Start-Up, Business Growth, and Local Employment.

In most instances there is a substantial delay on the availability of data. Table 5.1 shows these measures, their targets for March 2009, and the latest data available.

Table 5.1: Outcome targets and measures

Strand	Programme Level Outcome	Target for March 2009	Latest Data	Source
Business Start-Up	Total Entrepreneurial Activity	2.00%	2.4% (Aug 2008)	CEM
	Self-Employment Rate	3.00%	3% (Aug 2008)	CEM
	VAT Registration Rates	30 per 10,000 residents	n/a	
Business Growth	GVA per capita (UK average - 100)	105	n/a	
	Average no. employees, bottom 1/3rd of IDBR	2	n/a	
	VAT De-Registration Rates	under 550	n/a	
	SROI	tbc	tbc	
Local Employment	Employment Rate	79.70%	n/a	
	JSA Claimant Rate	4.00%	5.2% (Feb 2008)	NOMISS
	IB Claimant Rate	10.25%	10.3% (Feb 2008)	NOMISS

n/a - data not available yet

The table is repeated here (from the interim evaluation) for completeness. Given the gaps in data due to time series issues etc there is little to be derived from a detailed analysis of these outcome figures. Suffice to say:

- It's premature to measure a programme with LEGI's ambitions and target outcomes after two years.
- Where we have data for the selected variables we can see evidence of both positive and negative outcomes i.e. TEA is positive as is self-employment; JSA and IB² are negative. There appears to be some data variation in the TEA score so it will be interesting to see the results from the 2009 survey.
- Evidence that LEGI is closing the gap between its target geography (the most deprived parts of the City) and the Coventry average is thin due to time series issues and difficulties of recording data at these geographic levels. Trends are largely positive where data is available, e.g. IB claimants, but the gap between these areas and the City average either remains constant or has been closed by only the smallest amounts.

We would like to comment further on this latter point. LEGI in Coventry is a small regeneration programme, even when combined with the single employment offer package, yet its ambitions are huge given the scale of the market failures faced in the most deprived areas of the City. The key is perhaps to recognise that step change regeneration requires resources beyond those currently provided. However, incremental changes, as witnessed through this programme's targets and outcomes, are meaningful and worthwhile as part of a long-term macroeconomic shift for the City and can be even more worthy at the micro level for individuals, firms and families.

6. IS IT WHAT WE SET OUT TO ACHIEVE?

LEGI in Coventry exhibits classic challenges faced by UK regeneration programmes. Much has been delivered yet public sector goals and funding have altered leaving the programme less sure of its future direction. It is naive to believe that the step change desired in the LEGI target areas could be delivered in two-three years yet this short-termism remains the reality of programmes funded through the national exchequer. The programme has delivered well against the majority of its output targets yet the shift in outcomes is at worst limited and at best too early to say.

Meanwhile the economic landscape has altered significantly, thus dissipating any positive macroeconomic impacts attributable to LEGI. The latest Coventry Entrepreneurship Monitor (CEM) report suggests less interest in business start up as a realistic option for the general population and the residents of the most deprived areas of the City.

The key question for the interim LEGI evaluation is therefore whether its goals and actions remain relevant in changed economic circumstances?

Much remains to be done and we suggest that the desired outcomes remain relevant yet the goals of reaching out to those most distant from self-employment and business start-up may no longer be pertinent – or at

² Note to City Council Core Team – given no new claims to IB will be processed by JCP following the introduction of Employment Support Allowance in October 2008 what measure do we propose to use?

least we should debate the programme's strategy of addressing both the most deprived and the economically active. JSA claims have risen in the City Council area by 27% in the last 12 months and for many businesses and individuals this will be the first time they have experienced an economic downturn.

6.1 Issues

The following issues from the interim evaluation are, in our opinion, worthy of consideration.

- Each issue is presented as a bullet point thus.
 - Our comments form the indented bullet.
- "Me too" (micro starts) businesses versus niche market growth prospect firms – should LEGI be more selective and prioritise the growth prospects?
 - Growth prospects will deliver greater vfm/outputs/GVA etc
 - The reality is that deprived areas are in the micro end of the market with only limited capital and therefore likely to be asset light, service sector firms.
 - Business Link should have this covered.
- Demand (supposition from CEM) from firms for access to finance in the "credit crunch" market of 2009.
 - Is this a reality?
 - LEGI could develop products in this direction.
 - Business Link should have this covered with additional, recent emphasis from national government on access to finance.
- Support for skilled workers made redundant to start their own businesses.
 - Good idea. What are JCP doing?
 - Element of deadweight enhancement – are they likely to do it without any LEGI support?
- An estimated 1,500 individuals have been engaged in Inspire & Engage projects in the period April 2007 to June 2008, but insufficient numbers of people have been referred from these projects to the Employment and Business Strands for these to reach their objectives relating to supporting individuals into employment or business.
- Expectations on referrals from Inspire & Engage are not clear, and going forward, these could be made more explicit.
- Coupled with clarity on expectations, the Workmates project may benefit from greater clarity on its role and remit.
 - It was innovative and well intentioned to not provide workmates with targets for referrals and relevant to the target group.
 - If there are no targets we should have alternative indicators e.g. on the distance travelled toward the labour market for the individual and a target date for referral to other strands/agents even if this is in the distant future. This will clarify the remit.
 - If the workmates project is solely about the generation of referrals its current incarnation is erroneous and not fit for purpose.

- Having said this, the interim evaluation contradicts the notion of workmates supporting those most distant from the labour market by suggesting that 43% of beneficiaries are in some form of employment.
- The Employment Strand is supporting a disproportionately high number of women and BME individuals into employment.
 - Excellent.
- A majority of women and BME individuals supported did not receive their support from an agency specialising in working with these two groups. While their contribution was important, the evidence shows that these two groups can be supported through non-specialist agencies.
 - Calls for an options appraisal with a view to rationalisation of these specialist contracts.
- There may be insufficient demand to warrant current resource allocation to supporting social enterprise start ups.
 - Calls for an options appraisal with a view to rationalisation of these specialist contracts.
- The interim evaluation says that the three main purposes for the marketing and communications function are to:
 - i) Create awareness and understanding about LEGI and its offer to support individuals to start their own business or enter employment, and existing businesses to grow
 - ii) Keep LEGI practitioners / partners informed about what is happening across the programme and external influences / pressures that could impact on the programme
 - iii) Provide information to other LEGI stakeholders such as DCLG, GOWM, Coventry City Council and other LEGI areas on best practice, outcomes/ outputs and other relevant activity
 - What about culture change and inward investment promotion?
- Differential levels of performance in the Job Brokers project versus Employment Officer.
 - Requires more detailed review, explanation and positive resolution.
- Unemployed potential entrepreneurs who are deterred from starting a business are not being referred to the Employment Strand.
 - No wrong door and positive referrals needs strengthening.
- Less than 25% of businesses assisted received Specialist Support Funding, suggesting that the Fund is being accessed when there is demand for it.
 - Excellent customer focus. Perhaps, however, we should be looking at alternative uses for the fund if demand has stabilised at this lower level?
- A full review of the fund and its place in the private and community development loan fund market in the City is called for in order to determine future policy.
 - Excellent use of management information and intelligence.
- Enterprise pods are clearly not working.
 - Not clear if this is the delivery contract that is weak, the concept, the location, content and/or promotion. Most people now have access to a computer so what is the Pod target market? A full options review is called for on this project.

- The proportion of property offerings made to organisations looking to invest in Coventry which contain at least one property from the deprived areas of Coventry has steadily increased following LEGI interventions.
 - Excellent and real innovation in targeted service delivery for deprived areas.

7. CONCLUSIONS & PROPOSALS

7.1 Good performance

LEGI in Coventry has established itself through the commitment and hard work of City Council and delivery partner staff as a meaningful and valued part of the regeneration landscape.

Performance to date is good. It is too early to consider the programme's impact. There are some signs of positive impact but these may be statistical glitches e.g. CEM and even so any impact on outcome measures will be made redundant (and may not manifest themselves) by the onset of an economic recession.

7.2 Design

Coventry LEGI is relatively unusual vis-a-vis other LEGI programmes with which we are familiar (Doncaster, Barking & Dagenham, Sheffield, Leeds, Bradford). The differential is around Coventry's emphasis on employment *and* enterprise - the City Strategy inspired Single Employment Offer. Whereas others may include employment in their programme they are clear that enterprise is the pre-eminent force.

This innovation may *perhaps* be the cause of confusion and even tension within the programme e.g. resulting in low levels of referral between different parts of the programme.

Our opinion is that there is limited work on *enterprise culture* in Coventry that is evident in other areas and the national enterprise strategy.

7.3 Innovation

Certain aspects of the programme are innovative and we especially wish to praise the inward investment project and highlight its success in raising the profile (and investment in) the most deprived areas of the City. The interim evaluation suggests that given the economic downturn this work may no longer be relevant. On the contrary we suggest that it is more relevant than ever to maintain and enhance investment in the employment poor areas in order to stop the gap between them and the City average becoming huge and irreversible.

Workmates are another innovation and in principle the right approach to working with hard to reach individuals most distant from the labour market. In practice however the project appears confused, unconnected to the programme and in need of a detailed review e.g. lack of referrals and

targets, working with approximately 43% of beneficiaries already in employment.

Self-evaluation of the programme is another innovation. This has produced a comprehensive, locally owned and largely accurate/objective review of the programme at a considerable saving compared with external evaluation.

7.4 Ambition

The programme is extremely ambitious in the breadth and depth of the desired impact. Ambition on this scale is welcomed but this expectation of impact requires resources of a similar scale.

7.5 Value for money

Value for money in the Coventry LEGI programme is generally good. However, the fuller projects' evaluation suggests greater variability in vfm. The interim evaluation has captured this and we propose that the LEGI core team prepares an action plan to improve (or even curtail) projects where vfm is considered moderate to poor.

We note that in part these vfm figures are based upon management information covering a period where the projects (programme) were in a formative stage. We expect that vfm will therefore improve as the programme matures to its normative phase (all things being equal).

7.6 Future relevance

The key question for the interim LEGI evaluation is whether its goals and actions remain relevant in changed economic circumstances?

In the 12 months to December 2008 JSA claimants in the City rose by 27%. This produces a whole new cohort with enterprise and employment potential and support requirements – some 1,740 people to bring the claimant count to 8,805.

Likewise, whilst we do not have any local information, we anticipate the “credit crunch” to mean less available and affordable business finance and restrictions on the ability of new entrepreneurs to access start-up capital from a rising housing market.

In these circumstances it would be reasonable for Coventry LEGI (and other programmes) to adapt and respond to this new market failure.

This is a political decision for the City's elected and business/community leaders.

We suggest, however, that the main thrust of the programme remains relevant and the targets should be the most deprived areas otherwise

deadweight will be maximised. Having said this we would support programme developments designed to make job search and skills development more readily available to recent JSA claimants, redundant workers/managers etc. The LEGI programme's finance for business products might also be realigned to the new circumstances.

7.7 Proposals

- 7.7.1 VfM review and action plans for projects where the evaluation suggests VfM to be moderate/poor.
- 7.7.2 Review and develop more stretching targets for the Business Growth strand.
- 7.7.3 Review and clarify/curtail the use of the "new development" measure.
- 7.7.4 The Inspire & Engage strand should have targets for referrals to both the Employment and Business strands.
- 7.7.5 The workmates project should be reviewed and enhanced with targets for the distance travelled (toward the labour market) of clients. It should be clear that the principal target for the project is economically inactive people and not those already in employment.
- 7.7.6 A rationalisation review of BME, women's and social enterprise projects is called for based on demand.
- 7.7.7 An options appraisal and rationalisation review of the enterprise pods project is called for.
- 7.7.8 The communications team should consider actions to promote an enterprise culture in the City.
- 7.7.9 A review and options appraisal of the Job Broker project is called for in the light of performance to date and changed economic circumstances.
- 7.7.10 A review and options appraisal of the programme's business finance projects is called for in the light of demand and changed economic circumstances.