

EVALUATION OF THE SDB PROGRAMME PHASE 1

for

Highlands and Islands Enterprise

by

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with

**Snedden Economics
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Summary Report

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1.0 Introduction & Methodology

1.1 As a Strategic Delivery Body (SDB) with responsibility for delivering specific aspects of the Highlands and Islands Operational Programme of the ERDF Convergence Objective Programme for Scotland 2007-13, HIE has carried out a set of capital and revenue programmes since 2009. This evaluation covers Phase 1 of the SDB Programme, which had incorporated the approved sub-programme expenditures given in the table below by October 2013. The HIE funding shown is net of ERDF, and the total project cost for the Businesses of Scale sub-programme includes own investment by the assisted businesses. Own investment by businesses moving into the units constructed through the Capital Programme, however, is not included in project costs. Other contributors to project costs included UHI (Hi-Links) and Scottish Funding Council and Skills Development Scotland (Hi-Grads).

	Total Project Cost (£)	HIE Funding (£)	ERDF Approved (£)	ERDF %
Capital Programme (actual)	23,209,943*	13,925,966	9,283,977	40.0
Revenue Programme (approvals)	27,367,683	8,823,189	4,012,625	14.7
Businesses of Scale	20,914,888	4,721,292	2,069,735	9.9
Strategic Support to Social Enterprises	695,460	417,276	278,184	40.0
Communities Renewable Energy Support Programme	1,029,425	956,057	73,368	7.1
Creative Industries Development Programme	1,402,884	841,731	561,153	40.0
Hi-Links Knowledge Transfer Programme	580,026	279,016	186,010	32.1
Business Innovation Grant Scheme (BIG)	100,000	60,000	40,000	40.0
CREATE Programme	132,000	61,500	33,500	25.4
Hi-Grads	2,400,000	1,418,517	725,475	30.2
Revenue Project Management	113,000	67,800	45,200	40.0
Overall Totals	50,577,626	22,749,155	13,296,602	26.3

* Including project staffing costs of £115,520

1.2 Some of the figures in the table relate to approvals rather than actual spend, and are illustrative for the purposes of this study. Also, projects are still being approved for funding within some of the Phase 1 Revenue Sub-Programmes and there could be a relatively small degree of underspend of the ERDF approved for certain sub-programmes when all project applications have been approved and all claims for eligible expenditure submitted.

1.3 The HIE plus ERDF capital spend by October 2013 of £23,209,943 represented 99.6% of the revised original budget of £23,300,000; whilst the ERDF approved revenue spend total of £4,012,625 represented 105.2% of the original budget of £3,815,000. The main ERDF expenditures have been £9.3 million on the capital programme (property development), £2.1 million on Businesses of Scale (seven projects), £725,000 on the Hi-Grads

Programme (graduate all-year & summer placements), and £561,000 on the Creative Industries Development Programme.

1.4 HIE submits quarterly returns to the Scottish Government on progress on approvals and expenditures by sub-programme, and on “outputs” and “results” against the targets that were originally set. Our study remit, as summarised below, focused on assessing Programme impacts and other benefits rather than being an audit of activities. Specifically, we were asked to:

- Assess the efficiency, effectiveness and value for money of HIE’s SDB Programme;
- Measure progress against the original targets of the Programme, taking account of key structural changes that have taken place in the economy and Government strategy subsequent to the development of 2007-13 Structural Funds programming;
- Assess the impact of HIE’s investment at the overall programme level, as well as in respect of the capital and revenue aspects of the fund; and consider appropriate impacts at the sub-Highlands and Islands level;
- Assess and quantify both actual and anticipated benefits to SME’s, social enterprises, community groups and individuals accessing support through the funds available from the Programme in terms of business growth/sustainability, employment, product or process innovation and knowledge transfer, and review the extent to which these benefits can be attributed to HIE’s SDB investment;
- Identify any wider benefits, as appropriate, that may have arisen as a result of the funding and which may not have been anticipated or identified as part of the original measurement indicators;
- Consider the extent to which the Horizontal Themes of equal opportunities, environmental sustainability and social inclusion were addressed in the Programme delivery;
- Consider the potential overall legacy of the SDB Programme;
- Identify any lessons that may be learned from the operation of Phase 1 and develop a series of recommendations that may inform the future consideration of the use of ERDF, including the implementation of Phase 2 as well as other future policy developments and Structural Funds post 2013.

1.5 Broadly, the quantified economic benefits in this impact study relate to the information provided by HIE in its October 2013 Capital and Revenue Programme Progress Reports – although our consultations for the study extended into early May 2014.

1.6 Our methodology for the study incorporated:

- An initial review of all relevant background documentation, including HIE Board/Leadership Team approval papers for the different sub-programmes and individual Capital Programme & Businesses of Scale projects; impact studies commissioned prior to the HIE approval of some of the projects; evaluations and final reports on some of the sub-programmes; and HIE’s quarterly Progress Reports and associated material;

- Initial discussions with HIE sub-programme managers and the third party managers of the other sub-programmes;
- An initial review and appraisal of each of the sub-programmes, in particular the setting of targets and the monitoring and evaluation information available on the extent of target achievement;
- A more detailed review of each sub-programme, including consultation with those involved in implementation, HIE account managers of assisted businesses and property occupants, and samples of beneficiaries for some sub-programmes.

1.7 HIE's brief envisaged limited primary research, but, following our initial review, HIE agreed that it would be useful for us to sample beneficiaries of the Hi-Grads, Hi-Links and Business Innovation Grants programmes to supplement or test the validity of the evaluations and other reports that had already been produced on these. This enabled us to assess the outcomes of these sub-programmes more realistically than the earlier reports had been able to do (lacking the later out-turn information), although larger samples of beneficiaries and more in-depth analysis would have been necessary to quantify the "results" from these sub-programmes with statistical accuracy.

Out-turns Against Targets

1.8 After our initial review of the nature of assisted projects and the monitoring information available on the "results" (economic benefits) from the projects – i.e. employment creation and additional business turnover generated – we agreed with HIE that attempting to quantify results and compare these directly against these targets would not give a meaningful analysis. The reasons for this were that:

- (i) The SDB targets were based pro-rata on 70% of the overall employment and turnover targets for the ERDF funds under Priority 1; and these were not considered valid benchmarks. The SDB employment target was 1,530 full-time equivalent jobs (ftes) created. Even without taking into account that some assisted projects will retain as well as create jobs, this would imply an average cost per fte from public investment planned to total £33.34 million (originally) of £21,800; whereas previous research has shown average cost per direct fte in the Highlands and Islands at over £40,000 across the types of investment and other business support provided by HIE (where an fte is taken to last on average for ten years) – after adjusting for attribution.
- (ii) The Capital Programme was allocated 71% of the overall HIE plus ERDF funds (originally £23.8 million) to create (on HIE's calculations on floorspace per employee) 80 ftes. This left the £9.54 million Revenue Programme (as originally budgeted) to create 1,450 ftes – a cost per job of £6,600, which was clearly unrealistic. For EU reporting purposes, advice from the Scottish Government was that jobs resulting from assisted projects should relate to a point in time a year after the SDB Programme as a whole is complete, which we interpreted with HIE's agreement as the end of 2014. By this time, many assisted projects will not have generated their eventual job impacts (see below), and, taking this into account, the original SDB job targets will always have been even less achievable by the end of 2014.

(iii) The increase in business turnover target for the SDB programme was £30million. Relating this to the employment target of 1,530 ftes gives an average annual turnover target of £19,608 per fte. This compares (as an example) with an average total turnover across the sectors covered by Scottish Business Statistics tables for Highland in 2011 of £88,715 per employee (which would be higher per fte). Thus, in relation to the employment result target, this turnover target of £30 million was far too low – although turnover per employee does vary considerably across sectors.

1.9 As we argue in our conclusions in Sections 8 and 9 below, longer term impacts from SDB assisted projects must be considered in order to assess value for money from the assistance. This not only means quantifying direct jobs created at least three years after the assistance*, but considering, as HIE would in an ex-ante impact appraisal of an individual project being considered for assistance, displacement of trade from other employers in the Highlands and Islands, indirect (supply chain) impacts, induced impacts from the spending of additional direct and indirect employees, and externalities (wider net positive impacts). Often, gross direct ftes created are not at all a good proxy for economic benefit – for example where supply chain impacts will greatly exceed direct impacts from processing operations (e.g. of timber).

1.10 Many of the SDB revenue projects assisted, including advice provided to communities on possible renewable energy investments and knowledge transfer through Hi-Links, could take a particularly long period to generate quantifiable impacts. These impacts, in some cases, could eventually be very substantial (although achieved impacts by the end of 2014 might be zero or minimal), but very often other public assistance will have been provided to help achieve the eventual employment and turnover results. Attributing impacts retrospectively to the SDB assistance, in such cases, can become virtually impossible – for example where the SDB assistance might have been £5,000 for a feasibility study with later public assistance towards the eventual business development in six figures.

1.11 When HIE, after overall Operating Programme targets had already been set by the Scottish Government, completed its applications for SDB funding for particular strands of the Revenue Programme, it did not in all cases set employment and / or turnover targets – i.e. there is nothing to compare out-turn employment or turnover figures against. For the reasons relating to the long term nature of many assisted projects and the difficulties of attribution discussed above, this lack of target setting is understandable – i.e. any targets would have been arbitrary, as well as unachievable had they been constrained across the Revenue Programme strands to total the unrealistic aggregate employment and turnover targets that had been set. Also, turnover and/or employment creation targets were not set for some of the Businesses of Scale projects. It should be noted that although employment and turnover targets were not always set, the assisted projects were expected to achieve other outputs and results as detailed in the Operating Programme.

1.12 In assessing value for money through cost per job analysis from the Capital Programme, it is necessary to take account of future rental income from the premises that have been built for new or expanding businesses to move into. Theoretically, future rentals (applying net

* In the case of a tenant of new premises built through SDB assistance, this would be three years after moving in – which could be a few years after the premises are built where they comprise a set of units.

present value adjustments) should be subtracted from up-front HIE plus ERDF costs to give the net costs against which employment and turnover impacts would be assessed. These receipts and impacts could extend for 30-40 years or longer, and could eventually come close to covering the initial investment in some cases. Taking also into account the capital value of the property (which HIE will have built to a high standard) might well give eventual returns from the Capital Programme that would be equal or greater than from the Revenue Programme, in contrast to the apparent much higher cost per employment and turnover “results” for the two Programmes implied by the original targets.

- 1.13 Our initial appraisal of the operation of the SDB Programme also quickly established that the “outputs” that had been achieved to-date, such as the number of businesses receiving financial support, and the “results” that relate to indicators such as the number of new business starts tended to diverge greatly from the targets that were set before the details of the different Revenue Programme strands were finalised. In general, far more businesses and commercialisation activities have been supported than had been envisaged originally, and evaluations that had already been carried out on those strands which were completed before our evaluation began suggest that good value for money has been achieved due to this high penetration, which has spanned most of the Highlands and Islands.
- 1.14 Because of the difficulty in interpreting a result indicator such as “Number of new products and services developed” for a sub-programme such as the Creative Industries Development Programme or Hi-Grads Programme in practice, and limited availability of monitoring information on assisted projects, we have not attempted to evaluate out-turns against the targets originally set for these categories of “results”. For example, depending on what would be regarded as a new service, we would have expected a target for the Creative Industries Development Programme many times greater than the original target of 5 new products and services developed from the 200 enterprises targeted to receive support.

2.0 The Overall Phase 1 Programme

2.1 The numbers of businesses and organisations supported by the different SDB sub-programmes by HIE Area Office as at the end of October 2013 are summarised below. The figures represent approvals – although out-turns will be very similar.

	Social Enterprises	Community Renewable Energy	Businesses of Scale	Hi-Grads	Business Innovation Grants	Hi-Links	Creative Industries	Capital Programme
<i>Area</i>	Projects receiving assistance	Projects receiving assistance	Projects receiving assistance	Businesses receiving assistance	Projects receiving assistance	Business Interactions	No of Businesses Facilitated	Number of Premises
Shetland	2	2	0	8	2	17	8	
Orkney	13	2	1	10	2	7	5	1
Western Isles	8	8	1	24	0	11	35	
Moray	9	0	0	16	0	9	27	5
Caithness & Sutherland	15	4	0	16	3	8	22	
Inner Moray Firth	75	2	3	39	5	38	80	
Lochaber, Skye & Wester Ross	36	3	1	18	1	10	37	
Argyll & the Islands	39	10	1	26	6	20	27	3
Total	197	31	7	157	19	120	241	9

2.2 When expenditures per sub-programme and the populations of the areas are taken into account, the only area notably under-represented in Programme expenditure has been Shetland (which has the highest GVA per head of the eight areas). Major expenditures in South Kintyre and Forres reflect RAF base closures at Machrihanish and Kinloss. The other especially high expenditure was at Dunstaffnage where a new building within a new science park setting for marine science businesses is intended to create a cluster in this sector linked to the success of SAMS (Scottish Association of Marine Science).

3.0 Capital Projects

3.1 The Capital Programme incorporated the following projects. The costs given sum to the total ERDF-eligible expenditure to October 2013 of £23.09 million given at 1.1 above (excluding project salary costs of £115,520). Approved expenditure on the Programme has exactly matched the budget of £23.3 million. Where applicable, land purchase and design are included in the costs as well as construction. Future rental income from the units is not subtracted from these development costs (see 3.12 below).

Forres Enterprise Park, 5 units	£6.86 million
Sandbank unit, Dunoon	£1.09 million
Dunstaffnage Marine Science Building	£6.67 million
Forward Supply Base for EMEC Tidal Developers, Kirkwall	£2.96 million
Machrihanish – Expansion & Site Servicing	£5.52 million
Total	£23.1 million

3.2 In terms of geographical distribution of the assisted projects, it should be appreciated that they were a sub-set of HIE's wider property development activity over the past five years which has included building more units and incurring other infrastructural expenditure across its area.

3.3 As noted at 1.8 (iii) above, the employment creation target for this overall Capital Programme of 80ftes was derived by HIE from a blended average ratio of manufacturing & service sector occupancy of its previously constructed units. This target was not subsequently modified in line with the ex-ante impact studies carried out for individual projects (which we drew on in our estimates of future impacts given below).

3.4 The target increase in turnover that was set for the Capital Programme of £5 million represents £62,500 per fte (based on the target of 80ftes). This is considered a reasonable ex-ante average prior to knowing who would occupy new units, taking into account that the site servicing at Machrihanish would require additional capital investment by the on-site business (Welcon Towers at the time of the project approval) to generate employment.

3.5 As noted at 1.12 above, the employment impact from new buildings extends beyond the direct employment provided by occupants within the buildings, and can be considerably higher than this direct employment (although any displacement should be netted out). In some cases, a building can also support additional off-site company activity and employment (as at Hatston), supply chain impacts from annual or periodic operations can be significant, and a new business occupying a building can become a catalyst for future development in a local economy (which can be part of the rationale for the public sector support for the project). Also, there will be induced multiplier impacts from additional direct and indirect employment generation, and construction stage impacts. Currently, £1 million of construction spend might on average generate around 10fte job years in the Highlands and Islands (inclusive of the multiplier), and on this basis the overall Capital Programme expenditure of £23.3 million would have created some 233fte job years of construction-related employment in addition to the annual operational impacts generated by the occupants of the units.

3.6 In assessing employment generation, it is also important to appreciate that the long term nature of job creation from building business units is very different from a revenue sub-

programme that might support a job for only one year. HIE's buildings are generally flexible, and over time (possibly up to 50 years) a unit could be let to a number of different occupants – although there can be vacant periods. Sometimes an occupant can move on to larger premises, freeing the unit for a new business; whilst a business moving from a smaller unit into an HIE-constructed unit will free this for another occupant. These impacts, which can be important in local economic development, are not picked up through simply counting the number of jobs in a unit at a particular time.

- 3.7 In relation to value for money assessment of property development, it is not only important to take a wider and longer term perspective on job creation, but also to take account of all public sector expenditure that might have contributed to the job creation and to net out future rental income (discounted to Net Present Value). Other relevant public expenditure might include site infrastructure and access expenditure by the local authority and HIE grant assistance towards plant and equipment purchase by unit occupants (the initial occupant and/or future occupants). Also, an occupant might receive staff training grants, assistance with exporting, etc that will contribute towards employment and turnover increases over time.
- 3.8 HIE's October 2013 Progress Report showed 168 jobs in units constructed through the Capital Programme or due to land developed at that time¹. Allowing for not all units yet being occupied at the time this review was concluded, this demonstrates that the original target of 80 ftes based on floorspace is not a realistic benchmark – in part because HIE has built or modified 7,206 sq metres of business space against the Phase 1 target of 4,000 sq metres within the Phase 1 Capital Programme budget. HIE achieved cost savings on a number of the approved Capital projects within the SDB programme and was able to build an additional property resulting in the increased business space built or modified. At the request of Scottish Government, the target 'Area of business space created or modified' has now been amended to 6,000 sq metres and the target for 'Number of gross jobs created' is to be amended to 140. The Progress Report showed an overall increase in turnover of £3.5 million by property occupants by the end of October 2013, but this did not include all projects².
- 3.9 Through scrutiny of each of the developments funded through the Capital Programme – drawing on original project approvals, ex-ante impact studies, monitoring information collated within HIE, and liaison with HIE's Area Offices, we attempted to quantify direct employment within new units across the Programme as in November 2013, December 2014 (expected), and Year 5 of the availability of each unit. The figures overleaf include employment to-date and employment expected at Machrihanish, where there is a new operator (Wind Towers Ltd) and where impacts are attributable to private sector on-site investment as well as to the site servicing that made this possible. We give additional earnings from employment and GVA impacts as well as the ERDF target categories of additional ftes and additional turnover.
- 3.10 It should be borne in mind that the impacts relate to property occupants (who were not themselves directly ERDF-assisted) Also, job retention impacts are not recorded. This is relevant to one business in particular, whose trading conditions have deteriorated due to public sector spending cuts – job retention being an achievement in this climate.

¹ Although our review gives a lower employment figure – see below.

² Our review gives a higher turnover figure – see below.

	November 2013 (<i>actual</i>)	December 2014 (<i>expected</i>)	Year 5 (<i>projected</i>)
Additional Ftes (gross)	96	182	278
Additional Related Annual Turnover	£7.9m	£13.1m	£23.7m
Additional Income from Employment	£3.0m	£5.3m	£9.8m
Additional Annual GVA	£3.8m	£9.4m	£16.7m

- 3.11 The expected increase between November 2013 and December 2014 (which is not considered over-optimistic) demonstrates how property availability tends to increase direct employment year-by-year as units are let and occupants have the internal space to employ more staff or to support off site employment expansion. Even the “End of Programme” expected direct employment of 182 additional ftes in December 2014 well exceeds the original target of 80 additional ftes; whilst the expected additional turnover of £13.1 million by that time also well exceeds the original target of an increase of £5 million.
- 3.12 By October 2013, £569,610 had been received as rental income from tenants of ERDF funded properties. As noted earlier, rent income should ultimately significantly reduce the net cost to HIE/ERDF of the joint investment in the Capital Programme of £23.3 million.

4.0 Investment in Businesses of Scale

4.1 The seven projects approved for HIE / ERDF assistance under this sub-programme are summarised below. Turnover and/or employment creation targets were not originally set for all of the projects as they related to the wider operations of the assisted businesses, and impacts through future monitoring would not have been directly attributable to the SDB support expenditures.

1. Ferguson Transport Ltd

Establishment of a new operational centre at Annat, Fort William, to relocate from other sites its workshops, yards and offices to one place, enabling expansion of its haulage operations which mainly relate to timber and farmed fish. 85 fte staff were employed by the company at the time of assistance – with employment retention impacts, 3 ftes expected to be created in the short term, and other additional employment as the business expands.

Projected Cost £1.22 million; HIE / ERDF grant £305,000.

2. Balcas Ltd

Installation of a cooling water pipeline to the company's Combined Heat & Power plant at Invergordon, enabling the 38 fte jobs planned to be created two years earlier when the major project was originally assisted through an HIE funding package to be realised. Balcas produces wood pellets for domestic and commercial customers.

Projected Cost £1.99 million; HIE / ERDF grant £597,000.

3. Equateq Ltd

Phase 2 of a three phase project by the company based at Breasclete (a Fragile Area) in the Outer Hebrides which refines and purifies fish oils for the pharmaceutical and nutraceutical markets. At the time of the assistance, company employment was 13.5 ftes, and the implementation of the project was planned to provide 3.5 fte job years of work. Equateq has since been taken over by the multi-national BASF, with significant employment growth and further growth plans.

Projected Cost £643,000; HIE / ERDF grant £228,000.

4. Kintyre Development Company Ltd

Upgrade of the Ugadale Hotel in Machrihanish and the Royal Hotel in Campbeltown, supporting the company's ambitious investment in golf facilities in the area for new markets in Kintyre. Target direct impacts relating to the two hotels were 67 additional fte jobs and a £3.7 million increase in turnover.

Projected Cost £9.0 million; HIE / ERDF grant £2.28 million.

5. Cairngorm Brewery Company Ltd

Construction and equipping of a building to house a new bottling plant in Aviemore, with storage facilities and additional office space. The new bottling plant increases market opportunities (including exports) and enables Cairngorm Brewery to bottle for other companies. The employment creation target was 6 ftes, and the increase in turnover target £1.6 million (although this seems to relate to the company's total turnover after project completion rather than the increase).

Projected Cost £1.46 million; HIE / ERDF grant £250,000.

6. European Marine Energy Company Ltd (EMEC)

Replacement of cable ends to EMEC's wave and tidal test sites in Orkney, plus the installation of hard wired Acoustic Doppler Current Profile devices at the tidal site (a minor component of the overall project). This important infrastructure complements substantial previous public investments in EMEC's world-leading testing facilities which attract international usage. Increased turnover for EMEC of £1.2 million was expected, with employment impacts relating to user companies (and off-site device manufacture) more than directly to EMEC's own operation.

Projected Cost £3.50 million; HIE / ERDF grant £2.51 million.

7. Isleburn Ltd

Construction of a fabrication workshop on land leased by the Cromarty Firth Port Authority at Invergordon. Also, a building leased on Cromarty Firth Industrial Park was adapted as a shot blast and paint facility. Isleburn is part of the Global Energy Group (GEG), and the project was expected to increase the number of jobs at Isleburn by around 61 and retain 65 jobs. Market sectors envisaged included oil & gas (general and sub-sea), offshore wind, and wave & tidal energy.

Projected Cost £3.10 million; HIE / ERDF grant £620,000.

Project Out-turns

- 4.2 All of the projects have been successful in achieving (over-achieving in the case of Isleburn) or working towards their objectives, with most having good prospects of progressing further through subsequent developments – generally with additional financial support from HIE as account managed businesses.
- 4.3 Our analysis and consultation suggests that the projects in total will have generated c300 additional ftes by late 2013 and additional turnover of c£20 million – with two thirds of these impacts generated by Isleburn. These estimates include proportional attribution where the projects are complementary to other company developments previously, concurrently, or since assisted by HIE. Impacts by the end of 2014 are expected to be broadly similar to those at the time of our analysis – with some downward variation balancing growth where projects are still working towards their full realisation.

- 4.4 With total HIE / ERDF grant of £6.8 million, the cost per additional direct fte would be around £22,700 on the 300 fte job generation estimated above – which is broadly in line with HIE’s average across its larger grant assisted developments. Adding wider employment impacts would significantly reduce this average cost per job.

5.0 Facilitation of Social Enterprises

5.1 There were two sub-programmes created to take forward this theme – a Strategic Support for Social Enterprises Programme delivered by HISEZ, and a Support for Community Renewable Energy Project Programme (CRESP) contracted to Community Energy Scotland (CES).

Strategic Support for Social Enterprises

5.2 This programme ran for three years from July 2008 to March 2011. Originally, the target was to support 250 social enterprises, but on the first year's experience, multiple days of support (rather than a single day per organisation) were provided to some; and 197 organisations were provided with 338 days of support over the period of the programme (1.7 days per organisation). The total cost of the programme was £695,460 – approximately £3,500 per organisation.

5.3 The main industry sectors of the social enterprises supported were: Tourism; Creative industries; Environmental; and Other community, social & personal services. Of the 50 social enterprises that have been account managed by HIE, it is estimated that 20 are located in Fragile Areas (as designated by HIE).

5.4 The programme had a target of 15 new business start-ups resulting from the support, and records showed that 9 new business starts had been established out of the 29 enterprises that gave “start-up” as their reason for making contracts. No quantified job creation or turnover impacts were estimated in advance for the Programme or for individual enterprises (except for a 20% increase in turnover indicator set by HIE in 2008); and these impacts were not monitored by enterprise or over the whole programme.

5.5 Softer outcomes achieved by assisted enterprises included:

- Overcoming problems
- Taking advantage of opportunities
- Becoming more viable
- Providing expertise that was missing
- Strengthening the social enterprise
- Facilitating partnership working
- Increasing capacity

5.6 We interviewed six of the larger projects to help assess impacts, but none could attribute quantified outcomes or results (actual or expected) to the support. Most had also been in receipt of other advice, and in some cases financial support. The support through the programme, however, was positively regarded by all six. Points of note included:

- Because of turnover of volunteers, several organisations could not identify the person with direct experience of HISEZ support. Also, support at one point in time does not guarantee sustainability due to the turnover of office bearers. Thus there is likely to be a need for periodic support for many social enterprises over a longer period of time.
- The softer social impacts can be more important than the quantifiable ones such as jobs and turnover.

- Some of the enterprises in remoter communities find it difficult to access advice, especially in the early stages of a project, and to get any face to face contact (which is felt to be more useful than remote contact by email or phone).
- Standing still in terms of employment and turnover may be an achievement if the alternative had been a decline or closure, due to other adverse circumstances, e.g. core public funding reducing for social enterprises and a fragile area location.

CRESP

- 5.7 The sub-programme ran from July 2009 to July 2012. The total cost was £1.03 million, but the consulting support element was £183,420 and ERDF contributed 40% towards this (£73,368). At the time, CES were also delivering a range of other services, including administering Scottish Government and HIE grant funding for renewables installations (e.g. wind turbines over 1MW), giving advice to HIE, organising events and carrying out other promotional / support activities.
- 5.8 The SDB target for the sub-programme was 50 social enterprises / new businesses / individuals supported, but, with more time than allowed for in setting this target spent on the average project, 32 projects were assisted, with the target of 5 new business start-ups exactly achieved by April 2013. The cost of the advice was £54 per hour, which is considered good value for money taking into account the specialist nature of this.
- 5.9 The status of the 32 projects as at July 2013 was: 4 Operational; 10 Consented; 2 In Planning; 9 at Pre-Planning stage; 2 Alternative sites being investigated; and 5 Not progressing. One year after the end of the sub-programme, 4 projects were generating electricity, but at least 10 more were expected to start over the following few years. Due to loan repayments on communities' capital investments, projects will not, however, generally provide them with significant income for spending on local economic or social projects for a number of years. The economic impacts from these subsequent community investments (especially where match funding is attracted) will often be substantial in the local context, but it will be difficult to attribute these to the CES advice as distinct from other feasibility analysis that communities might have commissioned and the support grant funding they will have received.
- 5.10 CES, in their final report on the project produced in 2013, identified a number of expected impacts from CRESP, but these do not correspond to the SDB target categories. CES estimated that supported projects could deliver nearly 50MW of community-owned renewable energy, which could bring nearly £160 million from energy generation into the Highlands and Islands over the next 20 years.
- 5.11 To supplement the limited monitoring information available, we interviewed five of the larger projects and reviewed information on the websites of a number of the projects.
- 5.12 The main support provided was on technical issues relating to grid connections and the consents process, with funding also being mentioned. Although contact with CES in the cases we covered appears to have been relatively short, all agreed it was very critical and enabled them to get past an obstacle that was causing them difficulty more quickly. However, some groups had difficulty recalling what support/advice was received, as the relevant person is no longer involved.

6.0 Research, Innovation & Knowledge Transfer

6.1 Four sub-programmes were devised to take forward this theme – Hi-Grads (a graduate recruitment programme), Hi-Links (a knowledge transfer programme involving universities), BIG (a business innovation grant scheme, in some cases related to Hi-Links projects), and a programme designed to develop regional capacity in entrepreneurship and skills for innovation and Further and Higher Education delivered by CREATE based in Inverness College (referred to below as CREATE).

Hi-Grads

6.2 Hi-Grads consists of graduate and student placements with businesses and social enterprises which, through the graduate or student working on a defined innovative project, support business growth and enhance business performance. The programme is focused on HIE account managed and pipeline organisations, and operated by HIE.

6.3 The benefit to the individual was to gain employment in their chosen field and improve their employability skills. This includes their receiving training on management, entrepreneurship, employability and wider innovation skills as part of the programme. A further purpose of the programme is to encourage the individual to live and work in the region after their placement ends (a population impact).

6.4 The programme initially had two strands:

- Graduate Placement Programme (GPP) – through which a graduate is placed in an organisation for between 6 and 12 months to undertake a specified project.
- Summer Placement Programme (SPP) – through which undergraduates are given a paid placement lasting eight weeks.

6.5 The Programme’s key targets were as follows. No overall job creation target was set.

- Up to 130 graduate placements (later increased to 160).
- Up to 160 summer undergraduate placements (later increased to c210).
- £250,000 increase in turnover in supported enterprises (less than £1,000 per placement, which is considered to have been too low a target, even assuming modest outcomes).

6.6 The programme is still running and some of the GPP placements will not be completed until the second quarter of 2014. Also, a successor programme, “Hi-Grads 2” is now underway.

6.7 Up to October 2013, ERDF spend on the programme had been £503,713 compared with a final approved level of £725,475. The total project cost was budgeted at £2.4 million.

6.8 Out-turn GPPs were 116 (of which 113 were supported by ERDF) against the target of 160; and out-turn SPPs were 127 (of which 120 were supported by ERDF) against a target of c210. With multiple placements in some, 119 businesses had received support by

October 2013. These out-turn figures are considered reasonable, given the lack of certainty in advance of how much grant per placement would be required.

- 6.9 Data supplied by HIE indicate that 33 (29%) of ERDF-supported graduate placements were in designated Fragile Areas. Slightly more (53% of the total) placements were taken by women than by men. GPP placements in Shetland (7) and Orkney (5) were relatively low. SPPs in Moray (5) were particularly low.
- 6.10 The report, 'Review of Talent Scotland Placement Programme 2010-2013' was produced in January 2013. This was a mid-term evaluation of the programme, covering both the GPP and SPP elements, and included an economic impact assessment.
- 6.11 The individuals who were placed with companies expressed a high level of satisfaction with the programme. This was across a number of aspects, including content of the work placement and training offered within the business.
- 6.12 With the benefit of our hindsight, it is considered that the Review gave impacts which are considered to be higher than were likely to be achieved, being based largely on early experience and projections soon after a placement would have started. Informed by our own survey of five selected assisted businesses, we modified the evaluation's findings, and this combined analysis gave the following annual impacts by the end of 2014 – including the graduate post where they will have been kept on. A summer placement student would return to their study rather than being kept on – although some might be re-engaged after their studies. The impacts relate to additional ftes and turnover.
- 79 ftes created.
 - £4.87 million additional turnover generated.
- 6.13 This is a high turnover to fte ratio (£61,000), and a robust analysis would require, company-by-company, other public assistance received by the HIE account managed enterprise, before, during and after the placement, to be taken into account in attributing impacts to the Hi-Grads programme.
- 6.14 With the assistance of HIE, a short email survey was sent to companies whose graduate placements were complete. This aimed to collect further information on the creation of employment through retention of the graduates. Responses were received from 31 participant companies.
- 6.15 In most cases (61%), the graduate who had been taken on through the programme was still working for the organisation (which compared to 55% in HIE's own monitoring data as at October 2013). More than three-quarters (79%) of the retained graduates had become permanent employees, with the other 21% retained on a temporary basis.
- 6.16 Thus, in 39% of companies, the graduate was no longer working for the company. However, in half these instances, the position originally created for the graduate had been filled by someone else.
- 6.17 Overall, in 68% (21) of the companies a new permanent post had been created, which was currently filled by the original graduate or by another person. In some cases, this additional employment could be attributed to the programme, but in others, an employee

(graduate or non-graduate) would have been taken on without the financial incentive provided by the programme (i.e. there will have been “deadweight”).

6.18 Respondents were asked to consider the influence of the programme on their decision to recruit a person/create a new post. Just over half (55%) of the 31 companies would not have established the post without participating in the programme.

6.19 Around one third (32%) would still have established a post, although in some cases this would have occurred later. The remaining 13% either did not know or did not provide a response. Among the 19 respondent companies who had created a new permanent post:

- 10 would not have done so without participation in the programme.
- 9 would still have done so in the absence of the programme (although this may have been later).

6.20 Thus, 10 companies (32% of the sample) have created a direct permanent post in their company as a result of taking part in the programme.

Hi-Links

6.21 The aim of the UHI’s Hi-Links programme was to provide a free service to businesses across the Highlands and Islands through accessing the knowledge, expertise and technology available in Scotland’s universities, colleges and research institutes (i.e. involvement was not limited to UHI and its academic partners). The programme was demand-driven, with networking at events providing the primary focus for engagements, centred on how businesses might: create added-value products or processes, develop new business systems, reduce costs, expand into new markets, increase sales, or improve efficiency.

6.22 The sub-programme operated between April 2009 and March 2011, and the project cost totalled £580,026, towards which HIE/ERDF contributed £465,026. UHI also funded the sub-programme. Hi-Links was a continuation of a programme that ran between 2006 and 2009, with good value for money and alignment with regional and national priorities having been reported in an independent evaluation undertaken in 2008. For the SDB programme, knowledge transfer staffing was increased from 3 to 5.

6.23 HIE’s monitoring shows that 160 enterprises were assisted through the Hi-Links sub-programme, although the key results and impacts given below from the Hi-Links Final Report produced by UHI in May 2011 are based on slightly smaller numbers.

Outputs

	Actual	Forecast
New Products	16	38
New Processes	17	28
Licensing Deals	1	21
New Spin Outs / Companies	5	4
New Patents	6	12
Private Sector Investment	£928,713	£3,142,500
Increased Sales	£153,000	£7,531,000
New Jobs	6	199
Safeguarded Jobs	28	174
HIE BIGs Awarded	20	22

6.24 Business interactions by Sector were as follows:

Creative Industries	19
Food & Drink	31
Social Enterprise	3
Aquaculture	4
Life Sciences	10
Energy	19
Agriculture	1
Engineering	5
Tourism	26
Construction	3
Charity	1
Manufacturing	1
Other	16
Total	139

- 6.25 The forecast attribution of employment and turnover impacts to Hi-Links given at 6.23 above appears high to us; and a survey we carried out of ten Hi-Links assistance recipients that had appeared relatively promising in terms of eventual impacts endorsed this view.
- 6.26 Two of the ten assisted companies were disappointed with the services they received from their partner universities (neither of which was UHI) due to slow speed and resource allocation within the university. In some other cases, it is not yet clear whether new products or processes will be developed, with further support funding a constraint.
- 6.27 The most successful project that we covered was the link between Highland Park Distillery in Orkney and Orkney College's Agronomy Institute, through which a successful trial identified a breed of barley for distilling that is suitable for growing in Orkney. Assumed turnover from this new premium whisky could be £720,000, although no extra employment has been created and the whisky won't be sold until into the 2020s.
- 6.28 The Agronomy Institute was also awarded a BIG grant for another project, and working with companies and the expertise gained by the Institute has greatly improved its reputation and has led to collaboration with other institutes and research organisations across northern Europe in countries such as Iceland, Norway, and the Faroes, Newfoundland and Greenland, and more established institutes in Scotland such as the Rowett Institute of Nutrition and Health in Aberdeen and the James Hutton Institute in Aberdeen and Dundee.
- 6.29 Since completion of the Hi-Links SDB programme, UHI's knowledge transfer staffing has reduced from 5 to less than 1 fte, which has limited its scope to work closely with businesses – although the national Interface service remains as a mechanism for funding academic expertise to help business development projects in the Highlands and Islands.

Business Innovation Grant Scheme

- 6.30 BIG was administered by HIE, and comprised feasibility study grants which complemented the Hi-Links programme totalling up to £100,000. Ultimately, £89,276 of HIE/ERDF support funding was provided to 19 businesses (according to the Review produced by HIE in May 2012).

- 6.31 33 applications were received for grants, and 20 were successful (one later being withdrawn), with 9 successful applications referred by HIE account managers and 8 from Hi-Links, and 3 coming direct from companies.
- 6.32 The Review report shows the companies assisted, the academic organisations involved (8 of the 20 being UHI Colleges and Institutes); the sectors assisted (8 being Food & Drink, 6 Energy, 3 Life Sciences, 2 Tourism and 1 Creative Industries); and the project descriptions. There is a short report on each project, and we supplemented these with our own interviews with 13 of the businesses that received grants.
- 6.33 The outputs reported by HIE were as follows:

New products developed	27
KTP applications	2
Prototypes developed	4
Follow on funding application	6
New processes developed	5
New companies created	4
Jobs created	6
Jobs safeguarded	25

- 6.34 The survey of the 20 companies indicated that 86% of participants had a positive experience with the academic institute with benefits for the organisation. 81% stated that they would like to continue to collaborate with academia and 36% are currently actively engaged. 75% indicated that they are now comfortable about undertaking research projects.
- 6.35 The response from academia was also very positive, with a 92% satisfaction rate amongst the 10 participant Higher Education establishments that were involved in the BIG award scheme. All of the companies indicated that they would never have undertaken a project if it was not for the financial help given by the BIG award scheme.
- 6.36 Our interviews generally endorsed this positive feedback – with particular successes Highland Park Distillery (see under Hi-Links); Saladworx, an agricultural business in Caithness & Sutherland that worked with the University of Abertay to develop a range of salad dressings; Henshelwoods Fine Foods on Bute, which also worked with Abertay to develop new sauces; and Jura Hotel, which worked with the Moffat Centre at Glasgow Caledonian to develop its business and tourism on the island.
- 6.37 Two discontented grant recipients were identified, one where the University was accused of taking the business’s idea prior to the patent being secured, and another where the University had a perceived lack of expertise in the subject.
- 6.38 Attribution of the jobs created and safeguarded by the grants (see 6.33 above) is difficult where the recipient also received Hi-Links support.

CREATE

- 6.39 CREATE is the Highland Centre for Enterprise and Innovation based at Inverness College, which was launched as a pilot by the College in August 2009. The prime purpose of CREATE is to enhance the enterprise and employability skills of all its learners to both create graduates that are helping to drive innovation and growth for the region's employers, and to mentor those with business ideas and determination in the business start-up process.
- 6.40 The following activities were funded through the SDB at a total approved cost of £132,000 up to December 2010:
- Establishment of the Centre.
 - CREATE's first two Business Ideas Competitions in 2009 and 2010, with 84 and 95 entries respectively.
 - An Experience Enterprise project, through which Inverness College worked closely with 5 projects (which included two partnerships – giving 7 participants in total).
- 6.41 The overall project helped CREATE's early development and it has since built on this with a range of activities funded from a number of sources – although it has not yet been possible to resource a full “roll-out” of its support across the Highlands and Islands, which had been an intended outcome of HIE's support.
- 6.42 HIE's SDB Progress Report shows 1 new business start resulting from CREATE's support through the sub-programme and 1 new product or service developed – both against targets of 5. However, outcomes are likely to have been much higher than this. For example, CREATE's annual Business Ideas Competition alone has led to 59 start-ups over the past 3 years. This was fostered through the SDB Programme, as indicated above, and by 2012, annual entries had grown to 170.

7.0 Creative Industries Development Programme

7.1 The Creative Industries Development Programme was delivered on behalf of HIE by a third party – Creative Highland Ltd, which was a merger of two existing organisations: goEVENTS and HI Screen. The programme offered a range of advice, support and training to businesses and individuals involved in each of the Music and the Screen Broadcast sub-sectors through a trade network approach, which HIE also used at the time to support other creative industries sub-sectors. Support included:

- One-to-one mentoring and workshops.
- Specific networking events to give the widest possible access to the international industry. The largest of these was the annual GoNORTH Festival.
- Delivery of training, particularly around R&D and the development of better content.
- Delivery of showcasing support through Meet the Buyer events.
- Working with businesses to fill skills gaps and provide information / support for access to new markets and distribution.

7.2 The sub-programme ran from July 2010 to June 2013, and the total cost was £1,402,884. This was funded through £841,731 from HIE and £561,153 from ERDF. The following targets were set:

- 200 enterprises receiving support through the SDB.
- Increase of 250 jobs in supported enterprises.
- £20 million increase in turnover in enterprises receiving support.
- £5 million increase in gross value added (GVA) in supported enterprises.

7.3 HIE's monitoring data show that a total of 241 enterprises received support (i.e. advice/consultancy) through the two trade networks. This exceeds the target of 200 given above. An evaluation published in February 2013 of HIE's wider support for the creative industries (including the Creative Industries Development Programme) found that feedback from both music and screen & broadcast assisted enterprises was very positive.

7.4 This evaluation also included an economic impact assessment, and we modified the findings from this from our own primary analysis, which gave the following gross direct impacts from assistance to the two networks (achieved to-date plus expected):

	Created	Safeguarded	Total
Annual Turnover (£)	6.96m	6.48m	13.44m
Employment (ftes)	179	169	348
Annual GVA (£)	4.64m	4.32m	8.96m

7.5 Based on 241 enterprises receiving support (advice/consultancy), the average impact per company would be:

Turnover: £55,764
Employment: 1.4 fte jobs
GVA: £37,176

7.6 This estimated total turnover impact of £13.44 million is below the programme target (£20 million) shown earlier, although a shortfall would have been expected due to the economic recession. However, the employment levels exceeded the target (250 jobs), as did GVA (for which the target was £5 million) – although we estimated GVA without detailed evidence.

7.7 The original additional turnover to additional ftes created ratio of £80,000 (£20 million: 250 ftes) is considered to have been too high for relatively labour intensive creative industries sectors, and the GVA to employment ratio of £20,000 too low.

7.8 As illustrated in the table at 2.2 above, Shetland and Orkney combined had only 13 businesses facilitated through the sub-programme, which is low in the light of the relative importance of the creative industries to these island economies – although the levels reflected the availability of other support organisations in the islands, e.g. Shetland Arts, and HIE advises that numbers have increased since the evaluation.

8.0 Summary of Progress Against Programme Targets

- 8.1 As discussed at 1.8 above, the SDB targets for job creation and increases in turnover across the Capital Programme and the Revenue Programme as a whole did not reflect the types of intervention that the programme was designed to support, and it is more relevant to compare the outcomes for these indicators that we have been able to quantify against norms for comparable programmes/activities than against the SDB targets. Also, employment and turnover achievements likely to be sustained (e.g. for ten years or longer), or increased as projects' outcomes are fully worked through, should not be added to (or compared with) those which might be temporary – for example where directly related to a revenue grant rather than generated through sales of products or services.
- 8.2 We would comment on the employment and turnover outcomes (or most likely outcomes) from the different sub-programmes as follows – appreciating that net additional “impacts” will often be wider, and potentially significantly greater, than simply direct impacts. Also, employment and turnover retention (not recorded as impacts) can be as valuable as impacts created – especially for social enterprises and for businesses in Fragile Areas.

The Capital Programme

- Expected direct employment impacts of 182 ftes by December 2014 and 278 ftes by Year 5 of each property occupant are considered good when compared against the original target of 80 ftes (which was based on historical floorspace per employee norms) and against average experience across the HIE area. The new marine science building at Dunstaffnage, however, is yet to be occupied, and we assumed that its own original target would almost be achieved by Year 5.
- Similarly, increases in turnover by unit occupants are expected to grow to comparatively high levels totalling £13.1 million by December 2014 and £23.7 million by Year 5, despite the economic climate (which particularly affected one occupant dependent on public sector contracts).

Businesses of Scale

- Achievements to-date (in part estimated) attributable to SDB assistance totalling c300 additional direct ftes and c£20 million in additional turnover are comparable to HIE norms for the overall HIE/ERDF investment – although one business generated around two thirds of these impacts.

Facilitation of Social Enterprises

- 197 enterprises were assisted, and the advice that they received generally appeared to be beneficial – although employment and turnover impacts were not tracked.
- 9 business starts were established against a target of 15 – although in the economic climate for social enterprises due to public sector cuts, retention of business was a major challenge for many over the period of the sub-programme.

CRESP

- Feedback from the 32 community groups whose projects were assisted by CES services was generally very positive, although the eventual impacts from spending the surpluses that will in time be generated through the operation of renewable energy projects on which CES advised are not possible to assess with any accuracy, nor could these be attributed meaningfully to the CES advice in isolation.

Hi-Grads

- Estimates of additional impacts from the sub-programme after the placements of 79 ftes created and £4.87 million of additional turnover generated are approximate. In the case of the additional turnover, this may not be attributable in full to the placements per se.
- The 113 full year graduate placements and 120 holiday undergraduate placements funded by ERDF to-date will, in themselves, have provided valuable work experience to participants in a climate where many have had difficulty in securing work commensurate with their qualifications and capacity.

Hi-Links

- 160 enterprises were assisted, with modest initial employment and turnover impacts, but possibly strong eventual impacts – although the UHI forecasts of 199 new jobs and 174 safeguarded jobs are considered optimistic, with a number of projects not progressing to commercialisation.

BIG

- HIE's in-house monitoring shows that funding was provided to 19 businesses, with 27 new products developed, 6 jobs created and 25 safeguarded – although attribution is difficult where recipients also received Hi-Links support.

CREATE

- Meaningful quantification of the results of CREATE's work through the sub-programme is not possible; with new business starts not monitored beyond the short sub-programme period.

Creative Industries Development Programme

- 241 enterprises received support against a target of 200, and feedback on the value of this was generally positive.
- Estimated employment creation of 179 ftes and increased annual turnover of £6.96 million were good achievements, with employment and turnover safeguarded at similar levels (169 ftes and £6.48 million respectively).

9.0 Conclusions from the Evaluation

- 9.1 As summarised in Section 8 above, employment and turnover impacts, in as far as these could be measured or estimated, were strong across the Capital Programme and the different sub-programmes within the Revenue Programme, and all provided good value for money.
- 9.2 All sub-programmes appear to have been run both efficiently and effectively, whether by HIE itself or by sub-programme contractors, with generally appreciative feedback from businesses, organisations and individuals supported.
- 9.3 Across the SDB as a whole, there was generally a good spread of projects assisted in the different parts of the Highlands and Islands (as illustrated in the table at 2.1), although Shetland was generally under-represented, with no major projects to compensate (in contrast to Orkney and Moray, where participation was relatively low in some sub-programmes).
- 9.4 The horizontal themes of equal opportunities, environmental sustainability and social inclusion were very well addressed in Programme delivery – in particular through the criteria applied by HIE to all individual projects assisted and sub-programmes approved that were explicitly evident in the HIE Board papers that we reviewed. HIE has the highest standards for environmental design in its property projects; and many Programme projects incorporated (or were centred on) renewable energy – including the CRESP sub-programme.
- 9.5 The main legacy of the SDB Programme lies in the further progress that individual projects have already made or are expected to make in the future subsequent to their SDB assistance. Our review found many examples of businesses moving on to further job creating projects, and of projects or research facilitated or advised on through the Programme leading to promising developments. Many social enterprises have been given a foundation for future sustainability and growth, including through the Social Enterprise Facilitation Programme, the Creative Industries Development Programme, and CRESP.
- 9.6 Staff of the implementing partners, including HISEZ, Creative Highland Ltd, CES and the UHI, will have gained valuable experience which will increase the value they will be able to add when giving advice in the future or assisting in feasibility research – although the resources available to the UHI to build on the Hi-Links sub-programme are limited.

10.0 Recommendations Relevant to Future ERDF-Supported Programmes

- 10.1 The mix of programmes and assisted projects through the SDB was considered good – although the bulk of the funding went to capital projects and major business development projects of types that were already being assisted by HIE through tried and tested mechanisms. The selection of projects assisted through the SDB depended on a number of factors, including timing and scale. The period to utilise the ERDF was restricted and each of the projects had to meet specific eligibility criteria as part of the SDB. The involvement of experienced HIE account managers, area offices and specialist staff in the sub-programmes helped to ensure efficient and effective Programme operation in the main.
- 10.2 In relation to the other significant sub-programmes, we recommend further follow-up surveys in the future to test their eventual impacts; although establishing more systematic monitoring and evaluation mechanisms at the outset (without undue bureaucracy) would have been recommended to provide better benchmarking than is now available.
- 10.3 Ideally with improved target setting, monitoring, and feedback mechanisms in place, we see no reason why any of the sub-programmes supported through HIE’s SDB Programme should not in future be co-funded by ERDF.
- 10.4 With regard to target setting, monitoring and feedback mechanisms, we recommend the following split in responsibilities for the Scottish Government and HIE:

Scottish Government

- Economic analysis informing the initial target setting for particular sub-programmes – including drawing on past experience and ensuring plausible ratios between indicators.
- Adjusting these targets once programme components, projects to be grant assisted, etc have been determined – especially where certain of these will have been subject to ex-ante impact analysis (see 10.5 below).
- Taking account of employment and turnover retention where applicable as well as employment creation and additional turnover.

HIE

- Measuring employment, turnover and other indicators consistently across sub-programmes, with more use of fte job years rather than ftes to improve comparability and scope to aggregate across sub-programmes.
- Monitoring outcomes by geographical area and identifying projects in Fragile and other priority areas as sub-programmes progress to enable efforts to be stepped up in areas where take-up is slow.
- For larger projects in particular, measuring net impacts in addition to observable direct impacts – taking account of deadweight, displacement, indirect and induced impacts (estimated where applicable) and attribution.

- Assessing long term impacts as well as immediate impacts, taking account of any clawback of grant (e.g. through property rentals).
- Monitoring business starts, new products and services developed, etc, rigorously where targets for such outcomes are set – with more detailed definitions on what these indicators represent than currently given in the ERDF guidance notes.

10.5 Liaison between HIE and the Scottish Government will be required where targets for the individual projects subsequently approved as part of programmes/activities might sum to less than the original targets. Adjusting targets upwards should be straightforward and welcome. However, prior to adjusting downwards, consideration should be given as to whether an appropriate mix of projects has been selected in support of the programmes/activities.